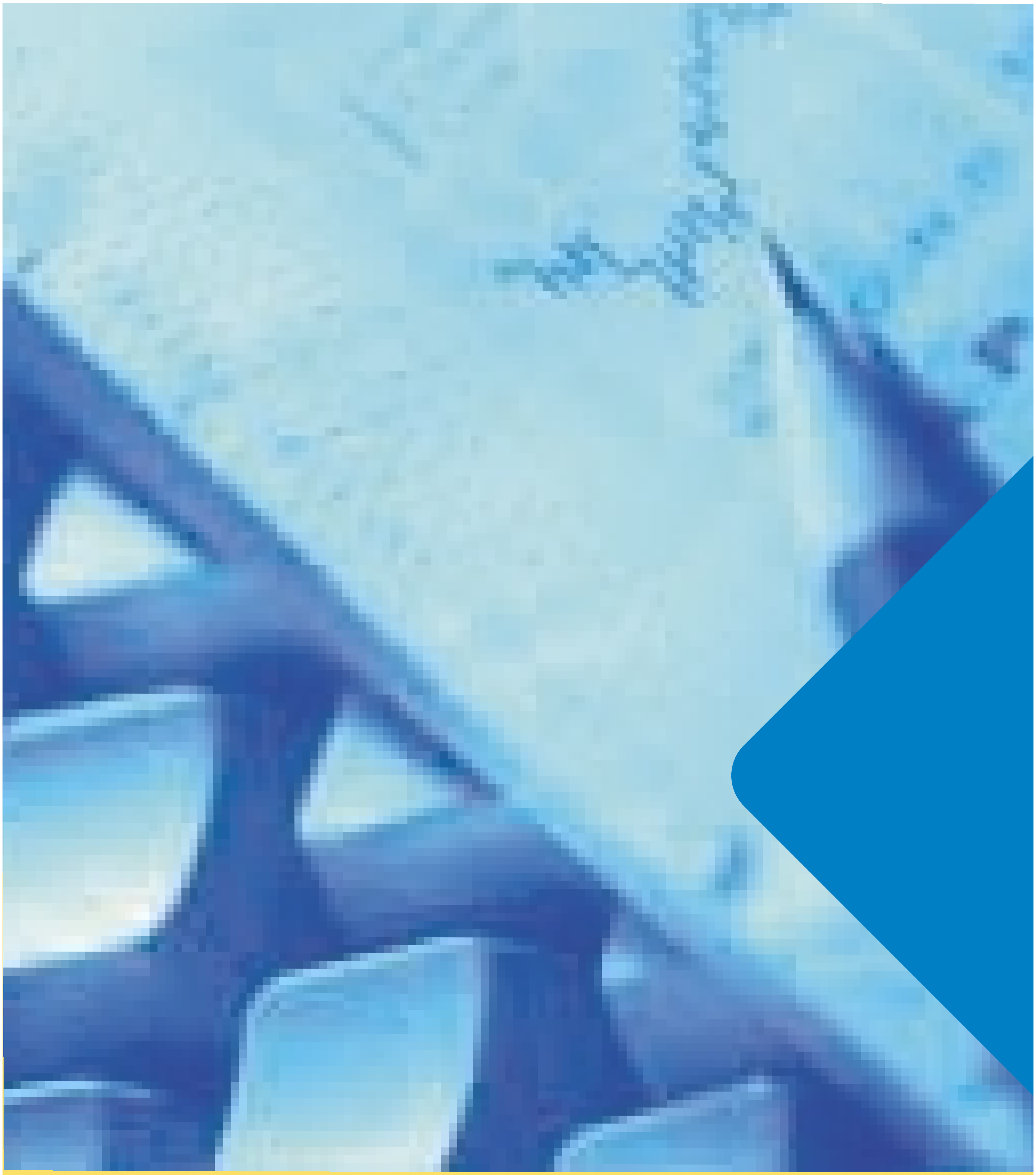

Financial Statements 2004

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
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December 9, 2004

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, 2004 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, 2004 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

Consolidated Balance Sheet

as at October 31, 2004
(expressed in thousands of United States dollars)

	Notes	2004 $	2003 $
Assets			
Cash resources	3	**1,697,947**	2,054,419
Due from banks	4	**1,297,566**	1,430,174
Trading securities	5	**273,295**	169,745
Taxation recoverable		**6,663**	11,292
Other assets	6	**115,122**	108,452
Investment securities	7	**818,396**	774,130
Loans and advances	8	**3,933,886**	3,560,258
Deferred tax assets	20	**6,029**	10,000
Property, plant and equipment	9	**153,441**	137,198
Retirement benefit assets	23	**45,100**	47,137
Goodwill	10	**301,275**	301,275
Total assets		**8,648,720**	8,604,080
Liabilities			
Deposits	11	**7,337,636**	7,256,094
Other liabilities	12	**55,832**	188,832
Taxation payable		**5,665**	4,211
Deferred tax liabilities	20	**2,901**	4,720
Retirement benefit obligations	23	**21,150**	21,730
Total liabilities		**7,423,184**	7,475,587
Minority interest	13	**18,433**	17,035
Shareholders' equity			
Share capital and reserves	14	**1,011,724**	949,040
Retained earnings		**195,379**	162,418
		1,207,103	1,111,458
Total shareholders' equity and liabilities		**8,648,720**	8,604,080

Approved by the Board of Directors on December 9, 2004

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, 2004
(expressed in thousands of United States dollars)

	Notes	Share Capital $	Reserves $	Retained Earnings $	Total $
Balance at October 31, 2002		1,274,762	(391,049)	110,650	994,363
Net income for the year		—	—	71,100	71,100
Dividends		—	—	(19,332)	(19,332)
Rights issue		44,461	—	—	44,461
Issue of shares in exchange for shares in Jamaica subsidiary		4,046	—	—	4,046
Foreign currency translation		—	(5,956)	—	(5,956)
Available-for-sale investment securities — net fair value gains		—	22,776	—	22,776
Balance at October 31, 2003		1,323,269	(374,229)	162,418	1,111,458
Net income for the year		—	—	88,542	88,542
Dividends	24	—	—	(41,188)	(41,188)
Repurchase of non-voting ordinary shares	15	(25,920)	—	—	(25,920)
Transfer to reserves	14	—	14,393	(14,393)	—
Foreign currency translation	14	—	(974)	—	(974)
Available-for-sale investment securities — net fair value gains	14	—	75,185	—	75,185
Balance at October 31, 2004		**1,297,349**	**(285,625)**	**195,379**	**1,207,103**

