PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
Providence House
East Hill Street
P.O. Box N-3910
Nassau, The Bahamas
Website: www.pwc.com
E-mail: pwcbs@bs.pwc.com
Telephone (242) 302-5300
Facsimile (242) 302-5350

Independent Auditors' Report

To the Shareholders of
FirstCaribbean International Bank (Bahamas) Limited

We have audited the accompanying consolidated balance sheet of FirstCaribbean International Bank (Bahamas) Limited (the "Bank") as of October 31, 2005 and the related consolidated statements of income, changes in shareholders' equity and cash flows for the year then ended. These 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 accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Bank as of October 31, 2005 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
December 19, 2005

Consolidated Balance Sheet

As at October 31, 2005
(expressed in thousands of Bahamian dollars)

	Notes	2005 $	2004 $
ASSETS			
Cash and balances with central banks	3	**108,802**	73,870
Loans and advances to banks	4	**682,859**	791,990
Trading securities	5	**307,711**	276,519
Other assets	6	**44,170**	22,052
Investment securities	7	**161,100**	181,123
Loans and advances to customers	8	**1,972,392**	1,679,181
Property, plant and equipment	9	**31,764**	35,334
Retirement benefit assets	10	**13,597**	13,167
Intangible assets	11	**187,747**	187,747
Total assets		**3,510,142**	3,260,983
LIABILITIES			
Customer deposits	13	**2,856,737**	2,721,980
Other liabilities	14	**63,085**	4,847
Retirement benefit obligations	10	**10,600**	9,064
Total liabilities		**2,930,422**	2,735,891
Share capital and reserves	16	**417,281**	414,364
Retained earnings		**162,439**	110,728
		579,720	525,092
Total shareholders' equity and liabilities		**3,510,142**	3,260,983

Approved by the Board of Directors on December 19, 2005

Michael Mansoor
Chairman

Sharon Brown
Managing Director

Consolidated Statement of Income

For the year ended October 31, 2005
(expressed in thousands of Bahamian dollars)

	Notes	2005 $	2004 $
Interest income		**188,119**	153,961
Interest expense		**61,650**	55,108
Net interest income	17	**126,469**	98,853
Operating income	18	**39,100**	36,907
		165,569	135,760
Operating expenses	19	**62,158**	65,954
Provision for credit losses	8	**3,918**	7,909
Integration/restructuring charges		—	279
		66,076	74,142
Net income for the year		**99,493**	61,618
Earnings per share in cents	21	**82.8**	51.3

Consolidated Statement of Changes in Shareholders' Equity

For the year ended October 31, 2005
(expressed in thousands of Bahamian dollars)

	Notes	Share capital $	Reserves $	Retained earnings $	Total $
Balance at October 31, 2003		477,230	(63,566)	87,076	500,740
Net income for the year		—	—	61,618	61,618
Dividends		—	—	(37,266)	(37,266)
Transfer to Statutory Reserve Fund — Turks and Caicos Islands	16	—	700	(700)	—
Balance at October 31, 2004		477,230	(62,866)	110,728	525,092
Net income for the year		—	—	99,493	99,493
Dividends		—	—	(45,682)	(45,682)
Revaluation gains	16	—	817	—	817
Transfer to Statutory Reserve Fund — Turks and Caicos Islands	16	—	2,100	(2,100)	—
Balance at October 31, 2005		477,230	(59,949)	162,439	579,720

Consolidated Statement of Cash Flows

For the year ended October 31, 2005
(expressed in thousands of Bahamian dollars)

	2005 $	2004 $
Cash flows from operating activities		
Income before taxation and minority interest	**99,493**	61,618
Provision for credit losses	**3,918**	7,909
Depreciation	**3,835**	2,933
Gains on sale of property, plant and equipment	**(2,728)**	(13)
Interest income on investment securities	**(9,415)**	(9,505)
Cash flows from operating profits before changes in operating assets and liabilities	**95,103**	64,942
Changes in operating assets and liabilities:		
– net increase in mandatory reserves	**(3,488)**	(6,514)
– net increase in trading securities	**(31,192)**	(106,773)
– net increase in loans and advances to customers	**(297,129)**	(184,356)
– net increase in other assets	**(16,731)**	(931)
– net increase in customer deposits	**134,757**	39,015
– net (increase)/decrease in other liabilities	**54,774**	(10,684)
Net cash used in operating activities	**(63,906)**	(207,301)
Cash flows from investing activities		
Purchases of property, plant and equipment	**(3,729)**	(9,610)
Proceeds from sale of property, plant and equipment	**6,192**	155
Purchase of investment securities	**(25,575)**	(44,537)
Proceeds from sale and redemption of investment securities	**45,602**	30,645
Interest received on investment securities	**9,411**	8,577
Net cash from/(used in) investing activities	**31,901**	(14,770)
Cash flows from financing activities		
Dividends paid	**(45,682)**	(37,266)
Net cash used in financing activities	**(45,682)**	(37,266)
Net decrease in cash and cash equivalents for the year	**(77,687)**	(259,337)
Cash and cash equivalents, beginning of year	**819,798**	1,079,135
Cash and cash equivalents, end of year (note 22)	**742,111**	819,798

Notes to the Financial Statements

For the year ended October 31, 2005
(expressed in thousands of Bahamian dollars)

1. General information

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

The Bank is a subsidiary of FirstCaribbean International Bank Limited, formerly CIBC West Indies Holdings Limited (the "Parent"), a company incorporated in Barbados with the ultimate parent companies being jointly CIBC, a company incorporated in Canada, and Barclays Bank PLC, a company incorporated in England.

The registered office of the Bank is located at the FirstCaribbean Financial Centre, 2nd Floor, Shirley Street, Nassau, The Bahamas. At October 31, 2005 the Bank had 811 employees (2004 – 820).

2. Summary of significant accounting policies

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.

The preparation of financial statements in conformity with IFRS 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.

Early adoption of standards

In 2004, the Bank 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.

Consolidation

Subsidiary undertakings, which are those companies in which the Bank 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 29. Subsidiaries are consolidated from the date on which the effective control is transferred to the Bank.

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 Bank.

2 Summary of significant accounting policies (continued)

Segment reporting

A business segment is a group of assets and operations engaged in providing products and services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments. 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.

Foreign currency translation

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency of the Bank is Bahamian dollars and these consolidated financial statements are presented in Bahamian dollars.

