Financial Statements 2005

PricewaterhouseCoopers
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December 16, 2005

AUDITORS' REPORT

To the Shareholders of
FirstCaribbean International Bank Limited

We have audited the accompanying consolidated balance sheet of **FirstCaribbean International Bank Limited** ("the Company") 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 consolidated financial statements are the responsibility of the Company'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 Company 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

Consolidated Balance Sheet

As of October 31, 2005
(expressed in thousands of United States dollars)

	Notes	2005 $	2004 $
Assets			
Cash and balances with central banks	3	**409,696**	330,867
Loans and advances to banks	4	**2,490,343**	2,673,327
Derivative financial instruments	12	**11,290**	—
Trading securities	5	**668,899**	276,519
Other assets	6	**188,813**	69,943
Taxation recoverable		**12,198**	6,663
Investment securities	7	**646,594**	827,476
Loans and advances to customers	8	**4,630,998**	3,958,080
Property, plant and equipment	9	**148,956**	153,441
Deferred tax assets	22	**7,004**	6,029
Retirement benefit assets	10	**47,607**	45,100
Intangible assets	11	**305,535**	301,275
Total assets		**9,567,933**	8,648,720
Liabilities			
Derivative financial instruments	12	**4,350**	3,702
Customer deposits	13	**7,729,395**	7,359,646
Other borrowed funds	14	**42,348**	—
Other liabilities	15	**421,487**	30,120
Taxation payable		**8,649**	5,665
Deferred tax liabilities	22	**4,094**	2,901
Debt securities in issue	16	**199,532**	—
Retirement benefit obligations	10	**24,077**	21,150
Total liabilities		**8,433,932**	7,423,184
Minority interest	17	**21,334**	18,433
Shareholders' equity			
Share capital and reserves	18	**736,601**	1,011,724
Retained earnings		**376,066**	195,379
		1,112,667	1,207,103
Total shareholders' equity and liabilities		**9,567,933**	8,648,720

Approved by the Board of Directors on December 16, 2005

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, 2005
(expressed in thousands of United States dollars)

	Notes	Share capital $	Reserves $	Retained earnings $	Total $
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		—	—	(41,188)	(41,188)
Repurchase of non-voting Class A shares		(25,920)	—	—	(25,920)
Transfer to reserves	18	—	14,393	(14,393)	—
Foreign currency translation differences	18	—	(974)	—	(974)
Net change in available-for-sale investment securities	18	—	78,887	—	78,887
Net change in cash flow hedges	18	—	(3,702)	—	(3,702)
Balance at October 31, 2004		1,297,349	(285,625)	195,379	1,207,103
Net income for the year		—	—	257,935	257,935
Dividends		—	—	(56,003)	(56,003)
Redemption of preference shares	18	(180,000)	—	—	(180,000)
Transfer to reserves	18	—	21,245	(21,245)	—
Foreign currency translation differences	18	—	(2,066)	—	(2,066)
Net change in available-for-sale investment securities	18	—	(113,654)	—	(113,654)
Net change in cash flow hedges	18	—	(648)	—	(648)
Balance at October 31, 2005		1,117,349	(380,748)	376,066	1,112,667

Consolidated Statement of Income

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

	Notes	2005 $	2004 $
Interest income		**479,415**	400,167
Interest expense		**168,664**	126,816
Net interest income	19	**310,751**	273,351
Operating income	20	**235,817**	112,039
		546,568	385,390
Operating expenses	21	**262,172**	261,706
Loan loss expenses	8	**7,308**	14,889
		269,480	276,595
Income before taxation and minority interest		**277,088**	108,795
Taxation	22	**13,973**	16,926
Income before minority interest		**263,115**	91,869
Minority interest	17	**5,180**	3,327
Net income for the year		**257,935**	88,542
Earnings per share in cents	23		
— basic		**16.9**	5.8
— diluted		**16.9**	5.2

Consolidated Statement of Cash Flows

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

	2005 $	2004 $
Cash flows from operating activities		
Income before taxation and minority interest	**277,088**	108,795
Provision for credit losses	**7,308**	14,889
Depreciation	**18,325**	15,048
Net gains on sale of property, plant and equipment	**(7,161)**	(3,491)
Net gains on sale and redemption of investment securities	**(118,636)**	(720)
Interest income earned on investment securities	**(61,827)**	(46,213)
Interest expense incurred on borrowed funds and debt securities	**10,996**	—
Dividend income	**(3)**	—
Cash flows from operating profits before changes in operating assets and liabilities	**126,090**	88,308
Changes in operating assets and liabilities:		
— net decrease in loans and advances to banks	**561,427**	116,171
— net increase in trading securities	**(392,380)**	(103,549)
— net increase in loans and advances to customers	**(660,974)**	(388,517)
— net increase in other assets	**(132,380)**	(4,633)
— net increase in customer deposits	**355,580**	81,542
— net increase/(decrease) in other liabilities	**399,488**	(124,950)
Corporate taxes paid	**(16,525)**	(8,254)
Net cash from/(used in) operating activities	**240,326**	(343,882)
Cash flows from investing activities		
Purchases of property, plant and equipment	**(31,979)**	(40,107)
Proceeds from sale of property, plant and equipment	**25,464**	12,307
Decrease in investment securities, net of purchases	**228,471**	42,649
Interest income received on investment securities	**61,770**	37,133
Dividend income	**3**	—
Acquisition of subsidiary, net of cash acquired	**(4,977)**	—
Net cash from investing activities	**278,752**	51,982
Cash flows from financing activities		
Proceeds from borrowed funds and debt securities, net of repayments	**193,689**	—
Interest paid on borrowed funds and debt securities	**(7,639)**	—
Dividends paid	**(54,790)**	(43,117)
Repayments on related party loans	**(11,000)**	(11,000)
Repurchase of non-voting Class A shares	**—**	(25,920)
Redemption of preference shares	**(180,000)**	—
Net cash used in financing activities	**(59,740)**	(80,037)
Net increase/(decrease) in cash and cash equivalents for the year	**459,338**	(371,937)
Cash and cash equivalents acquired as a result of an acquisition	**4,701**	—
Effect of exchange rate changes on cash and cash equivalents	**(2,066)**	(974)
Cash and cash equivalents, beginning of year	**1,540,694**	1,913,605
Cash and cash equivalents, end of year (note 3)	**2,002,667**	1,540,694

1. General information

FirstCaribbean International Bank Limited and its subsidiaries ("the Group") are registered under the relevant financial and corporate legislations of 16 countries in the Caribbean to carry on banking and other related activities. The major shareholders of the Company are jointly Canadian Imperial Bank of Commerce ("CIBC"), a Company incorporated in Canada, and Barclays Bank PLC, a Company incorporated in England. The Group's parent company is FirstCaribbean International Bank Limited ("the Bank") which is a company incorporated and domiciled in Barbados at Warrens, St. Michael. At October 31, 2005 the Group had 3,370 employees (2004 – 3,391).