Consolidated Statement of Income

For the year ended October 31, 2004
(expressed in thousands of United States dollars)

	Notes	2004 $	2003 $
Interest income	16	**400,167**	385,436
Interest expense		**126,816**	130,218
Net interest income		**273,351**	255,218
Non-interest income	17	**112,039**	114,594
		385,390	369,812
Non-interest expenses	18	**247,723**	227,352
Provision for credit losses	8	**14,889**	19,958
Integration/restructuring charges	19	**13,983**	18,880
Goodwill amortisation		**—**	15,856
		276,595	282,046
Income before taxation and minority interest		**108,795**	87,766
Taxation	20	**16,926**	12,816
Income before minority interest		**91,869**	74,950
Minority interest	13	**3,327**	3,850
Net income for the year		**88,542**	71,100
Earnings per share in cents	21		
— basic		**5.80**	4.60
— diluted		**5.21**	4.15

Consolidated Statement of Cash Flows

For the year ended October 31, 2004
(expressed in thousands of United States dollars)

	2004 $	2003 $
Cash flows from operating activities		
Income before taxation and minority interest	**108,795**	87,766
Provision for credit losses	**14,889**	19,958
Depreciation	**15,048**	13,058
Goodwill amortisation	—	15,856
	138,732	136,638
Decrease/(increase) in due from banks	**116,171**	(532,967)
(Increase)/decrease in loans and advances, net of repayments	**(388,517)**	146,358
(Increase)/decrease in other assets/liabilities, net	**(244,132)**	6,787
Increase/(decrease) in deposits, net of withdrawals	**81,542**	(314,345)
Cash used in operating activities	**(296,204)**	(557,529)
Corporate taxes paid	**(8,254)**	(15,571)
Net cash used in operating activities	**(304,458)**	(573,100)
Cash flows from investing activities		
Increase in property, plant and equipment, net of disposals	**(31,291)**	(30,332)
Decrease in securities, net of purchases	**32,849**	236,027
Net cash from investing activities	**1,558**	205,695
Cash flows from financing activities		
Dividends paid	**(43,117)**	(91,224)
Repurchase of non-voting ordinary shares	**(25,920)**	—
Proceeds from rights issue	**—**	44,461
Net cash used in financing activities	**(69,037)**	(46,763)
Net decrease in cash and cash equivalents for the year	**(371,937)**	(414,168)
Effect of exchange rate changes on cash and cash equivalents	**(974)**	(7,076)
Cash and cash equivalents, beginning of year	**1,913,605**	2,334,849
Cash and cash equivalents, end of year (note 3)	**1,540,694**	1,913,605

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 Company is located at Warrens, St. Michael in Barbados. At October 31, 2004 the Group had 3,391 employees (2003 – 3,219).

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 the legal parent company with Barclays transferring its 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. Barclays was identified as the acquirer as the fair value of its business prior to the combination was significantly greater than the fair value of CIBC West Indies' business and as a result Barclays had the greater economic interest. This situation is described by International Financial Reporting Standards as a reverse acquisition.

2. Summary of significant accounting policies

a) Basis of presentation

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) 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) Early adoption of standards

In 2004, the Group early adopted the following standards, which are relevant to its operations:

- IFRS 3 Business Combinations
- IAS 36 (revised 2004) Impairment of Assets
- IAS 38 (revised 2004) Intangible Assets

All changes in the accounting policies have been made in accordance with the transition provisions in the respective standards and the comparative figures for 2003 have been amended, where required.

The early adoption of IFRS 3, IAS 36 (revised 2004) and IAS 38 (revised 2004) resulted in a change in the accounting policy for goodwill. Until October 31, 2003, goodwill was amortised on a straight-line basis over 20 years and assessed for an indication of impairment at each balance sheet date.

In accordance with the provisions of IFRS 3, the Group has ceased amortisation of goodwill from November 1, 2003, and accumulated amortisation up to that date has been eliminated, with a corresponding decrease in the cost of goodwill. From the year ended October 31, 2004, goodwill is tested annually for impairment.

2 Summary of significant accounting policies (continued)

b) Early adoption of standards (continued)

Changes in the accounting policies have been made in accordance with the transition provisions in the respective standards. IFRS 3 was adopted prospectively after October 31, 2003 and requires simultaneous adoption with IAS 36 (revised 2004) and IAS 38 (revised 2004).

c) 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 31.

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.

d) Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency of the Parent Company is Barbados dollars. However, from this year these consolidated financial statements are presented in United States dollars ("the presentation currency") as this is the single largest currency of use throughout the Group and is universally accepted and recognised in all the territories in which the Group operates.

Transactions and balances

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency 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 the Parent Company's functional currency and then converted to the Group presentation currency using prevailing average monthly exchange rates. Realised and unrealised gains and losses on foreign currency positions are reported in income of the current year. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

2 Summary of significant accounting policies (continued)

d) Foreign currency translation (continued)

Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

i) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
ii) Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
iii) All resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

e) 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.

f) 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.

g) 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 timeframe 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.

2 Summary of significant accounting policies (continued)

h) Sale and repurchase agreements

Securities sold subject to linked repurchase agreements ("repos") are retained in the financial statements as investment securities and the counterparty liability is included in amounts due to other banks under other liabilities. 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 interest yield method.

i) Investment securities

The Group classifies its investment securities into the following three categories:

- Held-to-maturity
- Available-for-sale
- Originated debt

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. Investments originated by the Group by providing money directly to the borrower are categorised as originated debt. Management determines the appropriate classification of its investments at the time of the purchase.

Held-to-maturity investments and originated debt are carried at amortised cost using the effective interest yield method, less any provision for impairment.

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 recognised 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 income statement 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 original 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)

j) 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 interest yield method.

All loans and advances are recognised when cash is advanced to borrowers.

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 according to the original contractual terms of loans. 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 included in credit provisions. 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 income statement.

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 income statement.