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 nonmonetary assets and liabilities are translated at historic rates. Revenue and expenses denominated in foreign currencies are translated into the Bank's functional currency using exchange rates at the date of the transactions. Realised and unrealised gains and losses on foreign currency positions are reported in income of the current year. Translation differences on nonmonetary items, such as equities classified as available-for-sale financial assets, are included in the translation reserve in equity.

Derivative financial instruments and hedge accounting

Derivatives 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 derivatives 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 Bank 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 Bank'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, at the inception of the transaction;
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.

2. Summary of significant accounting policies (continued)

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 are 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.

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.

Interest income ceases to be accrued if not collected for a period of 90 days on loans and at that time, all such interest accrued is reversed from the income statement until collected.

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, usually on a time-apportionate basis. 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.

2. Summary of significant accounting policies (continued)

Financial assets

The Bank classifies its financial assets into the following four categories:

- Trading securities
- Loans and receivables
- Held-to-maturity investments
- Available-for-sale financial assets

Management determines the classification of its investments at initial recognition.

Trading securities are investments acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Bank provides money, goods or services directly to a debtor with no intention of trading the receivable.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Bank's management has the positive intention and ability to hold to maturity. Were the Bank to sell other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available for sale.

Available-for-sale investments are those 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.

All purchases and sales of financial assets held-to-maturity, available-for-sale and trading 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 Bank commits to purchase or sell the asset. Otherwise such transactions are treated as derivatives until settlement occurs. Loans and receivables are recognised when cash is advanced to borrowers.

Financial assets are initially recognised at fair value plus transaction costs. Financial assets are derecognised when the rights to receive the cash flows from the financial assets have expired or where the Bank has transferred substantially all risks and rewards of ownership.

Available-for-sale and trading financial assets are subsequently re-measured at fair value based on quoted bid prices or amounts derived from cash flow models. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest yield method, less any provision for impairment. Third party expenses associated with loans and receivables, such as legal fees, incurred in securing a loan are expensed as incurred. 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. Interest earned whilst holding trading securities is reported as interest income.

The fair value of quoted investments in active markets are based on current bid prices. Unquoted equity instruments for which fair values cannot be measured reliably are recognised at cost less impairment.

2. Summary of significant accounting policies (continued)

Financial assets (continued)

Interest earned whilst holding investment securities is reported as interest income. Dividends are recorded on the accrual basis and included in income. Interest calculated using the effective interest yield method is recognised in the income statement.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

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.

Impairment of financial assets

The Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of financial assets is impaired includes observable data that comes to the attention of the Bank about the following loss events:

(a) Significant financial difficulty of the issuer or obligor;
(b) a breach of contract, such as a default or delinquency in interest or principal payments;
(c) the Bank granting to a borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;
(d) it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
(e) the disappearance of an active market for that financial asset because of financial difficulties; or
(f) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
— adverse changes in the payment status of borrowers in the group; or
— national or local economic conditions that correlate with default on the assets in the group.

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as 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.

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.

2 Summary of significant accounting policies (continued)

Impairment of financial assets (continued)

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.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the net identifiable 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.

Computer software development costs

Costs associated with developing and maintaining computer software programs are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Bank, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include software development employee costs and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are amortised using the straight-line method over their useful lives (not exceeding five years).

Property, plant and equipment

Land and buildings comprise mainly branches and offices. All property, plant and equipment is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is computed on the straight-line method at rates considered adequate to writeoff the cost of depreciable assets, less salvage, over their useful lives.

The annual rates used are:

– Buildings	2.5%
– Leasehold improvements	10% or term of the lease, whichever is less
– Equipment, furniture and vehicles	20 – 50%

2. Summary of significant accounting policies (continued)

Property, plant and equipment (continued)

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. The asset's recoverable amount is the higher of the asset's fair value less costs to sell and the value in use. Gains and losses on disposal of property, plant and equipment are determined by reference to its carrying amount and are taken into account in determining net income.

Leases

When assets are held subject to a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

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, non-restricted deposits with Central Banks (excluding mandatory reserve deposits), treasury bills and other money market placements.

Provisions

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, it is more than likely 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.

Pension obligations

The Bank operates a pension plan, the assets of which are held in a separate trustee-administered fund. The pension plan is generally funded by payments from employees and the Bank, taking account of the recommendations of independent qualified actuaries. The plan has defined benefit sections and a defined contribution section.

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 Bank 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 recognised in the balance sheet 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.

2. Summary of significant accounting policies (continued)

Pension obligations (continued)

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to income over the expected average service lives of the related employees. Past service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, past service costs are amortised on a straight-line basis over the vesting period.

For the defined contribution section, the Bank makes contributions to a private trustee-administered fund on a mandatory, contractual or voluntary basis. Once the contributions have been paid, the Bank 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 Bank's contributions to defined contribution pension plans are charged to the income statement in the year to which they relate.

Other post-retirement obligations

The Bank provides post-retirement healthcare benefits to its 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. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to income over the expected average service lives of the related employees. These obligations are valued annually by independent qualified actuaries.

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.

Dividends on ordinary shares

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

Comparatives

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

(expressed in thousands of Bahamian dollars)

3. Cash and balances with central banks

	2005 $	2004 $
Cash	**28,290**	22,915
Deposits with Central Banks — non-interest bearing	**80,512**	50,955
Cash and balances with central banks	**108,802**	73,870
Mandatory reserve deposits with Central Banks	**(49,550)**	(46,062)
Included in cash and cash equivalents (note 22)	**59,252**	27,808

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

4. Loans and advances to banks

	2005 $	2004 $
Loans and advances to banks	**679,875**	790,185
Add: Accrued interest receivable	**2,984**	1,805
Included in cash and cash equivalents (note 22)	**682,859**	791,990

Included in loans and advances to banks are deposit placements with CIBC and Barclays Bank PLC entities of $518,562 (2004 — $698,631). The effective yield on these amounts during the year was 2.7% (2004 — 1.8%) per annum.

5. Trading securities

	2005 $	2004 $
Government bonds	**1,566**	62,089
Corporate bonds	**142,431**	106,090
Asset-backed securities	**159,429**	103,601
Other debt securities	**906**	1,515
	304,332	273,295
Add: Accrued interest receivable	**3,379**	3,224
	307,711	276,519

The effective yield on trading securities during the year was 6.1% (2004 — 3.4%) per annum.