The Bank has a primary listing on the Barbados stock exchange, with further listings on the Trinidad, Jamaica and Eastern Caribbean stock exchanges.

2. Summary of significant accounting policies

2.1 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.

2.2 Consolidation

Subsidiary undertakings, which are those companies in which the Group 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 35. Subsidiaries are consolidated from the date on which the effective control is transferred to the Group. They are de-consolidated from the date that control ceases.

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.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of the exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the date of acquisition, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of the acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement (Note 2 (2.12)).

2. Summary of significant accounting policies (continued)

2.3 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.

2.4 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, 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 translation reserve in equity.

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.

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

2.5 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 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's criteria for a derivative instrument to be accounted for as a hedge include:
i) formal documentation of the hedging instrument, hedged item, hedging objective, strategy and relationship, at the inception of the transaction;
ii) 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
iii) the hedge is highly effective on an ongoing basis.

(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.

2. Summary of significant accounting policies (continued)

2.6 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.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring impairment loss.

2.7 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. Commissions 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.

2.8 Financial assets

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

i) Trading securities
ii) Loans and receivables
iii) Held-to-maturity investments
iv) Available-for-sale investments

Management determines the classification of its investments at initial recognition.

i) Trading securities
A financial asset is classified in this category if 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.

ii) Loans and receivables
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 Group provides money, goods or services directly to a debtor with no intention of trading the receivable.

2. Summary of significant accounting policies (continued)

2.8 Financial assets (continued)

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

iv) Available-for-sale investments
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 Group 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 Group 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.

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.

2.9 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.

2. Summary of significant accounting policies (continued)

2.10 Sale and repurchase agreements

Securities sold subject to linked repurchase agreements ("repos") are retained in the financial statements as investment securities and the counter party 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.

2.11 Impairment of financial assets

The Group 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 Group about the following loss events:

i) significant financial difficulty of the issuer or obligor;
ii) a breach of contract, such as a default or delinquency in interest or principal payments;
iii) the Group 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;
iv) it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
v) the disappearance of an active market for that financial asset because of financial difficulties; or
vi) 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)

2.11 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.

2.12 Intangible assets

i) 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 the 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.

ii) Computer software development costs
Costs associated with developing and maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, 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).

2.13 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 Group 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 write-off the cost of depreciable assets, less salvage, over their useful lives.

The annual rates used are:

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

2. Summary of significant accounting policies (continued)

2.13 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.

2.14 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.

2.15 Cash and cash equivalents

For the purpose 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 which excludes mandatory reserve deposits, treasury bills and other money market placements.

2.16 Provisions

Provisions are recognised when the Group 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.

2.17 Retirement benefit obligations

i) 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. The Group has both a defined benefit plan and a defined contribution plan. 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.

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

2.17 Retirement benefit obligations (continued)

i) Pension obligations (continued)

The asset recognised in the balance sheet in respect of defined benefit pension plans is the fair value of plan assets minus the present value of the defined benefit obligation at the balance sheet date, 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 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 defined contribution plans, the company has 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.

ii) 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. 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.

2. Summary of significant accounting policies (continued)

2.18 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, 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.

2.19 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 interest yield method.

2.20 Share capital

i) Share issue costs
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.

ii) Dividends on ordinary shares
Dividends on ordinary shares are recognised in equity in the period in which they are declared. Dividends for the year that are declared after the balance sheet date are not reflected in these financial statements, except as disclosed in Note 26.

2.21 Fiduciary activities

The Group commonly acts as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets and income arising thereon are excluded from these financial statements, as they are not assets of the Group.

2.22 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 and balances with central banks

	2005 $	2004 $
Cash	**144,076**	91,864
Deposits with central banks — interest bearing	**127,514**	131,926
Deposits with central banks — non-interest bearing	**138,106**	107,077
Cash and balances with central banks	**409,696**	330,867
Less: Mandatory reserve deposits with central banks	**(189,561)**	(157,253)
Included in cash and cash equivalents as per below	**220,135**	173,614

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.

Cash and cash equivalents

	2005 $	2004 $
Cash and balances with central banks as per above	**220,135**	173,614
Loans and advances to banks (note 4)	**1,782,532**	1,367,080
	2,002,667	1,540,694

4. Loans and advances to banks

	2005 $	2004 $
Included in cash and cash equivalents (note 3)	**1,782,532**	1,367,080
Greater than 90 days maturity from date of acquisition	**707,811**	1,306,247
	2,490,343	2,673,327

Included in loans and advances to banks are deposit placements with CIBC and Barclays Bank PLC entities of $2,023,632 (2004 — $2,220,575). The effective yield on these amounts during the year was 2.5% (2004 — 1.8%) per annum.

(expressed in thousands of United States dollars)

5. Trading securities

	2005 $	2004 $
Government bonds	**1,964**	62,089
Corporate bonds	**142,431**	106,090
Asset-backed securities	**520,219**	103,601
Other debt securities	**906**	1,515
	665,520	273,295
Add: Accrued interest receivable	**3,379**	3,224
	668,899	276,519

The effective yield on trading securities during the year was 5.6% (2004 — 3.4%) per annum

6. Other assets

	2005 $	2004 $
Due from brokers for unsettled trades	**91,130**	—
Amounts due from related parties	**2,514**	4,303
Prepayments and deferred items	**6,398**	11,412
Other accounts receivable	**88,771**	54,228
	188,813	69,943

The amounts due from related parties are due from CIBC and Barclays Bank PLC entities and are interest-free with no fixed terms of repayment.