In circumstances where Central Bank guidelines and regulatory rules require provisions in excess of those calculated under IFRS, the difference is disclosed as an appropriation of retained earnings and is included in a non-distributable general banking reserve.

k) 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 and is reported in the balance sheet as an intangible asset.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Goodwill is allocated to lowest levels for which there are separately identifiable cash flows (cash-generating units) for the purpose of impairment testing. An impairment loss is recognised for the amount by which the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

l) Computer software development costs

Costs associated with maintaining computer software programs are recognised as an expense as incurred. However, expenditure that enhances or extends the benefits of computer software programs 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.

2 Summary of significant accounting policies (continued)

m) 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	2.5%
Leasehold improvements	10% or over the life of the lease
Equipment, furniture and vehicles	20 – 50%

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.

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) Borrowings

Borrowings are recognised initially at "cost", being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently stated at amortised cost and any difference between net proceeds and the redemption value is recognised in the income statement over the period of the borrowings using the effective yield method.

p) Derivative financial instruments and hedge accounting

Interest rate swaps are initially recognised in the balance sheet at cost and subsequently re-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.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either: (1) hedges of the fair value of recognised assets or liabilities (fair value hedge); or (2) hedges of highly probable cash flows attributable to a recognised asset or liability (cash flow hedge). Hedge accounting is used for derivatives designated in this way provided certain criteria are met.

The Group documents, at the inception of the transaction, the relationship between the hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values and cash flows of hedged items.

2 Summary of significant accounting policies (continued)

p) Derivative financial instruments and hedge accounting (continued)

(1) Fair value hedge
Changes in the fair value of the effective portions of derivatives that are designated and qualify as fair value hedges and that prove to be highly effective in relation to hedged risk, are recorded in the income statement, along with the corresponding change in fair value of the hedged asset or liability that is attributable to that specific hedged risk.

If the hedge no longer meets the criteria for hedge accounting, an adjustment to the carrying amount of a hedged interest-bearing financial instrument is amortised to net profit or loss over the period to maturity. The adjustment to the carrying amount of a hedged equity security remains in retained earnings until the disposal of the equity security.

(2) Cash flow hedge
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are recycled to the income statement in the periods in which the hedged item will affect profit or loss (for example, when the forecast sale that is hedged takes place).

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

The Group's criteria for a derivative instrument to be accounted for as a hedge include:
1) formal documentation of the hedging instrument, hedged item, hedging objective, strategy and relationship;
2) the hedge is documented showing that it is expected to be highly effective in offsetting the risk in the hedged item throughout the reporting period; and
3) the hedge is highly effective on an ongoing basis.

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 and upon which dividends are declared at the discretion of the directors, are classified as equity.

2 Summary of significant accounting policies (continued)

t) 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.

Tax payable on profits, based on the applicable tax law in each jurisdiction, is recognised as an expense in the period in which profits arise. Deferred tax assets relating to the carry-forward 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 income statement together with the deferred gain or loss.

u) Interest income and expense

Interest income and expense are recognised in the income statement for all interest-bearing instruments on an accrual basis using the effective interest 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.

v) Fee and commission income

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Loan origination fees for loans which have a high probability of being drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest yield on the loan. Commission and fees arising from negotiating, or participating in the negotiation of a transaction for a third party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts. Asset management fees related to investment funds are recognised ratably over the period the service is provided. The same principle is applied for wealth management, financial planning and custody services that are continuously provided over an extended period of time.

w) Foreign exchange income

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

x) Retirement benefit obligations

Pension obligations

The Group operates a number of pension 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)

x) Retirement benefit obligations (continued)

A defined benefit plan is a pension plan that defines an amount of pension benefit to be provided, usually as a function of one or more factors such as age, years of service or compensation. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

The liability in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date minus the fair value of plan assets, together with adjustments for unrecognised actuarial gains/losses and past service cost. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by the estimated future cash outflows using interest rates of government securities which have terms to maturity approximating the terms of the related liability. Most of the pension plans are final salary plans and the charge for such pension plans, representing the net periodic pension cost less employee contributions, is included in staff costs. Actuarial gains and losses arising from experience adjustments, changes in actuarial assumptions and amendments to pension plans are charged or credited to income over the service lives of the related employees.

For defined contribution plans, the Group makes contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. Once the contributions have been paid, the Group has no further payment obligations. The regular contributions constitute net periodic costs for the year in which they are due and as such are included in staff costs.

The Group's contributions to defined contribution pension plans are charged to the income statement 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.

y) 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.

z) Comparatives

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

(expressed in thousands of United States dollars)

3. Cash resources

	2004 $	2003 $
Cash	**91,864**	61,170
Deposits with Central Banks — interest bearing	**131,926**	293,336
Deposits with Central Banks — non-interest bearing	**107,077**	97,556
Other money market placements	**1,367,080**	1,602,357
Cash resources	**1,697,947**	2,054,419
Mandatory reserve deposits with Central Banks	**(157,253)**	(140,814)
Cash and cash equivalents	**1,540,694**	1,913,605

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% (2003 — 1.6%) per annum.

Included in other money market placements are deposits with CIBC and Barclays Bank PLC entities of $923,009 (2003 — $712,106).

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 1.8% (2003 — 1.6%) per annum.

5. Trading securities

	2004 $	2003 $
Government bonds	**62,089**	-
Corporate bonds	**106,090**	-
Asset-backed securities	**103,601**	97,678
Other debt securities	**1,515**	72,067
	273,295	169,745

The effective yield on trading securities during the year was 3.4% (2003 — 2.3%) per annum.

6. Other assets

	2004 $	2003 $
Accrued interest receivable	**45,090**	39,340
Amount due from related parties	**4,303**	14,247
Other accounts receivable	**54,317**	47,993
Prepayments and deferred items	**11,412**	6,872
	115,122	108,452

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

(expressed in thousands of United States dollars)

7. Investment securities

Originated debt	2004 $	2003 $
Issued or guaranteed by Governments		
– Treasury bills	**193,592**	234,878
– Debt securities	**367,954**	369,383
Total originated debt	**561,546**	604,261
Securities available-for-sale		
Equity securities		
– quoted	**194,737**	114,850
– unquoted	**21,331**	10,586
Total securities available-for-sale	**216,068**	125,436
Securities held-to-maturity		
Issued or guaranteed by Governments		
– Treasury bills	**5,140**	5,094
– Debt securities	**35,642**	39,339
Total securities held-to-maturity	**40,782**	44,433
Total investment securities	**818,396**	774,130

The effective yield during the year on debt securities and treasury bills was 5.2% (2003 – 9.5%). The Group has a regulatory reserve requirement to maintain a percentage of deposit liabilities in cash or in the form of Government securities. At October 31, 2004 the reserve requirement amounted to $256,358 (2003 - $323,058) of which $157,253 (2003 - $140,814) is included within cash resources (note 3).