(expressed in thousands of Bahamian dollars)

6. Other assets

	2005 $	2004 $
Due from related parties	**12,630**	4,650
Prepayments and deferred items	**1,398**	1,135
Other accounts receivable	**30,142**	16,267
	44,170	22,052

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

7. Investment securities

	2005 $	2004 $
Originated debt		
Issued or guaranteed by Governments		
– Treasury bills	**—**	11,772
– Debt securities	**158,823**	167,078
	158,823	178,850
Add: Accrued interest receivable	**2,277**	2,273
Total originated debt	**161,100**	181,123

The effective yield during the year on debt securities and treasury bills was 6.0% (2004 — 5.8%). The Bank has a regulatory reserve requirement to maintain a percentage of deposit liabilities in cash or in the form of Government securities. At October 31, 2005 the reserve requirement amounted to $49,950 (2004 — $46,062), the total of which is included within cash and balances with central banks (note 3).

The movement in investment securities may be summarised as follows:

	$
Originated debt	
Balance, beginning of year	178,850
Additions	25,575
Disposals (sale and redemption)	(45,602)
Balance, end of year	158,823

(expressed in thousands of Bahamian dollars)

8. Loans and advances to customers

	2005 $	2004 $
Mortgages	**860,265**	740,062
Personal loans	**288,667**	270,208
Business loans	**857,180**	704,354
	2,006,112	1,714,624
Add: Interest receivable	**9,297**	10,174
Less: Provisions for impairment		
– specific provisions for credit risks	**(36,640)**	(36,269)
– general provisions for inherent risk	**(6,377)**	(9,348)
	1,972,392	1,679,181

Movement in provisions for impairment is as follows:

	Specific credit risk provision $	Inherent risk provision $
Balance, October 31, 2003	**(31,477)**	(7,907)
Doubtful debt expense	**(6,104)**	(1,805)
Recoveries of bad and doubtful debts	**(289)**	—
Bad debts written off	**1,601**	364
Balance, October 31, 2004	**(36,269)**	(9,348)
Doubtful debt expense	**(6,889)**	2,971
Recoveries of bad and doubtful debts	**(865)**	—
Bad debts written off	**7,383**	—
Balance, October 31, 2005	**(36,640)**	(6,377)

The average interest yield during the year on loans and advances was 8.2% (2004 — 7.3%). The aggregate amount of non-performing loans was $105,911 as at October 31, 2005 (2004 — $102,555).

(expressed in thousands of Bahamian dollars)

9. Property, plant and equipment

	Land and buildings $	Equipment, furniture and vehicles $	Leasehold improvements $	Total 2005 $
Cost				
Balance, beginning of year	25,970	27,042	10,314	63,326
Purchases/transfers	(1,883)	3,584	2,028	3,729
Disposals	(3,651)	(102)	(897)	(4,650)
Balance, end of year	20,436	30,524	11,445	62,405
Accumulated depreciation				
Balance, beginning of year	5,628	17,632	4,732	27,992
Depreciation	533	2,338	964	3,835
Disposals	(878)	(72)	(236)	(1,186)
Balance, end of year	5,283	19,898	5,460	30,641
Net book values				
End of year	15,153	10,626	5,985	31,764
Beginning of year	20,342	9,410	5,582	35,334

10. Employee post-retirement benefit obligations

The Bank has insured group health plans and a pension plan. The pension plan comprises of defined benefit sections as well as a defined contribution section and is non-contributory but allows for additional voluntary contributions. 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 method.

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

	Defined benefit pension plans		Post retirement medical benefits	
	2005 $	2004 $	2005 $	2004 $
Fair value of plan assets	**77,458**	44,240	—	—
Present value of funded obligations	**(50,440)**	(48,512)	**(8,910)**	(15,507)
	27,018	(4,272)	**(8,910)**	(15,507)
Unrecognised actuarial gains/losses	**(13,421)**	17,439	**(1,690)**	6,443
Net asset/(liability)	**13,597**	13,167	**(10,600)**	(9,064)

(expressed in thousands of Bahamian dollars)

10. Employee post-retirement benefit obligations (continued)

The amounts recognised on the balance sheet are as follows:

	Defined benefit pension plans		Post retirement medical benefits	
	2005	**2004**	**2005**	**2004**
	$	**$**	**$**	**$**
Retirement benefit asset	**13,597**	13,167	—	—
Retirement benefit obligations	—	—	**(10,600)**	(9,064)
Net asset/(liability)	**13,597**	13,167	**(10,600)**	(9,064)

The amounts recognised in the income statement are as follows:

	Defined benefit pension plans		Post retirement medical benefits	
	2005	**2004**	**2005**	**2004**
	$	**$**	**$**	**$**
Current service costs	**2,780**	3,200	**500**	663
Curtailment and settlement cost	**(280)**	—	**281**	—
Interest cost	**3,460**	3,330	**860**	753
Expected return on plan assets	**(6,390)**	(4,769)	—	—
Total amount included in staff costs	**(430)**	1,761	**1,641**	1,416
Actual return on plan assets	**5,570**	4,130	—	—

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

	Defined benefit pension plans		Post retirement medical benefits	
	2005	**2004**	**2005**	**2004**
	$	**$**	**$**	**$**
Balance, beginning of year	13,167	14,610	(9,064)	(7,998)
Charge for the year	430	(1,763)	(1,641)	(1,416)
Contributions paid	—	320	—	—
Employer premiums for existing retirees	—	—	105	350
Balance, end of year	13,597	13,167	(10,600)	(9,064)

(expressed in thousands of Bahamian dollars)

10. Employee post-retirement benefit obligations (continued)

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

	Defined benefit Pension plans	
	2005	**2004**
Discount rate	**7.0%**	7.0%
Expected return on plan assets	**8.5%**	8.5%
Future salary increases	**5.3%**	5.5%
Future pension increases	**1.8%**	1.8%

	Post retirement medical benefits	
	2005	**2004**
Discount rate	**7.0%**	6.7%
Premium escalation rate	**5.0%**	5.7%
Existing retiree age	**64**	64

The last actuarial valuation on the plan was conducted as at November 1, 2004 and revealed a total fund surplus of $20 million.