(expressed in thousands of United States dollars)

7. Investment securities

	2005 $	2004 $
Originated debt		
Issued or guaranteed by Governments		
— Treasury bills	**158,349**	193,592
— Debt securities	**378,171**	358,093
Total originated debt	**536,520**	551,685
Securities available for sale		
Equity securities		
— quoted	**—**	194,737
— unquoted	**1,080**	1,139
Debt securities	**36,155**	30,053
Total securities available for sale	**37,235**	225,929
Securities held to maturity		
Issued or guaranteed by Governments		
— Treasury bills	**12,071**	5,140
— Debt securities	**51,631**	35,642
Total securities held-to-maturity	**63,702**	40,782
	637,457	818,396
Add: Accrued interest receivable	**9,137**	9,080
	646,594	827,476

The effective yield during the year on debt securities and treasury bills was 4.6% (2004 — 5.2%). 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, 2005 the reserve requirement amounted to $334,047 (2004 — $256,358) of which $189,561 (2004 — $157,253) is included within cash and balances with central banks (note 3).

Held-to-maturity debt securities in the amount of $15,140 are held as security for investment certificates issued by the Group (note 14).

The movement in investment securities excluding accrued interest receivable may be summarised as follows:

	Orginated debt $	Securities available-for-sale $	Securities held-to-maturity $	Total $
Balance, beginning of year	551,685	225,929	40,782	818,396
Additions	648,045	25,310	106,630	779,985
Disposals (sale and redemption)	(673,071)	(208,995)	(83,710)	(965,776)
Gains from changes in fair value	—	4,852	—	4,852
Balance, end of year	526,659	47,096	63,702	637,457

(expressed in thousands of United States dollars)

8. Loans and advances to customers

	2005 $	2004 $
Mortgages	**1,763,911**	1,547,273
Personal loans	**675,295**	617,495
Business loans	**2,267,495**	1,894,162
	4,706,701	4,058,930
Add: Accrued interest receivable	**27,861**	24,194
Less: Provisions for impairment	**(103,564)**	(125,044)
	4,630,998	3,958,080

Performing loans include an amount of $3,348 held as security for investment certificates issued by the Group (note 14).

Movement in provisions for impairment is as follows:

	2005 $	2004 $
Balance, beginning of year	**125,044**	112,895
Doubtful debts expense	**11,840**	8,850
Movement in inherent risk provisions	**(6,636)**	4,319
Recoveries of bad and doubtful debts	**2,104**	1,720
Bad debts written off	**(28,788)**	(2,740)
Balance, end of year	**103,564**	125,044

The average interest yield during the year on loans and advances was 8.6% (2004 — 7.9%). Impaired loans amounted to $245,043 as at October 31, 2005 (2004 — $260,171) and interest earned on impaired loans amounted to $1,874 (2004 — $3,827) included in interest income.

Loans and advances to customers include finance lease receivables:

	2005 $	2004 $
No later than 1 year	**4,725**	1,803
Later than 1 year and no later than 5 years	**9,699**	2,705
Later than 5 years	**1,151**	116
Gross investment in finance leases	**15,575**	4,624
Unearned future finance income on finance leases	**(2,544)**	(432)
Net investment in finance leases	**13,031**	4,192

(expressed in thousands of United States dollars)

9. Property, plant and equipment

	Land and buildings $	Equipment, furniture and vehicles $	Leasehold improvements $	Total 2005 $
Cost				
Balance, beginning of year	96,981	106,469	35,092	238,542
Purchases	5,364	20,714	6,065	32,143
Disposals	(14,189)	(6,682)	(989)	(21,860)
Transfers	2,956	14,177	(17,133)	—
Assets written off	(16)	—	(71)	(87)
Balance, end of year	91,096	134,678	22,964	248,738
Accumulated depreciation				
Balance, beginning of year	18,264	52,787	14,050	85,101
Depreciation	2,426	14,556	1,343	18,325
Disposals	(1,834)	(1,487)	(236)	(3,557)
Transfers	305	4,893	(5,198)	—
Assets written off	(16)	—	(71)	(87)
Balance, end of year	19,145	70,749	9,888	99,782
Net book value, end of year	71,951	63,929	13,076	148,956

	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

Additions to equipment, furniture and vehicles include $12,522 (2004 — $22,735) 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. Retirement benefit obligations

The Group has insured group health plans and a number of pension schemes. The pension schemes are a mixture of defined benefit and defined contribution plans. Most of the defined benefit pension plans are non-contributory and allow for additional voluntary contributions. The insured health plans allow for retirees to continue to receive health benefits during retirement. 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:

	Defined benefit pension plans		Post retirement medical benefits	
	2005	**2004**	**2005**	**2004**
	$	**$**	**$**	**$**
Fair value of plan assets	**230,550**	192,000	**—**	—
Present value of funded obligations	**(148,730)**	(151,150)	**(15,200)**	(25,432)
	81,820	40,850	**(15,200)**	(25,432)
Unrecognised actuarial (losses)/gains	**(34,650)**	4,240	**(8,440)**	4,292
Net asset/(liability)	**47,170**	45,090	**(23,640)**	(21,140)

The amounts recognised on the balance sheet are as follows:

	Defined benefit pension plans		Post retirement medical benefits	
	2005	**2004**	**2005**	**2004**
	$	**$**	**$**	**$**
Retirement benefit assets	**47,607**	45,100	**—**	—
Retirement benefit obligations	**(437)**	(10)	**(23,640)**	(21,140)
Net asset/(liability)	**47,170**	45,090	**(23,640)**	(21,140)

The pension plan assets include the Company's ordinary shares with a fair value of $1,363 (2004 — $900).