(expressed in thousands of United States dollars)

8. Loans and advances

	2004 $	2003 $
Mortgages	**1,547,273**	1,305,841
Personal loans	**617,495**	585,633
Business loans	**1,890,143**	1,774,782
Government securities purchased under resale agreements	**4,019**	6,897
	4,058,930	3,673,153
Less: Provisions for impairment	**(125,044)**	(112,895)
	3,933,886	3,560,258

In 2004, the hurricane season was extremely devastating, particularly in the Cayman Islands, Grenada and Jamaica. As a consequence, the Group had to recognise significant additional loan loss provisions. Whilst provisions, on an ongoing basis, for loan losses are necessarily estimates which may change in the short term, the ultimate effects of this hurricane season have added further complexities to the estimation process this year. However, management believes that the amounts provided reflect their best estimate to cover any losses due to impairment of the related assets, but the actual amount of loan losses will be affected by various future events and may vary materially from the amounts provided.

Movement in provisions for impairment is as follows:

	2004 $	2003 $
Balance, beginning of year	**(112,895)**	(103,231)
Doubtful debts expense	**(13,169)**	(18,912)
Recoveries of bad and doubtful debts	**(1,720)**	(1,046)
Bad debts written off	**2,740**	10,294
Balance, end of year	**(125,044)**	(112,895)

The average interest yield during the year on loans and advances was 7.9% (2003 – 8.1%). Impaired loans amounted to $260,171 as at October 31, 2004 (2003 – $321,057) and interest receivable on impaired loans amounted to $3,827 (2003 – $3,193).

(expressed in thousands of United States dollars)

9. Property, plant and equipment

	Land and buildings $	Equipment, furniture and vehicles $	Leasehold improvements $	Total 2004 $
Cost				
Balance, beginning of year	93,170	78,897	38,043	210,110
Purchases	9,617	30,285	205	40,107
Disposals	(5,806)	(2,592)	(3,151)	(11,549)
Assets written off	—	(121)	(5)	(126)
Balance, end of year	96,981	106,469	35,092	238,542
Accumulated depreciation				
Balance, beginning of year	17,357	41,857	13,698	72,912
Depreciation	2,775	11,334	939	15,048
Disposals	(1,868)	(283)	(582)	(2,733)
Assets written off	—	(121)	(5)	(126)
Balance, end of year	18,264	52,787	14,050	85,101
Net book value, end of year	78,717	53,682	21,042	153,441

	Land and buildings $	Equipment, furniture and vehicles $	Leasehold improvements $	Total 2003 $
Cost				
Balance, beginning of year	92,242	69,010	23,267	184,519
Purchases	3,124	9,892	19,609	32,625
Disposals	(2,196)	(5)	(2,060)	(4,261)
Assets written off	—	—	(2,773)	(2,773)
Balance, end of year	93,170	78,897	38,043	210,110
Accumulated depreciation				
Balance, beginning of year	14,389	40,614	9,591	64,594
Depreciation	3,058	1,244	8,756	13,058
Disposals	(90)	(1)	(1,876)	(1,967)
Assets written off	—	—	(2,773)	(2,773)
Balance, end of year	17,357	41,857	13,698	72,912
Net book value, end of year	75,813	37,040	24,345	137,198

Additions to equipment, furniture and vehicles include $22,735 (2003 – $8,732) relating to systems development costs and work in progress, on which no depreciation has been charged as these systems and works are not yet complete and in operation.

(expressed in thousands of United States dollars)

10. Goodwill

	$
Balance, beginning and end of year (note 2 (b) & (k))	301,275

11. Deposits

	Payable on demand $	Payable after notice $	Payable at a fixed date $	2004 Total $	2003 Total $
Individuals	468,622	1,278,352	1,467,756	3,214,730	3,105,268
Business and Governments	1,984,699	235,694	1,837,502	4,057,895	4,028,517
Banks	48,616	9,155	7,240	65,011	122,309
	2,501,937	1,523,201	3,312,498	7,337,636	7,256,094

Included in deposits with banks are deposits from Barclays Banks PLC entities of $15,848 (2003 – $96,923).

The effective rate of interest on deposits during the year was 1.3% (2003 – 2.2%) per annum.

12. Other liabilities

	2004 $	2003 $
Accrued interest payable	**22,442**	22,583
Accounts payable and accruals	**549**	100,571
Interest rate swaps at fair value (note 30 (d))	**3,710**	724
Restructuring provision (note 19)	**6,131**	20,954
Amount due to related parties	**23,000**	44,000
	55,832	188,832

Amounts due to related parties refer to balances due to CIBC and Barclays Bank PLC or their subsidiaries. These balances include $17,000 (2003 – $17,000), which carries interest at 1 year Libor plus 0.75%, repayable in 2005 and $11,000 (2003 – $22,000), which carries interest at 3 month Libor plus 0.75%, repayable in 2006. The remaining amount, which is due from related parties of $5,000 (2003–due to related parties of $5,000), is interest free with no fixed terms of repayment.

(expressed in thousands of United States dollars)

13. Minority interest

	2004 $	2003 $
Balance, beginning of year	**17,035**	16,945
Share of net income of subsidiaries	**3,327**	3,850
Dividends declared	**(1,929)**	(921)
Increase due to Bahamas rights issue	**—**	2,251
Decrease due to acquisition of Jamaica shares	**—**	(5,090)
Balance, end of year	**18,433**	17,035

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 six dollars and five cents ($6.05) per share and resulted in an increase in minority interest in the Bahamas subsidiary of $2,251. There was no change to the shareholding in fiscal 2004.

In May 2003, the Group purchased a 12.4% shareholding in FirstCaribbean International Bank (Jamaica) Limited which resulted in a reduction to minority interest of $5,090. There was no change to the shareholding in fiscal 2004.