The employees of the former Barclays Bank previously participated in the defined benefit scheme of the Barclays Bank (1951) pension plan ("the Barclays plan"). In January 2004, following the completion of the combination of the various plans, the active members of the Barclays plan elected to transfer into a defined benefit pension scheme in the new entity ("the FirstCaribbean plan").

During 2004 Barclays Bank PLC transferred to the FirstCaribbean plan assets sufficient to fully fund a ten-year contribution holiday in respect of the employees of the former Barclays Bank. The fair value of the plan assets included in these consolidated financial statements includes the amount that Barclays Bank PLC transferred to the FirstCaribbean plan which was determined on the basis of an actuarial valuation.

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

(expressed in thousands of Bahamian dollars)

11. Intangible assets

	2005 $	2004 $
Goodwill		
Gross amount of goodwill at beginning of year	**187,747**	198,217
Adjustment made during the year	—	(10,470)
Gross amount of goodwill at end of year	**187,747**	187,747
Goodwill accumulated amortisation at beginning of year	—	10,470
Adjustment made during the year	—	(10,470)
Goodwill accumulated amortisation at end of year	—	—
Goodwill balance at end of year	**187,747**	187,747

12. Derivative financial instruments

	Contract/ Notional Amount	Fair Values	
		Assets	Liabilities
October 31, 2005			
(1) Derivatives held for trading			
– Interest rate swaps	(204,700)	6,015	—
(2) Derivatives held for hedging			
Derivatives designated as cash flow hedges			
– Interest rate swaps	95,433	817	(267)
		6,832	(267)
October 31, 2004			
(1) Derivatives held for trading			
– Interest rate swaps	128,800	363	—
(2) Derivatives held for hedging			
Derivatives designated as cash flow hedges			
– Interest rate swaps	6,000	—	(267)
		363	(267)

The fair values for derivative financial investments are included in other assets and liabilities.

(expressed in thousands of Bahamian dollars)

13. Customer deposits

	Payable on demand $	Payable after notice $	Payable at a fixed date $	2005 Total $	2004 Total $
Individuals	138,158	167,457	707,633	1,013,248	983,565
Business and Governments	658,805	28,512	1,060,529	1,747,846	1,672,460
Banks	702	—	80,666	81,368	51,596
	797,665	195,969	1,848,828	2,842,462	2,707,621
Add: Interest payable	307	199	13,769	14,275	14,359
	779,972	196,168	1,862,597	2,856,737	2,721,980

Included in deposits with banks are deposits from CIBC and Barclays Bank PLC entities of $17,550 (2004 — $15,848).

The effective rate of interest on deposits during the year was 2.1% (2004 — 1.9% per annum).

14. Other liabilities

	2005 $	2004 $
Accounts payable and accruals	**60,184**	2,052
Accrued interest payable	**1,684**	605
Restructuring provision (note 20)	—	2,011
Amount due to related parties	**1,217**	179
	63,085	4,847

15. Share capital

	Number of shares	$
Common shares voting, beginning and end of year	120,216,204	477,230
October 31, 2005	120,216,204	477,230
October 31, 2004	120,216,204	477,230

The Bank is authorised to issue 150 million ordinary shares with a par value of $0.10 each and 50 million preference shares with a par value of $$0.10 per share.

(expressed in thousands of Bahamian dollars)

16. Share capital and reserves

	2005 $	2004 $
Share capital (note 15)	**477,230**	477,230
Reserves:		
Statutory reserve — Turks & Caicos Islands	**2,800**	700
Hedging reserve — cash flow hedges	**817**	—
Reverse acquisition reserve	**(63,566)**	(63,566)
Total reserves	**(59,949)**	(63,566)
Total share capital and reserves	**417,281**	414,364

The movements in reserves were as follows:

	2005 $	2004 $
Statutory reserve		
Balance, beginning of year	**700**	—
Transfers from retained earnings	**2,100**	700
Balance, end of year	**2,800**	700

Hedging reserves — cash flow hedges		
Balance, beginning of year	—	—
Net gains from changes in fair value	**817**	—
Balance, end of year	**817**	—

At October 11, 2002, the equity of the Bank comprised the equity of Barclays Bahamas together with the fair value of the consideration given to acquire CIBC Bahamas. However, legally the share capital of the Bank comprised the issued share capital of CIBC Bahamas 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 together with the retained earnings of Barclays Bahamas, and the equity of the Bank presented in accordance with IFRS.

In accordance with the Banking (Amendment) Ordinance 2002 of the Turks & Caicos Islands, the Bank is required to maintain a Statutory Reserve Fund of not less than the amount of its assigned capital. Where it is less than the assigned capital, the Bank is required to annually transfer 25% of its net profit earned from its TCI operations to this fund. During 2004 the Bank assigned $24 million of capital to the TCI operations. During the year the Bank transferred $2,100 thousand (2004 – $700 thousand) from retained earnings to the statutory reserve fund.

(expressed in thousands of Bahamian dollars)

17. Net interest income

	2005 $	2004 $
Interest income		
Cash and short-term funds	**20,368**	18,388
Securities	**27,800**	17,338
Loans and advances	**139,951**	118,235
	188,119	153,961
Interest expense		
Banks and customers	**59,859**	51,695
Other borrowed funds	**1,791**	3,413
	61,650	55,108
	126,469	98,853

18. Operating income

	2005 $	2004 $
Net fee and commission income	**19,049**	15,142
Net trading income – foreign exchange transaction gains less losses	**10,991**	10,190
– translation gains less losses	**816**	(518)
– interest rate instruments	**(6,084)**	(3,688)
Other operating income	**14,328**	15,781
	39,100	36,907

Analysis of net fee and commission income:

	2005	2004
Fee and commission income		
Credit-related fees and commissions	**6,818**	5,530
Corporate finance fees	**14**	13
Other fees	**12,217**	9,599
	19,049	15,142

19. Operating expenses

	2005 $	2004 $
Staff costs	**36,201**	35,042
Property, plant and equipment expenses	**6,092**	8,014
Profit on sale of property, plant & equipment	**(2,715)**	—
Depreciation (note 9)	**3,835**	2,933
Operating lease rentals	**3,543**	3,354
Other operating expenses	**15,202**	16,611
	62,158	65,954

(expressed in thousands of Bahamian dollars)

19. Operating expenses (continued)

Analysis of staff costs:

	2005 $	2004 $
Wages and salaries	**28,026**	28,920
Defined benefit plans	**(179)**	1,752
Other post retirement benefits	**1,536**	1,066
Other benefits	**6,818**	3,304
	36,201	35,042

The average number of persons employed by the Bank during the year was 815 (2004 — 789).