(expressed in thousands of United States dollars)

10. Retirement benefit obligations (continued)

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	**7,850**	9,290	**1,000**	1,407
Interest cost	**10,960**	11,550	**1,500**	1,602
Expected return on plan assets	**(20,310)**	(19,350)	—	—
Net actuarial (gain)/loss recognised during the year	**(800)**	—	**180**	—
Total amount included in staff costs	**(2,300)**	1,490	**2,680**	3,009
Actual return on plan assets	**15,800**	(5,659)	—	—

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	**45,090**	44,007	**(21,140)**	(18,600)
Charge for the year	**2,300**	(1,490)	**(2,680)**	(3,009)
Contributions paid	—	2,720	—	—
Employer premiums for existing retirees	—	—	**130**	469
Foreign exchange translation (loss)/gain	**(220)**	(147)	**50**	—
Balance, end of year	**47,170**	45,090	**(23,640)**	(21,140)

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

	Defined benefit pension plans	
	2005	2004
Discount rate	**7.0 – 12.0%**	7.0 – 12.5%
Expected return on plan assets	**8.5 – 13.5%**	8.5 – 13.0%
Future salary increases	**5.0 – 10.0%**	5.5 – 10.0%
Future pension increases	**0.0 – 4.0%**	0.0 – 4.5%

	Post retirement medical benefits	
	2005	2004
Discount rate	**7.0 – 12.0%**	7.0 – 12.5%
Premium escalation rate	**5.0 – 10.0%**	6.0 – 11.5%
Existing retiree age	**60 – 65**	68 – 69

(expressed in thousands of United States dollars)

10. Retirement benefit obligations (continued)

a) FirstCaribbean International Bank (Jamaica) Limited Retirement Plan

The last actuarial valuation was conducted as at October 31, 2003 and revealed a fund surplus of $5,800.

b) FirstCaribbean International Bank Limited Retirement Plan

The last actuarial valuation was conducted as at November 1, 2004 and revealed a fund surplus of $28,549.

c) FirstCaribbean International Bank (Bahamas) Limited Retirement Plan

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

11. Intangible assets

	2005 **$**	**2004** **$**
Goodwill		
Net book amount, beginning of year	**301,275**	301,275
Acquisition of a subsidiary (note 33)	**4,260**	—
Net book amount, end of year	**305,535**	301,275

12. Derivative financial instruments

	Contract / notional amount	**Fair Values**	
October 31, 2005		**Assets**	**Liabilities**
(1) Derivatives held for trading			
— Interest rate swaps	181,700	6,757	—
(2) Derivatives held for hedging			
(a) Derivatives designated as fair value hedges — Interest rate swaps	251,418	4,533	—
(b) Derivatives designated as cash flow hedges — Interest rate swaps	500,000	—	(4,350)
		11,290	(4,350)

(expressed in thousands of United States dollars)

12. Derivative financial instruments (continued)

October 31, 2004	Contract / notional amount	Fair Values Assets	Fair Values Liabilities
Derivatives held for hedging			
Derivatives designated as cash flow hedges — Interest rate swaps	500,000	—	(3,702)
		—	(3,702)

13. Customer deposits

	Payable on demand $	Payable after notice $	Payable at a fixed date $	2005 Total $	2004 Total $
Individuals	439,350	1,219,698	1,430,490	**3,089,538**	3,214,730
Business and Governments	2,107,174	201,244	2,142,648	**4,451,066**	4,057,895
Banks	29,287	—	130,191	**159,478**	65,011
	2,575,811	1,420,942	3,703,329	**7,700,082**	7,337,636
Add: Interest payable	4,007	901	24,405	**29,313**	22,010
	2,579,818	1,421,843	3,727,734	**7,729,395**	7,359,646

Included in deposits with banks are deposits from CIBC and Barclays Bank PLC entities of $27,556 (2004 — $15,848).

The effective rate of interest on deposits during the year was 2.1% (2004 — 1.3 %) per annum.

14. Other borrowed funds

	2005 $	2004 $
Secured borrowings	**18,488**	—
Unsecured borrowings	**21,762**	—
	40,250	—
Add: Interest payable	**2,098**	—
	42,348	—

Investment certificates issued by the Group amounting to $18,488 are secured by debt securities referred to in Note 7 and certain loans referred to in Note 8. The effective rate of interest on these borrowings during the year was 10%.

(expressed in thousands of United States dollars)

15. Other liabilities

	2005 $	2004 $
Accounts payable and accruals	**106,923**	989
Due to brokers for unsettled trades	**161,915**	—
Trading securities sold short	**91,875**	—
Bank overdrafts	**39,738**	—
Restructuring provision (note 24)	**718**	6,131
Dividends payable	**3,491**	—
Amounts due to related parties	**16,827**	23,000
	421,487	30,120

The amounts due to related parties refer to balances due to CIBC and Barclays Bank PLC entities. These balances include $17,000 (2004 — $17,000), which carries interest at 1 year Libor plus 0.75%, repayable in 2005 and $Nil (2004 — $11,000), which carries interest at 3 month Libor plus 0.75%, repayable in 2006. The remaining amount, which is due from related parties of $Nil (2004 — due to related parties of $5,000), is interest free with no fixed terms of repayment.

16. Debt securities in issue

	2005 $	2004 $
USD$200 million guaranteed subordinated floating rate notes due 2015 (net of transaction costs)	**198,273**	—
Add: Interest payable	**1,259**	—
	199,532	—

In 2005, the Group issued floating-rate notes with a face value of $200,000. The notes are denominated in United States dollars. The interest rate on the notes is reset every 3 months at the USD 3 month Libor interest rate plus 0.70% during the first 5 years. The average effective interest rate during 2005 was 4.02%. The notes are payable at the option of the Bank in 2010. The notes are guaranteed on a subordinated basis by the Parent and two fellow subsidiary companies. The notes are listed on the Luxembourg exchange.

17. Minority interest

	2005 $	2004 $
Balance, beginning of year	**18,433**	17,035
Share of net income from subsidiaries	**5,180**	3,327
Dividends declared	**(2,279)**	(1,929)
Balance, end of year	**21,334**	18,433

(expressed in thousands of United States dollars)

18. Share capital and reserves

	2005 $	2004 $
Share capital		
Common shares	**1,117,349**	1,117,349
Preference shares	**—**	180,000
Total share capital	**1,117,349**	1,297,349
Reserves		
General banking reserve	**24,467**	27,514
Statutory reserve	**66,473**	45,228
Revaluation reserve – available-for-sale investment securities	**5,286**	115,893
Hedging reserve – cash flow hedges	**(4,350)**	(3,702)
Translation reserve	**(8,996)**	(6,930)
Reverse acquisition reserve	**(463,628)**	(463,628)
Total reserves	**(380,748)**	(285,625)
Total share capital and reserves	**736,601**	1,011,724

The movements in share capital were as follows:

	Number of shares	$
Common shares voting, beginning and end of year	1,525,176,762	1,117,349
Preferred shares, beginning of year	180,000,000	180,000
Shares repurchased and cancelled	(180,000,000)	(180,000)
Preferred shares, end of year	—	—
October 31, 2005		1,117,349
October 31, 2004		1,297,349

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.

b) Preference Shares

The Company repurchased and cancelled all of its Preference Shares in March, 2005 at a cost of one dollar ($1.00) per share.