14. Share capital and reserves

	2004 $	2003 $
Share capital		
Common shares (note 15)	**1,117,349**	1,117,349
Non-voting Class A shares (note 15)	**—**	25,920
Preference shares (note 15)	**180,000**	180,000
	1,297,349	1,323,269

	2004 $	2003 $
Reserves		
General banking reserve	**27,514**	20,423
Statutory reserve	**45,228**	37,926
Revaluation reserve — available-for-sale investment securities	**112,191**	37,006
Translation reserve	**(6,930)**	(5,956)
Reverse acquisition reserve	**(463,628)**	(463,628)
	(285,625)	(374,229)
Total share capital and reserves, end of year	**1,011,724**	949,040

Movements in reserves were as follows:

	2004 $	2003 $
General banking reserve		
Balance, beginning of year	**20,423**	20,423
Transfers from retained earnings	**7,091**	—
Balance, end of year	**27,514**	20,423

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

(expressed in thousands of United States dollars)

14. Share capital and reserves (continued)

	2004 $	2003 $
Statutory reserve		
Balance, beginning of year	**37,926**	37,926
Transfers from retained earnings	**7,302**	—
Balance, end of year	**45,228**	37,926

The statutory reserve represents accumulated transfers from net income in accordance with local legislation.

	2004 $	2003 $
Revaluation reserve – available-for-sale investment securities		
Balance, beginning of year	**37,006**	14,230
Net gains from changes in fair value of available-for-sale investment securities	**75,905**	22,776
Net gains transferred to income statement on disposal of available-for-sale investment securities	**(720)**	—
Balance, end of year	**112,191**	37,006

	2004 $	2003 $
Translation reserve		
Balance, beginning of year	**(5,956)**	—
Currency translation difference arising during the year	**(974)**	(5,956)
	(6,930)	(5,956)

Reverse acquisition reserve

In accordance with IFRS, the equity of the Company at October 11, 2002 comprised the equity of Barclays ($135,290) together with the fair value of the consideration given to acquire CIBC West Indies ($848,149). 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.

(expressed in thousands of United States dollars)

15. Share capital

	Number of shares	$
Common shares voting, beginning and end of year	1,525,934	1,117,349
Non-voting Class A shares, beginning of year	24,685,024	25,920
Shares repurchased and cancelled	(24,685,024)	(25,920)
Non-voting Class A shares, end of year	—	—
Preferred shares, beginning and end of year	180,000,000	180,000
October 31, 2004		1,297,349
October 31, 2003		1,323,269

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 repurchased and cancelled all of its non-voting shares in December 2003 at a cost of one dollar and five cents ($1.05) per share. No dividends were paid on these shares in the current fiscal year.

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 of 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.

(expressed in thousands of United States dollars)

15. Share capital (continued)

c) Preference shares (continued)

Subject to regulatory approval, the Company may redeem any or all of the Preference Shares at one dollar ($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 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.

16. Interest income

	2004 **$**	**2003** **$**
Loans and advances	**295,479**	282,883
Investment securities	**46,213**	36,913
Reverse repo and other	**58,475**	65,640
	400,167	385,436

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

17. Non-interest income

	2004 **$**	**2003** **$**
Fees and commissions	**50,016**	63,563
Foreign exchange	**42,187**	38,210
Net gains on disposal of available-for-sale investment securities	**720**	—
Other	**19,116**	12,821
	112,039	114,594

18. Non-interest expenses

	2004 **$**	**2003** **$**
Staff costs	**133,224**	126,292
Other operating expenses	**66,841**	61,253
Property and equipment expenses	**32,610**	26,749
Depreciation (note 9)	**15,048**	13,058
	247,723	227,352

(expressed in thousands of United States dollars)

19. Restructuring provision

	2004 $	2003 $
Balance, beginning of year	**20,954**	34,354
Charged/(credited) to income statement during year	**16**	(453)
Net asset adjustment on acquisition	**—**	1,285
Utilised during year	**(14,839)**	(14,232)
Balance, end of year	**6,131**	20,954

As a result of the merger, restructuring accruals were made in 2002 for employee termination costs of $30,825 and other third party costs of $3,529. In 2003, restructuring expenditures of $1,285 that did not occur or were no longer expected to occur were adjusted to goodwill. There were no such adjustments in 2004. The charge of $16 (2003 – write-back of $453) to the income statement is included in the amount of $13,983 (2003 – $18,880) representing restructuring charges for the year.

20. Taxation

	2004 $	2003 $
Taxation charge for the year:		
Current tax	**14,774**	12,459
Deferred tax	**2,152**	357
	16,926	12,816

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

	2004 $	2003 $
Income before taxation	**108,795**	87,766
Tax calculated at the statutory tax rate of 33% (2003 – 36%)	**35,903**	31,596
Effect of different tax rates in other countries	**(30,789)**	(28,752)
Effect of change in tax rate	**1,426**	286
Effect of income not subject to tax	**(8,651)**	(3,600)
Effect of income subject to tax at 12.5%	**(1,392)**	(2,089)
Effect of withholding taxes	**76**	(1,212)
Prior year tax reassessments	**190**	693
Over/(under) provision of current tax liability	**202**	(955)
Under provision of deferred tax liability	**(849)**	(1,669)
Effect of allowances	**(80)**	—
Deferred tax asset not recognised	**17,238**	14,235
Effect of expenses not deductible for tax purposes	**3,652**	4,283
	16,926	12,816

(expressed in thousands of United States dollars)

20. Taxation (continued)

Movement in deferred tax account for the year:

	2004 $	2003 $
Deferred tax position, beginning of year	**5,280**	4,923
Deferred tax (charge)/credit for the year	**(2,152)**	357
Deferred tax position, end of year	**3,128**	5,280
Represented by:		
Deferred tax assets	**6,029**	10,000
Deferred tax liabilities	**(2,901)**	(4,720)
	3,128	5,280

The deferred tax comprises of tax losses of $19,457 (2003 – $18,532), which will expire between 2009 and 2013.

The Group has tax losses of $125,587 (2003 – $71,354) for which no deferred tax assets have been recognised due to uncertainty of their recoverability. These losses will expire between 2006 and 2013.