20. Restructuring provision

	2005 $	2004 $
Balance, beginning of year	**2,011**	6,883
Credited to income statement during year	**(1,145)**	—
Utilised during year	**(866)**	(4,872)
Balance, end of year	**—**	2,011

As a result of the merger in 2002, restructuring costs were estimated and recognised as a restructuring provision in the prior periods. During fiscal year 2005 only $866 of this provision was utilised (2004 — $4,872). The remaining provision of $1,145 was written back to income during the year.

21. Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year.

	2005 $	2004 $
Net income attributable to shareholders	**99,493**	61,618
Weighted average number of ordinary shares in issue (thousands)	**120,216**	120,216
Basic earnings per share (expressed in cents per share)	**82.8**	51.3

(expressed in thousands of Bahamian dollars)

22. Cash and cash equivalents

	2005 $	2004 $
Cash and balances with The Central Bank (note 3)	**59,252**	27,808
Loans and advances to banks (note 4)	**682,859**	791,990
	742,111	819,798

23. Dividends

At the Board of Directors meeting held on December 19, 2005, a final dividend of $0.30 per share amounting to $36,064,861 (2004 — $0.18 per share, amounting to $21,638,917) in respect of the 2005 net income was proposed and declared. The consolidated financial statements for the year ended October 31, 2005 do not reflect this resolution, which will be accounted for in shareholders' equity as an appropriation of retained earnings in the year ending October 31, 2006.

24. Related party transactions and balances

Interest income includes $18.5 million (2004 — $17.5 million) and interest expense includes $2.0 million (2004 — $3.9 million) earned from and paid to related entities.

In the normal course of business, the Bank receives banking and support services from related parties, for which $2.3 million (2004 — $2.3 million) was charged during the year.

Deposits maintained with other FirstCaribbean, CIBC and Barclays entities amounted to $522 million (2004 — $699 million)

Non-interest income includes $10 million (2004 — $10 million) from Barclays Bank PLC as an incentive for the Bank to retain its placement balance with Barclays Capital.

25. Contingent liabilities and commitments

In addition to granting loan commitments, the Bank conducts business involving guarantees, performance bonds and indemnities, which are not reflected in the balance sheet.

At the balance sheet date the following contingent liabilities exist:

	2005 $	2004 $
Letters of credit	**42,966**	9,897
Loan commitments	**351,109**	254,717
Guarantees and indemnities	**14,586**	7,757
	408,661	272,371

The Bank 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.

(expressed in thousands of Bahamian dollars)

26. Future rental commitments under operating leases

As at October 31, 2005 the Bank held leases on buildings for extended periods. The future rental commitments under these leases were as follows:

	2005	**2004**
	$	**$**
Not later than 1 year	**3,122**	2,706
Later than 1 year and less than 5 years	**7,556**	8,504
Later than 5 years	**2,436**	2,640
	13,114	13,850

27. Business segments

The Bank is organised into five (5) main business segments:

- Retail Banking – incorporating private banking services, private customer current accounts, savings, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages.
- Corporate Banking – incorporating direct debit facilities, current accounts, deposits, overdrafts, loan and other credit facilities and foreign currency.
- International Banking – incorporating personal banking services such as currency accounts, deposit accounts, international mutual funds, and personal mortgages for non-residents as well as banking services to business and professional intermediaries who use international financial centres.
- Capital Markets – incorporating structured financing and corporate leasing.
- Treasury – providing foreign exchange transactions on behalf of clients and hedges of loans and investments.

Transactions between the business segments are on normal commercial terms and conditions.

Funds are ordinarily allocated between segments, resulting in funding costs transfers disclosed in operating income. Interest charged for these funds is based on the Bank's cost of capital. There are no other material items of income or expense between the segments.

Segment assets and liabilities comprise operating assets and liabilities, being the majority of the balance sheet, but exclude items such as taxation and borrowings.

Internal charges and transfer pricing adjustments have been reflected in the performance of each business. Revenue sharing agreements are used to allocate external customer revenues to a business segment on a reasonable basis.

Due to unavailability of data, there are no 2004 comparatives for the business segment reporting.

(expressed in thousands of Bahamian dollars)

27. Business segments (continued)

October 31, 2005	Retail Banking $	Corporate Banking $	International Banking $	Capital Markets $	Treasury $	Other $	Total $
External revenues	109,404	66,362	5,256	1,005	36,280	8,938	227,245
Revenues from other segments	(5,551)	(5,515)	35,202	(715)	(23,448)	—	(27)
Total revenues	103,853	60,847	40,458	290	12,832	8,938	227,218
Segment result	61,584	41,546	17,192	282	18,699	(35,892)	103,411
Unallocated costs	—	—	—	—	—	—	(3,918)
Operating profit	61,584	41,546	17,192	282	18,699	(35,892)	99,493
Net income for the year	**61,584**	**41,546**	**17,192**	**282**	**18,699**	**(35,892)**	**99,493**
Segment assets	1,028,603	836,412	1,325,098	996	261,084	57,949	3,510,142
Total assets	**1,028,603**	**836,412**	**1,325,098**	**996**	**261,084**	**57,949**	**3,510,142**
Segment liabilities	558,215	747,252	1,304,993	—	303,025	16,937	2,930,422
Total liabilities	**558,215**	**747,252**	**1,304,993**	**—**	**303,025**	**16,937**	**2,930,422**
Other segment items							
Capital expenditure							3,729
Depreciation							3,835
Loan loss expenses							3,918

Capital expenditure comprises additions to property, plant and equipment (note 9) and goodwill (note 11) including additions resulting from acquisitions through business combinations.

Geographical segments are set out in Note 28 (c).

28. Financial risk management

A. Strategy in using financial instruments

By its nature the Bank's activities are principally related to the use of financial instruments. The Bank 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 Bank 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.

28. Financial risk management (continued)

The Bank 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 Bank also enters into guarantees and other commitments such as letters of credit and performance and other bonds.

B. Credit risk

The Bank takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. The Bank 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 $518,562 (2004 — $698,631) placed with CIBC and Barclays Bank PLC. Other than these amounts there is no other concentration of credit risk.