(expressed in thousands of United States dollars)

18. Share capital and reserves (continued)

The movements in reserves were as follows:

General banking reserve	**2005 $**	**2004 $**
Balance, beginning of year	**27,514**	20,423
Reclassification from revaluation reserves	**(3,047)**	—
Transfers from retained earnings	**—**	7,091
Balance, end of year	**24,467**	27,514

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

Statutory reserve	**2005 $**	**2004 $**
Balance, beginning of year	**45,228**	37,926
Transfers from retained earnings	**21,245**	7,302
Balance, end of year	**66,473**	45,228

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

Revaluation reserve — available-for-sale investment securities	**2005 $**	**2004 $**
Balance, beginning of year	**115,893**	37,006
Reclassification to general reserves	**3,047**	—
Net gains from changes in fair value of available-for-sale investment securities	**4,852**	79,607
Net gains transferred to income statement on disposal of available-for-sale investment securities	**(118,506)**	(720)
Balance, end of year	**5,286**	115,893

Hedging reserves — cash flow hedges	**2005 $**	**2004 $**
Balance, beginning of year	**(3,702)**	—
Net gains from changes in fair value	**(648)**	(3,702)
Balance, end of year	**(4,350)**	(3,702)

(expressed in thousands of United States dollars)

18. Share capital and reserves (continued)

	2005 $	2004 $
Translation reserve		
Balance, beginning of year	**(6,930)**	(5,956)
Currency translation difference arising during the year	**(2,066)**	(974)
Balance, end of year	**(8,996)**	(6,930)

	2005 $	2004 $
Reverse acquisition reserve		
Reverse acquisition reserve, beginning and end of year	**(463,628)**	(463,628)

In accordance with IFRS, the equity of the Company at October 11, 2002 (the date of the combination) 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 comprised 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.

19. Net interest income

	2005 $	2004 $
Interest income		
Cash and short term funds	**71,372**	58,305
Investment securities	**61,827**	46,213
Loans and advances	**341,232**	295,479
Reverse repos and other	**4,984**	170
	479,415	400,167
Interest expense		
Banks and customers	**157,668**	126,816
Debt securities in issue	**5,519**	—
Other borrowed funds	**5,477**	—
	168,664	126,816
	310,751	273,351

Interest income on cash and short term funds includes income earned from CIBC and Barclays Bank PLC entities on deposit placements (note 4).

(expressed in thousands of United States dollars)

20. Operating income

	2005 $	2004 $
Gross fee and commission income	**56,783**	50,016
Dividend income — available-for-sale securities	**3**	—
Net trading income — foreign exchange transaction gains less losses	**45,536**	42,187
— translation gains less losses	**(647)**	—
— interest rate instruments	**(6,084)**	—
Gains less losses from investment securities	**118,636**	720
Other operating income	**21,590**	19,116
	235,817	112,039

Analysis of gross fee and commission income:

	2005 $	2004 $
Credit related fees and commissions	**18,004**	17,031
Corporate finance fees	**14**	13
Portfolio and other management fees	**472**	—
Asset management and related fees	**59**	—
Other fees	**38,234**	32,972
	56,783	50,016

21. Operating expenses

	2005 $	2004 $
Staff costs	**139,956**	133,224
Property, plant and equipment expenses	**32,074**	36,085
Profit on sale of property, plant and equipment	**(7,161)**	(3,491)
Depreciation (note 9)	**18,325**	15,048
Restructuring (credit)/charge (note 24)	**(3,078)**	16
Other operating expenses	**82,056**	80,824
	262,172	261,706

(expressed in thousands of United States dollars)

21. Operating expenses (continued)

Analysis of staff costs:

	2005 $	2004 $
Wages and salaries	**126,829**	120,508
Pension costs:		
— defined contribution plans	**1,278**	732
— defined benefit plans	**(2,300)**	1,490
Other post retirement benefits	**2,680**	3,009
Other staff related costs	**11,469**	7,485
	139,956	133,224

22. Taxation

	2005 $	2004 $
Taxation charge for the year:		
Current tax	**14,033**	14,774
Deferred tax	**(60)**	2,152
	13,973	16,926

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

	2005 $	2004 $
Income before taxation	**277,088**	108,795
Tax calculated at the statutory tax rate of 30% (2004 — 33%)	**83,126**	35,903
Effect of different tax rates in other countries	**(28,546)**	(29,689)
Effect of change in tax rate	**(60)**	1,426
Effect of deferred tax asset/liability at future tax rate	**529**	–
Effect of income not subject to tax	**(56,450)**	(8,651)
Effect of income subject to tax at 12.5%	**(2,154)**	(1,392)
Effect of income subject to tax at 15%	**(1,791)**	(1,100)
Effect of withholding taxes	**92**	76
Effect of allowances	**(34)**	(80)
Prior year tax reassessments	**(20)**	190
Reversal of restructuring provisions	**696**	–
Under provision of prior year corporation tax liability	**2,042**	202
Over provision of prior year deferred tax liability	**(176)**	(849)
Over provision of current year tax liability	**257**	–
Over provision of current year deferred tax liability	**27**	–
Movement in deferred tax asset not recognised	**14,768**	17,238
Effect of expenses not deductible for tax purposes	**1,667**	3,652
	13,973	16,926

(expressed in thousands of United States dollars)

22. Taxation (continued)

Movement in deferred tax account for the year:

	2005 $	2004 $
Deferred tax position, beginning of year	**3,128**	5,280
From subsidiaries acquired	**(278)**	—
Deferred tax credit/(charge) for the year	**60**	(2,152)
Deferred tax position, end of year	**2,910**	3,128
Represented by:		
Deferred tax assets	**7,004**	6,029
Deferred tax liabilities	**(4,094)**	(2,901)
	2,910	3,128

Deferred tax assets and liabilities are attributable to the following items:

	2005 $	2004 $
Deferred tax asset		
Accelerated tax depreciation	(400)	(207)
Pension and other post retirement benefit assets	(1,395)	428
Loan loss provisions	352	381
Other provisions	114	563
Tax losses carried forward	8,333	4,864
	7,004	6,029
Deferred tax liabilities		
Accelerated tax depreciation	(1,046)	(984)
Pension and other post retirement benefit assets	(3,487)	(2,566)
Loan loss provisions	457	359
Other provisions	(42)	290
Tax losses carried forward	24	–
	(4,094)	(2,901)

The deferred tax comprises of tax losses of $33,332 (2004 — $19,457), which will expire between 2008 and 2014.