21. Earnings per share

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

	2004 $	2003 $
Net income attributable to shareholders	**88,542**	71,100
Weighted average number of common and Non-Voting Class A Shares in issue (thousands)	**1,527,189**	1,544,097
Basic earnings per share (expressed in cents per share)	**5.80**	4.60

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. 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.

21. Earnings per share (continued)

	2004 $	2003 $
Net income attributable to shareholders	**88,542**	71,100
(Shares in thousands)		
Weighted average number of Common and Non-Voting Class A Shares in issue	**1,527,189**	1,544,097
Adjustments for:		
Assumed conversion of Preference Shares	**171,000**	171,000
Weighted average number of Common and Non-Voting Class A Shares for diluted earnings per share	**1,698,189**	1,715,097
Diluted earnings per share (expressed in cents per share)	**5.21**	4.15

22. Stock option plan

The predecessor organisation, CIBC West Indies, had a stock option plan. Under the rules of the Plan, options to purchase Common Shares in the Company may be granted to employees that entitle the employee to purchase one Common Share of the Company at the market price (strike price) of the shares on the date of granting the options. The options vest over a four-year period and the maximum period within which an option may be exercised is ten years. In February 1999, 1,050,000 options were granted to current employees at a strike price of one dollar and seventy-two cents ($1.72) per share. To date no options have been exercised. No further options have been granted from this plan.

23. Retirement 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 on the balance sheet are determined as follows:

	Post retirement medical benefits		Defined benefit pension plans	
	2004 $	2003 $	2004 $	2003 $
Fair value of plan assets	**—**	—	**192,000**	233,150
Present value of funded obligations	**(25,432)**	(19,164)	**(151,150)**	(167,669)
	(25,432)	(19,164)	**40,850**	65,481
Unrecognised actuarial gain	**4,292**	564	**4,240**	(21,474)
Net (liability)/asset	**(21,140)**	(18,600)	**45,090**	44,007

(expressed in thousands of United States dollars)

23. Retirement benefit obligations (continued)

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.

The amounts recognised on the balance sheet are as follows:

	Post retirement medical benefits		Defined benefit pension plans	
	2004	**2003**	**2004**	**2003**
	$	**$**	**$**	**$**
Retirement benefit asset	**—**	—	**45,100**	47,137
Retirement benefit obligations	**(21,140)**	(18,600)	**(10)**	(3,130)
Net (liability)/asset	**(21,140)**	(18,600)	**45,090**	44,007

The amounts recognised in the income statement are as follows:

	Post retirement medical benefits		Defined benefit pension plans	
	2004	**2003**	**2004**	**2003**
	$	**$**	**$**	**$**
Current service costs	**1,407**	1,171	**9,290**	9,322
Interest cost	**1,602**	1,123	**11,550**	10,784
Expected return on plan assets	—	—	**(19,350)**	(19,417)
Total amount included in staff costs	**3,009**	2,294	**1,490**	689
Actual return on plan assets	**—**	—	**(5,659)**	11,802

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

	Post retirement medical benefits		Defined benefit pension plans	
	2004	**2003**	**2004**	**2003**
	$	**$**	**$**	**$**
Balance, beginning of year	**(18,600)**	(16,623)	**44,007**	43,403
Pension charge for the year	**(3,009)**	(2,294)	**(1,490)**	(689)
Contributions paid	**—**	—	**2,720**	1,293
Employer premiums for existing retirees	**469**	317	**—**	—
Foreign exchange translation loss	**—**	—	**(147)**	—
Balance, end of year	**(21,140)**	(18,600)	**45,090**	44,007

(expressed in thousands of United States dollars)

23. Retirement benefit obligations (continued)

The principal actuarial assumptions used at the balance sheet date were as follows:

	Defined benefit pension plans	
	2004	**2003**
Discount rate	7.0 – 12.5%	6.0 – 10.0%
Expected return on plan assets	8.5 – 13.0%	7.5 – 12.0%
Future salary increases	5.5 – 10.0%	4.5 – 8.0%
Future pension increases	0.0 – 4.5%	0.0 – 5.5%

	Post retirement medical benefits	
	2004	**2003**
Discount rate	7.0 – 12.5%	6.4 – 10.0%
Premium escalation rate	6.0 – 11.5%	5.4 – 9.0%
Existing retiree age	68 – 69	64 – 69

a) FirstCaribbean International Bank (Jamaica) Limited

The last actuarial valuation was conducted as at November 1, 2004 and revealed a fund surplus of $5,800.

b) FirstCaribbean International Bank Limited

The last actuarial valuation was conducted as at November 1, 2004 and revealed a fund surplus of $62,900.

c) FirstCaribbean International Bank (Bahamas) Limited

The last actuarial valuation was conducted as at November 1, 2004 and revealed a fund surplus of $20,900.

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 and Barclays Cayman operations participated in either contributory or non-contributory defined benefit pension plan. The Company's contribution to these plans was borne entirely by CIBC and Barclays, 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.

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 amount was expensed in the year ended October 31, 2000.

23. Retirement benefit obligations (continued)

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

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 $108 (2003 – $265) on behalf of its employees to this pension plan.

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.

In May 2004, the FirstCaribbean Plan (Cayman section) was established and saw a total of 67 employees transferring from the Barclays Bank CI Plan and 45 transferring from the CIBC, Mighty Oaks Plan to the FirstCaribbean Plan.

FirstCaribbean continues to comply with the requirements of the Cayman Islands National Pension Law. Contributions to date are CI$147, of which CI$60 are employees' contributions and CI$87 relate to the employer.

e) Barclays Bank (1951) Pension Plan

Prior to July 15, 2004, the employees of the former Barclays Bank participated in the defined benefit scheme of the Barclays Bank (1951) pension plan ("the Barclays plan") with exception of Cayman employees where legislation mandated the creation of a defined contribution plan as noted above. The plan was operated under the segregated fund policy. Annual valuations, in pounds sterling, of the Barclays plan covering the West Indies based staff of the bank were performed by an independent actuary.

Following completion of the combination, certain active members of the Barclays plan elected to transfer into a defined benefit pension scheme in the new entity ("the FirstCaribbean plan"). Barclays Bank PLC had 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 did not transfer continue to be funded by the Barclays plan.