Derivatives

The Bank 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 Bank (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 Bank requires margin deposits from counterparties.

Master netting arrangements

The Bank 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 favorable 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 Bank'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.

(expressed in thousands of Bahamian dollars)

28. Financial risk management (continued)

B. Credit risk (continued)

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 Bank 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 Bank on behalf of a customer authorising a third party to draw drafts on the Bank 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 Bank 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 Bank 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. Geographical concentration of assets, liabilities and off-balance sheet items

The following note incorporates IAS 32 credit risk disclosures, IAS 30 geographical concentrations of assets, liabilities and off-balance sheet items disclosures and a public enterprise's IAS 14 (revised) secondary segment disclosures.

	Total assets $	Total liabilities $	Credit commitments $	Revenues $	Capital expenditure $
October 31, 2005					
The Bahamas	3,062,151	2,525,132	371,124	203,513	2,984
Turks & Caicos Islands	447,991	405,290	37,537	23,706	745
	3,510,142	2,930,422	408,661	227,219	3,729
October 31, 2004					
The Bahamas	2,890,225	2,398,224	202,577	177,727	7,167
Turks & Caicos Islands	370,758	337,667	69,794	13,141	2,443
	3,260,983	2,735,891	272,371	190,868	9,610

Although the Bank is managed based on the five business segments, they operate in two geographical areas. The Bank's exposure to credit risk is concentrated in these areas.

Capital expenditure is shown by geographical area in which the property, plant and equipment are located.

(expressed in thousands of Bahamian dollars)

28. Financial risk management (continued)

C. Geographical concentration of assets, liabilities and off-balance sheet items (continued)

Geographic sector risk concentrations within the customer loan portfolio were as follows:

	2005 $	2005 %	2004 $	2004 %
The Bahamas	**1,819,464**	**92.2**	1,540,373	91.7
Turks & Caicos Islands	**152,928**	**7.8**	138,808	8.3
	1,972,392	**100.0**	1,679,181	100.0

D. Currency risk

The Bank 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 Bank's exposure to foreign currency exchange rate risk at October 31, 2005. 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 Bank's exposure to currency movements, and their fair values.

Concentrations of assets, liabilities and credit commitments:

October 31, 2005	**BAH** **$**	**US** **$**	**Other** **$**	**Total** **$**
Assets				
Cash and balances with Central Banks	98,346	10,363	93	108,802
Loans and advances to banks	1,226	447,241	234,392	682,859
Trading securities	—	307,711	—	307,711
Other assets	12,183	28,741	3,246	44,170
Investment securities	133,627	27,473	—	161,100
Retirement benefit assets	11,788	1,809	—	13,597
Loans and advances to customers	1,270,367	698,860	3,165	1,972,392
Property, plant and equipment	24,770	6,913	81	31,764
Intangible assets	187,747	—	—	187,747
Total assets	1,740,054	1,529,111	240,977	3,510,142
Liabilities				
Customer deposits	1,284,982	1,339,007	—	232,748
Retirement benefits obligation	10,310	290	—	10,600
Other liabilities	(7,090)	67,748	2,427	63,085
Total liabilities	1,288,202	1,407,045	235,175	2,930,422
Net on balance sheet position	451,852	122,066	5,802	579,720
Credit commitments	**218,758**	**189,104**	**799**	**408,661**

(expressed in thousands of Bahamian dollars)

28. Financial risk management (continued)

D. Currency risk

October 31, 2004	BAH	US	Other	Total
Total assets	1,683,815	1,348,960	228,208	3,260,983
Total liabilities	1,250,621	1,258,638	226,632	2,735,891
Net on balance sheet position	433,194	90,322	1,576	525,092
Credit commitments	93,771	160,946	—	254,717

E. 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 Bank 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 one month, which represent balances on current accounts considered by the Bank as a relatively stable core source of funding of its operations.

The Bank uses interest rate swaps as hedges to reduce the exposure to fluctuations in market interest rates. The notional amounts outstanding under derivatives designated as cash flow hedges at October 31, 2005 amounted to $95,433 (2004 — $6,000). The fair value of all contracts designated as hedging instruments was an asset of $550 (2004 — a liability of $267).

F. Liquidity risk

The Bank 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 Bank 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.

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

(expressed in thousands of Bahamian dollars)

28. Financial risk management (continued)

F. Liquidity risk (continued)

Maturities of assets and liabilities

	0-3 months $	3-12 months $	1-5 years $	Over 5 years $	Total $
October 31, 2005					
Assets					
Cash and balances with central banks	108,802	—	—	—	108,802
Loan and advances to banks	512,924	169,935	—	—	682,859
Trading securities	307,711	—	—	—	307,711
Other assets	41,258	—	—	2,912	44,170
Investment securities	4,776	8,776	51,929	95,619	161,100
Retirement benefit assets	—	—	—	13,597	13,597
Loans and advances to customers	290,469	213,461	566,785	901,677	1,972,392
Property, plant and equipment	—	—	—	31,764	31,764
Intangible assets	—	—	—	187,747	187,747
Total assets	1,265,940	392,172	618,714	1,233,316	3,510,142
Liabilities					
Customer deposits	2,228,392	415,732	3,861	208,752	2,856,737
Retirement benefit obligations	—	—	—	10,600	10,600
Other liabilities	63,085	—	—	—	63,085
Total liabilities	2,291,477	415,732	3,861	219,352	2,930,422
Net on balance sheet position	(1,025,537)	(23,560)	614,853	1,024,564	579,720
Credit commitments	17,318	391,343	—	—	408,661
October 31, 2004					
Total assets	1,277,802	372,796	612,061	998,324	3,260,983
Total liabilities	1,648,472	364,848	5,712	716,859	2,735,891
Net on balance sheet position	(370,670)	7,948	606,349	281,465	525,092
Credit commitments	19,571	252,800	—	—	272,371

(expressed in thousands of Bahamian dollars)

28. Financial risk management (continued)

F. Liquidity risk (continued)

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Bank. 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 Bank 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 Bank 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.