The Group has tax losses of $157,118 (2004 — $125,587) for which no deferred tax assets have been recognised due to uncertainty of their recoverability. These losses will expire between 2006 and 2014.

(expressed in thousands of United States dollars)

23. 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.

	2005 $	2004 $
Net income attributable to shareholders	**257,935**	88,542
Weighted average number of Common and Non-Voting Class A shares in issue (thousands)	**1,525,176**	1,527,189
Basic earnings per share (expressed in cents per share)	**16.9**	5.8

For the diluted earnings per share, the weighted average number of Common and Non-Voting Class A Shares in issue during the year is adjusted to assume conversion of all dilutive potential shares. The Preference Shares were the only dilutive potential shares as at October 31, 2004 and were assumed to have been converted into Common Shares.

	2005 $	2004 $
Net income attributable to shareholders	**257,935**	88,542
Weighted average number of Common and Non-Voting Class A shares in issue (thousands)	**1,525,176**	1,527,189
Adjustments for:		
Assumed conversion of Preference Shares (thousands)	—	171,000
Weighted average number of Common and Non-Voting Class A shares for diluted earnings per share (thousands)	**1,525,176**	1,698,189
Diluted earnings per share (expressed in cents per share)	**16.9**	5.2

(expressed in thousands of United States dollars)

24. Restructuring provision

	2005 $	2004 $
Balance, beginning of year	**6,131**	20,954
(Credited)/ charged to income statement during the year (note 21)	**(3,078)**	16
Utilised during the year	**(2,335)**	(14,839)
Balance, end of year	**718**	6,131

25. Share based payments

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.

Long-term incentive plan
The Group operates a long term incentive plan whereby under the rules of the plan, Common Shares in the Company may be granted to employees on a discretionary basis. The shares vest over a three year period.

26. Dividends

As at October 31, 2005 the Directors recommended a final common share dividend, which is not reflected in these financial statements, of two point two five cents ($0.0225) per common share (2004 — $0.0125), bringing the total dividend payout for 2005 to four point two five cents ($0.0425) per common share (2004 — $0.0250).

It was resolved to declare a final dividend on preference shares on March 11, 2005 for the period October 31, 2004 to March 14, 2005, the redemption date, for which an accrual of $3,491 is included within other liabilities as dividends payable. In 2004, the Company paid an interim dividend of $3,780 on preference shares calculated at six month Libor plus 2.65% per annum and a final dividend of $3,780 was declared for the period May 1 to October 31, 2004, which was not reflected in the financial statements as at October 31, 2004.

27. Related party transactions and balances

Interest and other income includes $63,645 (2004 — $43,708) and interest expense $1,183 (2004 —$2,535) 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 $366 (2004 — $533) was charged during the year.

Under agreement with Barclays Bank PLC, the Company receives an annual payment from Barclays Bank PLC of $10,000 (2004 — $10,000) effective January 1, 2002, as an incentive for the Company to retain its deposit placements with Barclays Capital. This payment is included in operating income for the period. Other transactions and balances with related parties are disclosed separately in the individual notes.

(expressed in thousands of United States dollars)

28. Contingent liabilities and commitments

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

	2005 $	2004 $
Letters of credit	**84,945**	52,632
Loan commitments	**790,469**	689,641
Guarantees and indemnities	**116,056**	91,462
	991,470	833,735

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.

29. Future rental commitments under operating leases

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

	2005 $	2004 $
Not later than 1 year	**7,445**	6,572
Later than 1 year and less than 5 years	**20,885**	20,249
Later than 5 years	**4,321**	5,892
	32,651	32,713

30. Fiduciary activities

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 $564,325 (2004 — $523,279).

31. Business segments

The Group operates four main lines of business organised along customer segments, but also includes treasury operations as a reportable segment.

Retail banking is organised along five product lines: Premier Banking (dedicated relationship management), Home Finance (mortgages), Consumer Finance, Credit Cards and Asset Management & Insurance.

Corporate Banking comprises three distinct customer sub-segments: Corporate Business, Commercial Business and Business Banking. Corporate Banking offers deposit and investment products, borrowing and cash management products, merchant card services and trade finance.

International Banking is organised into four segments: International Personal, International Premier, International Mortgages and International Corporate. The Personal Banking segment specialises in currency accounts, deposit accounts, U.S. dollar credit cards and international mutual funds. The Premier Banking segment offers each client a personal relationship manager in addition to all of the products and services offered by the Personal Banking segment. The International Mortgage group provides funding in U.S. dollars, Euros or Sterling to non-residents of the Caribbean seeking to purchase second homes in the Caribbean for personal use or as an investment. The International Corporate Banking segment specialises in providing banking services to businesses and professional intermediaries who use international financial centres.

The Capital Markets segment provides issuers and investors with access to larger pools of capital and greater investment opportunities. It acts for and on behalf of large business and sovereign clients who seek both equity and debt capital instruments and facilitates the expansion of the existing secondary market capabilities in the region.

The Treasury Group manages the interest rate, foreign exchange and liquidity risk of the Group. In addition, the Treasury Group conducts foreign exchange transactions on behalf of bank clients, where possible, and hedges fixed rate loans and investments with interest rate swaps.

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 Group’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.