On July 15, 2004 the actuaries for the FirstCaribbean Plan confirmed the computation of the transfer payment of £86.4 million undertaken by Watson and Wyatt on behalf of the fund trustees. These funds were transferred on June 25, 2004 and had a market value of £89.2 million and were split between the FirstCaribbean International Bank (Bahamas) plan and the FirstCaribbean International Bank (Barbados) plan.

24. Dividends

As at October 31, 2004 the Directors recommended a final common share dividend, which is not reflected in these financial statements, of one point two five cents ($0.0125) per common share (2003 - $0.0125), bringing the total dividend payout for 2004 to two point five cents ($0.025) per common share (2003 - $0.025).

The company also paid an interim dividend of $3,780 on preference shares calculated at six month Libor plus 2.65% per annum for the period to April 30, 2004. A final dividend of $3,780 was declared on December 9, 2004 for the period May 1 to October 31, 2004, which is not reflected in these financial statements.

(expressed in thousands of United States dollars)

25. Related party transactions and balances

Interest and other income includes $43,708 (2003 – $50,005) and interest expense $2,535 (2003 – $5,564) earned from deposit placements and charged on deposit liabilities and swap arrangements by CIBC and Barclays Bank PLC entities. In the normal course of business the Group receives banking and support services from related parties, for which $533 (2003 – $1,863) was charged during the year.

Under agreement with Barclays Bank PLC, the Company receives an annual payment from Barclays Bank PLC of $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 period is $10,000 (2003 – $10,000). Other transactions and balances with related parties are disclosed separately in the individual notes.

26. Contingent liabilities and commitments

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

	2004	2003
	$	$
Letters of credit	**52,632**	88,181
Loan commitments	**689,641**	538,946
Guarantees and indemnities	**91,462**	91,931
	833,735	719,058

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

27. Future rental commitments under operating leases

As at October 31, 2004 the Group held leases on buildings for extended periods. The future rental commitments under these leases were as follows:

	2004	2003
	$	$
Not later than 1 year	**6,572**	9,335
Later than 1 year and less than 5 years	**20,249**	13,032
Later than 5 years	**5,892**	1,826
	32,713	24,193

(expressed in thousands of United States 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. The geographic distribution of the balance sheet and off-balance sheet financial instruments at October 31 was as follows:

	2004			2003		
	Operating Assets $	**Operating Liabilities $**	**Capital Expenditure $**	**Operating Assets $**	**Operating Liabilities $**	**Capital Expenditure $**
Bahamas	2,699,221	2,394,405	7,167	2,932,296	2,628,088	3,666
Barbados	1,499,199	1,520,357	25,927	1,708,998	1,639,471	12,090
Belize	76,780	62,007	1,220	64,751	56,056	1,089
BVI	460,932	493,300	1,065	492,878	495,788	1,450
Cayman	1,834,506	1,654,308	1,312	2,262,806	1,986,432	993
Eastern Caribbean	904,029	806,214	8,982	844,065	816,801	9,061
Jamaica	315,228	279,804	3,501	320,396	289,104	2,093
Other	462,180	389,680	4,068	382,894	350,119	2,184
	8,252,075	7,600,075	53,242	9,009,084	8,261,859	32,626
Eliminations	212,738	212,738	—	891,029	891,029	—
	8,039,337	7,387,337	53,242	8,118,055	7,370,830	32,626
Non-operating assets/ liabilities	78,858	35,847	—	49,569	104,757	—
Investments	216,068	—	—	125,436	—	—
Goodwill	301,275	—	—	301,275	—	—
Property, plant & equipment	13,182	—	—	9,745	—	—
Minority interest	—	18,433	—	—	17,035	—
Equity	—	1,207,103	—	—	1,111,458	—
	8,648,720	8,648,720	53,242	8,604,080	8,604,080	32,626

Off-balance sheet financial instruments:

	2004 $	**2003 $**
Bahamas	**202,577**	244,202
Barbados	**191,456**	158,498
Belize	**18,722**	18,176
BVI	**20,744**	15,181
Cayman	**166,668**	139,790
Eastern Caribbean	**106,154**	107,826
Jamaica	**48,780**	16,419
Other	**78,634**	18,966
	833,735	719,058

(expressed in thousands of United States dollars)

28. Segmented information (continued)

The geographic distribution of the components of net income for the year ended October 31 was as follows:

	2004			2003		
	Operating Income	**Operating Expenses**	**Operating Profit/ (Loss)**	**Operating Income**	**Operating Expenses**	**Operating Profit/ (Loss)**
Bahamas	123,314	(69,757)	53,557	116,003	(60,929)	55,074
Barbados	80,845	(91,146)	(10,301)	83,896	(79,993)	3,903
Cayman	52,211	(28,330)	23,881	45,979	(22,513)	23,466
Eastern Caribbean	55,186	(31,077)	24,109	52,284	(35,746)	16,538
Jamaica	34,037	(24,371)	9,666	34,836	(23,963)	10,873
Other	39,797	(17,931)	21,866	36,814	(24,166)	12,648
	385,390	(262,612)	122,778	369,812	(247,310)	122,502

	2004 $	2003 $
Total operating profit	122,778	122,502
Integration/restructuring charges	(13,983)	(18,880)
Goodwill amortisation	—	(15,856)
Taxation	(16,926)	(12,816)
Minority interest	(3,327)	(3,850)
Net income	88,542	71,100

Operating income comprises net interest income and non-interest income and operating expenses comprises non-interest expenses and provision for credit losses.

Included in operating expenses, under the Barbados segment, are head office related expenses in the amount of $44,280 (2003 – $34,982).

29. 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 Group had investment assets under administration on behalf of third parties amounting to $523,279 (2003 – $135,097).

30. 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 increase these margins 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.

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 $2,220,575 (2003 – $2,142,280) placed with CIBC and Barclays Bank PLC. Other than these amounts there is no other concentration 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 contract 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.

30. Use of financial instruments (continued)

B. Credit risk (continued)

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.

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.