G. Fair values of financial assets and liabilities

	Carrying value		Fair value	
	2005 Total $	**2004 Total $**	**2005 Total $**	**2004 Total $**
Financial assets				
Loans and advances to banks	682,859	791,990	682,859	791,990
Loans and advances to customers	1,972,392	1,679,181	1,972,392	1,679,181
Investment securities — originated debt	161,100	181,123	161,100	181,123
Financial liabilities				
Customer deposits	2,856,737	2,721,980	2,856,737	2,721,980

Loans and advances to banks

Loans and advances to banks include interbank 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 to customers and originated debt

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.

28. Financial risk management (continued)

G. Fair values of financial assets and liabilities (continued)

Investment securities — held to maturity

Investment securities include only interest-bearing assets held to maturity, as available-for-sale securities are measured at fair value. Fair value for held-to-maturity assets is based on market prices or broker/dealer price quotations. Where this information is not available, fair value has been estimated using quoted market prices for securities with similar credit, maturity and yield characteristics. Where fair values still cannot be measured reliably, these securities are carried at cost less impairment.

Customer deposits and other borrowed funds

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.

29. Principal subsidiary undertakings

Name	Country of incorporation
FirstCaribbean International Finance Corporation (Bahamas) Limited	Bahamas
FirstCaribbean International (Bahamas) Nominees Company Limited	Bahamas
FirstCaribbean International Land Holdings (TCI) Limited	Turks & Caicos Islands

All subsidiaries are wholly owned unless otherwise stated.

We are providing these proxy materials in connection with the solicitation by the Board of Directors of FirstCaribbean International Bank (Bahamas) Limited, of proxies to be voted at the Company's 2005 Annual General Meeting of Shareholders and at any meeting following adjournment thereof.

Shareholders are advised that no shareholder proposal has been filed and no action is proposed by the Board of Directors which would create the possibility of a "dissenting shareholder" under Section 168 of The Companies Act, 1992. The Board of Directors is also not aware of any solicitation of proxies by a person or Group adverse to present management of this Company.

You are cordially invited to attend the annual meeting on February 27th, 2006 beginning at 6:00 p.m. E.S.T. Shareholders will be admitted beginning at 5:30 p.m. E.S.T. The meeting will be held at the British Colonial Hilton, Victoria Room, Number One Bay Street, Nassau, The Bahamas.

This financial year of FirstCaribbean International Bank (Bahamas) Limited began on November 1, 2004 and ended October 31, 2005. References in this proxy statement to the year 2005 or financial 2005 refer to the period as mentioned above.

We are mailing this proxy statement and accompanying forms of proxy and voting instructions to holders of the Company's ordinary shares on February 3, 2006, the record date for the meeting.

Proxies and Voting Procedures

The Board of Directors and the Management of the Company do not contemplate the solicitation of proxies otherwise than by mail.

A shareholder has the right to appoint a person or company (who need not be a shareholder), other than the persons designated by the Directors as proxy holders in the accompanying form of proxy, to represent the shareholder at the meeting by striking out the names of the persons so designated and inserting the name of the chosen proxy holder in the blank space provided for that purpose in the form of proxy, or by completing and signing another proper form of proxy. A proxy must be in writing and must be executed by the shareholder or by an attorney authorised in writing and deposited at the offices of CIBC Trust (Bahamas) Limited, Goodman's Bay Corporate Centre, West Bay Street, Nassau, The Bahamas. A shareholder who executes and returns the accompanying form of proxy may revoke it by an instrument in writing executed by such shareholder or attorney authorised in writing and deposited at the offices of CIBC Trust (Bahamas) Limited, Registrar and Transfer Agents at Goodman's Bay Corporate Centre, West Bay Street, Nassau, The Bahamas at any time up to and including the last business day preceding the day of the meeting, or with the Chairman of the meeting on the day of the meeting prior to the commencement thereof, or in any other manner permitted by law.

All shares entitled to vote and represented by properly completed proxies received prior to the meeting and not revoked will be voted at the meeting in accordance with your instructions. If you do not indicate how your shares should be voted on a matter, the shares represented by your properly completed proxy will be voted as the Board of Directors recommends.

If any other matters are properly presented at the annual meeting for consideration, including, among other things, consideration of a motion to adjourn the meeting to another time or place, the persons named as proxies and acting thereunder will have discretion to vote on those matters according to their best judgment to the same extent as the person delivering the proxy would be entitled to vote. At the date this proxy statement went to press, we did not anticipate that any other matters would be raised at the meeting.

Shareholders Entitled to Vote

Shareholders at the close of business on the record date are entitled to notice of and to vote at the annual meeting.

On February 3, 2006 there were 120,216,204 ordinary shares of par value $0.10 each outstanding. Each share is entitled to one vote on each matter properly brought before the meeting.

At close of business on February 3, 2006 FirstCaribbean International Bank Limited beneficially owned or controlled directly or indirectly 114,463,600 shares which represents 95.21% of the Company's issued ordinary shares.

Quorum and Required Vote

The presence, in person or by proxy, of the holders of a majority of the shares entitled to vote generally for the election of Directors is necessary to constitute a quorum at the meeting. For purposes of determining a quorum, abstentions are counted as present and are entitled to vote. Pursuant to the Articles of Association, three persons, each being a member entitled to attend and vote at the meeting, or a proxy for such a member, or the duly authorised representative of a corporate member so entitled, shall be a quorum.

Election of Directors

The articles of the Company currently provide that the Board of Directors of the Company shall consist of a minimum of five (5) and a maximum of twelve (12) directors, with the actual number of directors to be determined from time to time by the Board of Directors.

Directors can be either elected annually by the shareholders at the annual meeting of shareholders or, subject to the articles of the Company and applicable law, appointed by the Board of Directors between annual meetings. Each director shall hold office until the close of the next annual meeting of shareholders or until he or she ceases to be a director by operation of law or articles of Association of the Company or until his or her resignation becomes effective. By resolution of the Board of Directors, the number of directors has been fixed at eight (8) effective upon the election of directors at the Meeting.

The Board of Directors held four (4) meetings in 2005.

The persons designated as proxy holders in the accompanying form of proxy will vote ordinary shares represented by such form of proxy, properly executed, for the election of the nominees whose names are set forth herein, unless specifically directed to withhold a vote. All the nominees were previously elected by the shareholders of the Company as directors of the Company.

If any nominee is for any reason unavailable to serve (which management has no reason to believe to be the case), the persons designated as proxy holders in the accompanying form of proxy shall have the right to exercise their discretion by voting for another qualified nominee.