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

(expressed in thousands of United States dollars)

31. Business segments (continued)

October 31, 2005	Retail Banking $	Corporate Banking $	Int'l Banking $	Capital Markets $	Treasury $	Other $	Eliminations $	Group $
External revenues	242,926	198,174	19,390	4,816	238,815	11,111	—	715,232
Revenues from other segments	67,156	6,810	103,039	63	(147,339)	6,234	(35,963)	—
Total revenues	310,082	204,984	122,429	4,879	91,476	17,345	(35,963)	715,232
Segment result	19,975	43,124	47,919	1,382	85,062	79,626	—	277,088
Unallocated costs								(5,180)
Operating profit								271,908
Taxation								(13,973)
Net income for the year								257,935
Segment assets	2,327,264	2,844,385	1,733,810	16,001	2,956,952	(293,258)	(341,958)	9,243,196
Unallocated assets								324,737
Total assets								9,567,933
Segment liabilities	2,990,012	2,189,220	3,236,445	905	276,844	54,226	(326,463)	8,421,189
Unallocated liabilities								12,743
Total liabilities								8,433,932
Other segment items								
Capital expenditure	13,426	281	676	24	—	17,736	—	32,143

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 32 (c).

32. Financial risk management

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 counter party 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.

Loans and advances to banks include $2,023,632 (2004 — $2,220,575) placed with CIBC and Barclays Bank PLC entities.

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 favorable 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.

32. Financial risk management (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 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 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. 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 secondary segment disclosures.

(expressed in thousands of United States dollars)

32. Financial risk management (continued)

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

	Total assets $	Total liabilities $	Credit commitments $	Revenues $	Capital expenditure $
October 31, 2005					
Barbados	1,396,559	1,405,106	133,360	214,815	8,878
Bahamas	3,062,151	2,525,132	371,124	203,511	8,423
Cayman	2,702,388	2,256,047	232,326	93,281	3,508
Eastern Caribbean	923,375	791,858	59,639	78,223	6,290
Turks & Caicos Islands	447,991	405,290	37,537	23,706	745
British Virgin Islands	340,594	526,279	24,433	20,922	641
Jamaica	377,280	322,763	87,471	50,714	781
Other	317,595	201,457	45,580	30,060	2,877
	9,567,933	8,433,932	991,470	715,232	32,143
October 31, 2004					
Barbados	1,538,369	1,319,596	191,456	101,926	9,018
Bahamas	2,895,225	2,403,224	202,577	177,727	10,963
Cayman	1,965,343	1,662,065	166,668	65,663	1,312
Eastern Caribbean	913,831	810,248	106,154	73,481	8,982
British Virgin Islands	504,232	494,759	48,780	16,061	1,065
Turks & Caicos Islands	367,655	337,667	69,794	13,141	2,443
Jamaica	326,978	285,511	20,744	47,736	3,501
Other	137,087	110,114	27,562	16,471	2,823
	8,648,720	7,423,184	833,735	512,206	40,107

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

Barbados is the home country of the parent bank, which is also the main operating company. The areas of operation include all primary business segments.

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

(expressed in thousands of United States dollars)

32. 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 %
Barbados	**639,007**	**14**	561,740	14
Bahamas	**1,819,464**	**39**	1,540,373	39
Cayman	**818,780**	**18**	705,731	18
Eastern Caribbean	**631,014**	**14**	577,325	15
Jamaica	**217,903**	**5**	139,929	4
British Virgin Islands	**157,712**	**3**	174,073	4
Turks & Caicos Islands	**152,928**	**3**	138,808	3
Other	**194,190**	**4**	120,101	3
	4,630,998	**100**	3,958,080	100

D. 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.

(expressed in thousands of United States dollars)

32. Financial risk management (continued)

D. Currency risk (continued)

Concentrations of assets, liabilities and credit commitments:

October 31, 2005	EC $	BDS $	CAY $	BAH $	US $	JA $	Other $	Total $
Assets								
Cash and balances with central banks	67,389	86,954	3,607	98,346	48,686	40,351	64,363	409,696
Loans and advances to banks	(28,512)	4,952	—	1,254	1,984,690	(144)	528,103	2,490,343
Derivative financial instruments	—	—	—	—	11,290	—	—	11,290
Trading securities	—	—	—	—	668,899	—	—	668,899
Other assets	98,637	19,780	(3,430)	12,183	80,143	354	(18,854)	188,813
Taxation recoverable	4,930	6,932	—	—	10	326	—	12,198
Investment securities	34,946	235,601	—	133,627	153,691	21,694	67,035	646,594
Loans and advances to customers	577,736	563,977	361,326	1,270,367	1,619,244	143,308	95,040	4,630,998
Property, plant and equipment	25,441	50,466	18,041	24,770	18,079	5,954	6,205	148,956
Deferred tax assets	425	6,566	—	—	—	13	—	7,004
Retirement benefit assets	7,077	12,307	—	11,788	4,489	10,149	1,797	47,607
Intangible assets	—	305,535	—	—	—	—	—	305,535
Total assets	788,069	1,293,070	379,544	1,552,335	4,589,221	222,005	743,689	9,567,933
Liabilities								
Derivative financial instruments	—	—	—	—	4,350	—	—	4,350
Customer deposits	660,730	1,060,795	221,350	1,284,982	3,693,736	168,495	639,307	7,729,395
Other borrowed funds	—	—	—	—	12,574	—	29,774	42,348
Other liabilities	(4,501)	74,979	5,297	(7,090)	357,020	5,552	(9,770)	421,487
Taxation payable	2,738	2,236	—	—	556	292	2,827	8,649
Deferred tax liabilities	969	171	—	—	115	2,838	1	4,094
Debt securities in issue	—	—	—	—	199,532	—	—	199,532
Retirement benefit obligations	2,131	4,915	—	10,310	4,050	2,222	449	24,077
Total liabilities	662,067	1,143,096	226,647	1,288,202	4,271,933	179,399	662,588	8,433,932
Net on balance sheet position	126,002	149,974	152,897	264,133	317,288	42,606	81,101	1,134,001
Credit commitments	21,739	101,852	5,234	218,758	569,060	37,147	37,680	991,470

(expressed in thousands of United States dollars)

32. Financial risk management (continued)

D. Currency risk (continued)

Concentrations of assets, liabilities and credit commitments: (continued)

October 31, 2004	EC $	BDS $	CAY $	BAH $	US $	JA $	Other $	Total $
Total assets	769,080	1,246,582	346,625	1,501,456	3,738,610	201,546	844,821	8,648,720
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**

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 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.