(expressed in thousands of United States dollars)

30. Use of financial instruments (continued)

C. Currency risk (continued)

Concentrations of assets, liabilities and credit commitments:

	EC $	BDS $	CAY $	BAH $	US $	JA $	Other $	Total $
October 31, 2004								
Assets								
Cash resources	54,758	35,988	(2,190)	110,248	1,141,004	48,313	309,826	1,697,947
Due from banks	36,290	56,433	—	22,961	861,130	—	320,752	1,297,566
Other assets	95,716	18,749	17,041	48,797	65,010	19,658	(92,057)	172,914
Trading securities	—	—	—	—	273,295	—	—	273,295
Investment securities	30,239	275,939	—	146,534	101,646	24,472	239,566	818,396
Loans and advances	524,957	506,236	313,373	1,148,004	1,279,480	102,152	59,684	3,933,886
Goodwill	—	301,275	—	—	—	—	—	301,275
Property, plant and equipment	27,120	51,962	18,401	24,912	17,045	6,951	7,050	153,441
Total assets	769,080	1,246,582	346,625	1,501,456	3,738,610	201,546	844,821	8,648,720
Liabilities								
Deposits	681,538	1,046,472	172,314	1,235,608	3,409,235	162,953	629,516	7,337,636
Other liabilities	(6,725)	30,046	78,295	20,032	26,600	9,015	(71,715)	85,548
Total liabilities	674,813	1,076,518	250,609	1,255,640	3,435,835	171,968	557,801	7,423,184
Net on balance sheet position	**94,267**	**170,064**	**96,016**	**245,816**	**302,775**	**29,578**	**287,020**	**1,225,536**
Credit commitments	**105,166**	**173,338**	**36,539**	**113,083**	**342,366**	**25,965**	**37,278**	**833,735**

(expressed in thousands of United States dollars)

30. Use of financial instruments (continued)

C. Currency risk (continued)

Concentrations of assets, liabilities and credit commitments:

	EC $	BDS $	CAY $	BAH $	US $	JA $	Other $	Total $
October 31, 2003								
Total assets	718,480	1,299,948	317,018	1,287,441	4,086,988	197,303	696,902	8,604,080
Total liabilities	691,244	1,016,345	133,683	1,074,507	3,871,906	168,950	518,952	7,475,587
Net on balance sheet position	**27,236**	**283,603**	**183,335**	**212,934**	**215,082**	**28,353**	**177,950**	**1,128,493**
Credit commitments	**99,170**	**162,388**	**9,690**	**216,579**	**185,727**	**9,800**	**35,704**	**719,058**

D. Cash flow and fair value interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. 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.

The Group uses interest rate swaps as hedges to reduce the exposure to fluctuations in market interest rates. The notional amounts outstanding under derivatives designated as fair value hedges at October 31, 2004 amounted to $120,911 (2003 – $40,552). The notional amounts outstanding under derivatives designated as cash flow hedges at October 31, 2004 amounted to $500,000 (2003 – $Nil). The fair value of all contracts designated as hedging instruments was a liability of $3,710 (2003 – $724).

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.

(expressed in thousands of United States dollars)

30. 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:

October 31, 2004	**1-3 months $**	**3–12 months $**	**1-5 years $**	**Over 5 years $**	**Total $**
Assets					
Cash resources	1,681,219	16,728	—	—	1,697,947
Due from banks	617,346	670,440	9,780	—	1,297,566
Other assets	88,411	47,223	3,757	33,523	172,914
Trading securities	273,295	—	—	—	273,295
Investment securities	79,835	187,199	127,560	423,802	818,396
Loans and advances	605,807	441,748	1,261,916	1,624,415	3,933,886
Goodwill	—	—	—	301,275	301,275
Property, plant and equipment	—	—	6,951	146,490	153,441
Total assets	3,345,913	1,363,338	1,409,964	2,529,505	8,648,720
Liabilities					
Deposits	5,774,464	728,807	79,004	755,361	7,337,636
Other liabilities	—	83,845	—	1,703	85,548
Total liabilities	5,774,464	812,652	79,004	757,064	7,423,184
Net on balance sheet position	**(2,428,551)**	**550,686**	**1,330,960**	**1,772,441**	**1,225,536**
Credit commitments	**481,669**	**321,335**	**21,890**	**8,841**	**833,735**

October 31, 2003	**1-3 months $**	**3-12 months $**	**1-5 years $**	**Over 5 years $**	**Total $**
Total assets	4,265,308	618,575	1,409,210	2,310,987	8,604,080
Total liabilities	6,651,013	659,005	149,656	15,913	7,475,587
Net on balance sheet position	**(2,385,705)**	**(40,430)**	**1,259,554**	**2,295,074**	**1,128,493**
Credit commitments	**639,971**	**72,508**	**4,555**	**2,024**	**719,058**

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.

30. Use of financial instruments (continued)

E. Liquidity risk (continued)

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.

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.

31. 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 (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 Limited	Jamaica
FirstCaribbean International Bank (Cayman) Limited	Cayman Islands
FirstCaribbean International Finance Corporation (Cayman) Limited	Cayman Islands
FirstCaribbean International Finance Corporation (Netherlands Antilles) Limited	Netherlands Antilles
FirstCaribbean International (Cayman) Nominees Company Limited	Cayman Islands

All subsidiaries are wholly owned unless otherwise stated.

32. Post balance sheet event

In November 2004, the Group disposed of an 8.8% holding in another financial institution resulting in a net gain on sale of $117 million.

Management Proxy Circular

Barbados
The Companies Act, Chapter 308
[Section 140]

1. **Name of Company:**
   FirstCaribbean International Bank Limited
   Company No. 8521

2. **Particulars of Meeting:**
   Eleventh Annual Meeting of the Shareholders of the Company to be held at the Almond Bay Conference Centre, Hastings, Christ Church on Wednesday, March 23, 2005 at 5 p.m.

3. **Solicitation:**
   It is intended to vote the Proxy hereby 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 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
February 10, 2005	Ella N. Hoyos Corporate Secretary FirstCaribbean International Bank Limited	

Proxy Form

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 Wednesday, March 23, 2005.

Dated this ____________ day of ____________ 2005.

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 01, 2003 to October 31, 2004.		
Resolution 2 To approve the election of the following person as a Director for the term hereinafter set forth: (i) John Eaton for a period of one year. To re-elect the following persons as Directors: (ii) Michael Mansoor for a period of three years. (iii) Sir Fred Gollop for a period of three years. (iv) Ronald Lalonde for a period of three years.		
Resolution 3 To approve the re-appointment of PricewaterhouseCoopers as the Company's 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 name 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 Bank (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.