The following table sets out the names of all persons proposed to be nominated for election as Directors, along with other relevant information. All nominees are now members of the Board of Directors.

Compensation of Directors

Each director who is not an employee of FirstCaribbean International Bank (Bahamas) Limited is paid a fee of $1,500 per meeting for his or her services as a director. Directors are also entitled to reimbursement for reasonable travel and living expenses incurred by them in attending any Board of Directors or committee meetings.

No special remuneration was paid to any director during financial year 2005.

Senior Management Compensation

The senior management of the Company received aggregate compensation amounting to $920,782 in the financial year 2005.

Name	Principal Occupation	Director Since	Number of Shares Since Beneficially Owned or Controlled Directly or Indirectly
Michael Mansoor	Executive Chairman, FirstCaribbean International Bank	1999	Nil
Sharon Brown	Executive Director, Managing Director	2002	Nil
J.W.P. Krukowski	Chairman, Doctor's Hospital Health System Ltd	1997	Nil
Terence Hilts	Retired Banker	1997	31,020
Willie Moss	Attorney-at-law	1998	Nil
Teresa Butler	Former Chairman, Bahamas Public Service Commission & Retired Permanent Secretary	2002	Nil
G. Diane Stewart	Attorney-at-law	2002	Nil
Jan-Arne Farstad	Executive Director, International Banking	2004	Nil

Indebtedness of Management

There is a total indebtedness of approximately B$2,269,012 due to the Company from members of the senior management and directors. This represents loans and mortgages.

Management's Interest in Transactions

No director, executive officer, or senior officer of the Company, or proposed nominee for election as a director of the Company, has held or currently holds a material interest in any transaction entered into by the Company or its subsidiaries.

Share Option Plan

There is no share option plan.

Shareholder Feedback and Communication

The Company's communications policy is reviewed by the Board of Directors of the Company periodically and provides that communications with all constituents will be made in a timely, accurate and effective manner. The Company communicates regularly with its shareholders through press releases, and annual and quarterly reports. At the Company's shareholders' meetings, a full opportunity is afforded to permit shareholders to ask questions concerning the Company's activities. Investor and shareholder concerns are addressed on an ongoing basis through the office of the Corporate Secretary.

Appointment of Auditors

At the meeting, the shareholders will be called upon to appoint auditors of the Company at a remuneration to be fixed by the Board of Directors and to serve until the close of the next annual meeting of the Company. To be effective, the resolution appointing auditors of the Company must be approved by the majority of the votes cast by the holders of Ordinary Shares present in person, or represented by proxy, at the Meeting.

Arrangements will be made for one or more representatives of the proposed auditors to attend the meeting.

Other Business

The management of the Company knows of no matters to come before the meeting other than the matters referred to in the Notice of Annual Meeting. However, if any other matters which are not known to the management of the Company should properly come before the Meeting, forms of proxy given pursuant to this solicitation by the management of the Company will be voted on such matters in accordance with the best judgment of the person voting the proxy.

Directors' Approval and Certificate

The contents and the sending of this Information Circular and Proxy Form have been approved by the Board of Directors of the Company. The foregoing contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made.

Dated at the City of Nassau, New Providence Island in the Commonwealth of The Bahamas this February 3rd, 2006.

Michael Mansoor
Chairman

Teresa Williams
Corporate Secretary

Proxy Form

The undersigned ____ *(please print)* of_______________________________ *(please print)* being a shareholder of FirstCaribbean International Bank (Bahamas) Limited ("the Company") hereby appoints Mr. Michael M. Mansoor, or failing him, Sharon E. Brown, or instead or either of them, _____________________ or _____________________as proxy of the undersigned to attend and vote at the Annual General Meeting of Shareholders ("the meeting") of the Company to be held on February 27, 2006 and at any adjournment thereof, notice of the meeting, together with the accompanying financial statements and the Information Circular having been received by the undersigned, and on behalf of the undersigned to vote as specifically directed below.

1. Specified in the accompanying Information Circular:

Michael Mansoor, Chairman	VOTE FOR ___	WITHHOLD FROM VOTING ___
Sharon Brown	VOTE FOR ___	WITHHOLD FROM VOTING ___
Terence Hilts	VOTE FOR ___	WITHHOLD FROM VOTING ___
Willie Moss	VOTE FOR ___	WITHHOLD FROM VOTING ___
Teresa Butler	VOTE FOR ___	WITHHOLD FROM VOTING ___
G. Diane Stewart	VOTE FOR ___	WITHHOLD FROM VOTING ___
Jan-Arne Farstad	VOTE FOR ___	WITHHOLD FROM VOTING ___
J.W.P. Krukowski	VOTE FOR ___	WITHHOLD FROM VOTING ___

2. To vote for or withhold from voting on the appointment of Auditors of the Company and to authorise the Directors to fix their remuneration:

   VOTE FOR ___ WITHHOLD FROM VOTING ___

3. To vote in their discretion upon any other business which may properly come before the meeting or any adjournment thereof.

The undersigned revokes any prior proxies to vote the shares covered by this proxy.

This proxy is solicited on behalf of the Management of the Company and will be voted as directed in the spaces provided above or, if no direction is given it will be voted in the affirmative for each of the above proposals.

Dated this ………………………………………. day of ……………………………………A.D. 2006

Corporate Seal …………………………………………………………………………………………

Notes:

The persons named in this proxy are Officers of the Company. Each shareholder submitting the proxy shall have the right to appoint a person or company to represent him/her at the meeting other than the persons designated above. To exercise this right, the shareholder may insert the name of the desired representative in the blank space provided and strike out the other names or may submit another appropriate proxy.

In order for this form of proxy or other appropriate forms of proxy to be valid, it must be signed and should be dated by the shareholder or the shareholder's attorney. The signature should be exactly the same as the name in which the shares are registered. The proxy must be sent by mail or hand-delivered to the offices of CIBC Trust (Bahamas) Limited, Registrar and Transfer Agents, Goodman's Bay Corporate Centre, West Bay Street, no later than 48 hours before the time for holding the meeting. If this form of proxy is received undated but otherwise properly executed, it will for all purposes be deemed to be dated February 24th, 2006.

Design: Lonsdale Saatchi & Saatchi Advertising Limited
Prepress: Impact Pre-press Limited
Printing: Zenith Printing Services Limited

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