F. 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)

32. **Financial risk management** (continued)

F. **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.

	0-3 months $	3-12 months $	1-5 years $	Over 5 years $	Total $
October 31, 2005					
Assets					
Cash and balances with central banks	409,696	—	—	—	409,696
Loans and advances to banks	1,782,532	507,311	200,500	—	2,490,343
Derivative financial instruments	11,290	—	—	—	11,290
Trading securities	668,899	—	—	—	668,899
Other assets	41,893	6,751	137,554	2,615	188,813
Taxation recoverable	5,492	6,706	—	—	12,198
Investment securities	127,531	96,895	153,021	269,147	646,594
Loans and advances to customers	792,635	498,593	1,310,654	2,029,116	4,630,998
Property, plant and equipment	—	—	6,092	142,864	148,956
Deferred tax assets	—	—	6,806	198	7,004
Retirement benefit assets	—	—	—	47,607	47,607
Intangible assets	—	—	—	305,535	305,535
Total assets	3,839,968	1,116,256	1,814,627	2,797,082	9,567,933
Liabilities					
Derivative financial instruments	4,350	—	—	—	4,350
Customer deposits	6,438,231	802,922	165,856	322,386	7,729,395
Other borrowed funds	2,098	20,093	20,157	—	42,348
Other liabilities	204,069	49,896	—	167,522	421,487
Taxation payable	5,211	3,438	—	—	8,649
Deferred tax liabilities	160	354	30	3,550	4,094
Debt securities in issue	—	—	—	199,532	199,532
Retirement benefit obligations	—	—	—	24,077	24,077
Total liabilities	6,654,119	876,703	186,043	717,067	8,433,932
Net on balance sheet position	**(2,814,151)**	**239,553**	**1,628,584**	**2,080,015**	**1,134,001**
Credit commitments	**486,034**	**479,822**	**2,425**	**23,189**	**991,470**

(expressed in thousands of United States dollars)

32. Financial risk management (continued)

F. Liquidity risk (continued)

October 31, 2004	0-3 months $	3-12 months $	1-5 years $	Over 5 years $	Total $
Total assets	3,345,913	1,363,338	1,409,964	2,529,505	8,648,720
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**

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

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

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

G. Fair values of financial assets and liabilities

The following table summarises the carrying amounts and fair values of those financial assets and liabilities not presented on the Group's balance sheet at fair value as at October 31, 2005. Bid prices are used to estimate fair value of assets, whereas offer prices are applied for liabilities.

	Carrying value $	Fair value $
Financial assets		
Loans and advances to customers	4,630,998	4,619,216
Investment securities	646,594	637,802
Financial liabilities		
Customer deposits and other borrowed funds	7,771,743	7,770,565

32. Financial risk management (continued)

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

Loans and advances to banks

Loans and advances to 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 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.

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.

Debt securities in issue

The fair value is based on quoted market prices where available, and where not available is based on a current yield curve appropriate for the remaining term to maturity.

(expressed in thousands of United States dollars)

33. Acquisitions

On December 31, 2004, the Group acquired 100% of the share capital of a small merchant bank in Trinidad called The Mercantile Banking & Financial Corporation Limited. The acquired bank contributed operating profit of $2,151 to the Group for the period January 1, 2005 to October 31, 2005.

The details of the fair value of the assets and liabilities acquired and goodwill arising are as follows:

	$
Cash and cash equivalents	4,701
Loans and advances to customers	19,252
Investment securities	42,550
Other assets	1,264
Fixed assets	164
Customer deposits and other borrowed funds	(59,004)
Other liabilities	(3,509)
Goodwill (note 11)	4,260
Total purchase consideration paid (discharged by cash)	9,678
Cost of acquisition	9,678
Less: Cash and cash equivalents in subsidiary acquired	(4,701)
Cash outflow on acquisition	4,977

34. Post balance sheet event

On November 23, 2005, the Company through its Cayman subsidiary entered into an agreement, subject to certain conditions precedent, with ABN AMRO Asset Management Holding N.V., a limited liability company incorporated in the Netherlands, to acquire 100% of the voting shares of ABN AMRO Bank Curacao N.V. and its subsidiary ABN AMRO Asset Management (Curacao) N.V. (jointly referred to hereinafter as “ABN AMRO Curacao”). ABN AMRO Curacao’s main business activities are the provision of fiduciary services to its clients. The acquisition date is anticipated to be January 31, 2006.

The purchase price shall be an amount of US$ 70 million plus or minus an asset protection adjustment (based on the balance of average entrusted funds balances at closing), plus a deferred asset retention payment (based on the balance of average entrusted funds balances at the first anniversary of the closing), plus additional bonus payments based on the after tax profits of ABN AMRO Curacao in the ten month period ending October 31, 2006 and the twelve month period ending October 31, 2007.

Disclosure of the net assets of ABN AMRO Curaçao is not practicable as audited financial statements are not available.

35. 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
FirstCaribbean International Banking & Financial Corporation Limited	Trinidad

All subsidiaries are wholly owned unless otherwise stated.

Management Proxy Circular

Barbados
The Companies Act, Chapter 308
[Section 140]

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

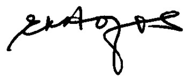
2. **Particulars of Meeting:**
   Twelfth Annual Meeting of the Shareholders of the Company to be held at the Poinsettia Room, Sherbourne Conference Centre, Two Mile Hill, St. Michael, Barbados on Thursday, March 23, 2006 at 5 p.m.

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

6. **Any Shareholder's Proposal Submitted Pursuant to Section 112:**
   No proposal has been received from any Shareholder pursuant to Section 112 of the Companies Act, Chapter 308.

Date	**Name and Title**	**Signature**
January 31, 2006	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 Thursday, March 23, 2006.

Dated this ____________day of ___________________________2006.

Name of shareholder(s) of the Company____

Signature____

Name(s) of signatory in block capitals____

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

	FOR	AGAINST
Resolution 1 To approve the adoption of the audited consolidated financial statements and balance sheet of the Company for the year November 1, 2004 to October 31, 2005.		
Resolution 2 To approve the election of the following persons as a Director for the term hereinafter set forth: (i) Renier Lemmens for a period of one year. (ii) Jacobo Gonzalez-Robatto for a period of one year. To re-elect the following persons as Directors: (iii) John Eaton for a period of three years. (iv) Charles Pink for a period of three years. (v) Sir Allan Fields for a period of three years.		
Resolution 3 To approve the reappointment of PricewaterhouseCoopers as 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.