FIRSTCARIBBEAN INTERNATIONAL BANK (BAHAMAS) LIMITED ANNUAL REPORT 2006

FirstCaribbean
INTERNATIONAL BANK

PARTNERING PROSPERITY

BAHAMAS ANNUAL REPORT 2006

Contents

Vision

To create the Caribbean's number one financial services institution.

First for Customers

First for Employees

First for Shareholders

Notice of Annual General Meeting

Annual Meeting

Notice is hereby given that the Twelfth Annual General Meeting of FirstCaribbean International Bank (Bahamas) Limited will be held at 6:00 p.m. on Tuesday, February 27, 2007 at the British Colonial Hilton, Victoria Room, Number One Bay Street, Nassau, The Bahamas for the following purposes:

1. To receive and consider the minutes of the last Annual General Meeting held on February 27, 2006.

2. To receive and consider the Chairman's review.

3. To receive accounts for the year ended October 31st, 2006 and the report of the Directors and Auditors thereon.

4. To elect the following Directors:

   i. Sharon Brown
   ii. Teresa Butler
   iii. Jan-Arne Farstad
   iv. Terence R. Hilts
   v. Joseph W. P. Krukowski
   vi. Michael Mansoor
   vii. Willie Moss
   viii. G. Diane Stewart

5. To appoint Auditors of the Company and authorise the Directors to fix their remuneration.

6. Ratification of dividends for fiscal 2006.

7. To discuss any other business which may properly come before the Annual General Meeting.

BY ORDER OF THE BOARD OF DIRECTORS

Teresa S. Williams
Corporate Secretary
FirstCaribbean International Bank
(Bahamas) Limited
February 3, 2007

Record Date

Holders of FirstCaribbean International Bank (Bahamas) Limited ordinary shares of record at the close of business on February 3, 2006 are entitled to vote at the meeting.

Financial Statements

The Company's audited financial statements for the year ended October 31, 2006 are included in the Company's 2006 annual report, which is enclosed as a part of the proxy soliciting material.

Proxies

Shareholders of the Company entitled to attend and vote at the Meeting are entitled to appoint one or more proxies to attend and, in a poll, vote instead of them. A proxy need not be a shareholder of the Company. Any instrument appointing a proxy must be received at the offices of CIBC Trust (Bahamas) Limited, Registrar and Transfer Agents, Goodman's Bay Corporate Centre, West Bay Street, Nassau, The Bahamas, not less than 48 hours before the Meeting. Shareholders who return completed proxy forms are not precluded, if subsequently they so wish, from attending the Meeting instead of their proxies and voting in person. In the event of a poll, their proxy votes lodged with the Registrar and Transfer Agent will be excluded.

Dividend

An interim dividend of twenty-five cents ($0.25) per common share was paid on July 5, 2006. A final dividend of twenty-five cents ($0.25) per common share for the fiscal year 2006 was approved by the Directors on December 15, 2006 and paid to shareholders on January 5, 2007. Total dividends paid for fiscal 2006 were fifty cents ($0.50).

REGISTERED OFFICE: FirstCaribbean International Bank (Bahamas) Limited, FirstCaribbean International Financial Centre, 2nd Floor, Shirley Street, Nassau, The Bahamas.

At FirstCaribbean, prosperity is not a dream but a philosophy, shaping our attitudes, actions and interactions as we provide visionary guidance to our financial partners.

FirstCaribbean fully appreciates that individuals, communities and governments all desire prosperity, and we recognise the value of partnership committed to bringing prosperity to fruition.

FirstCaribbean is a partner in prosperity – for shareholders, staff, and most important, for our customers.

Partnering Prosperity

Towards Greater Prosperity

At FirstCaribbean we believe in the realisation of dreams.

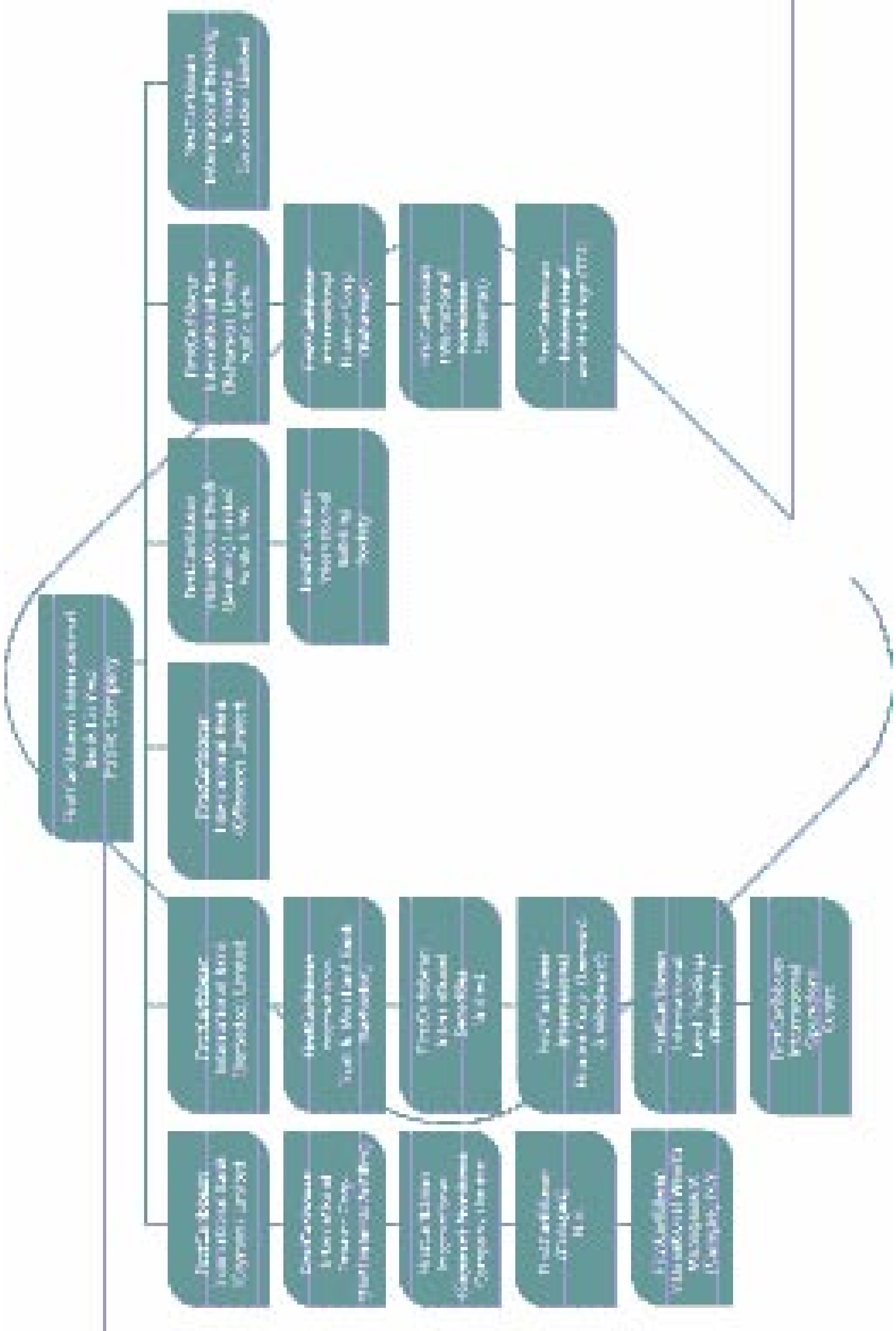
The past year 2006 was a historic one for the Bank, and the progress and enhanced growth acknowleged by the Chairman in his report stand as testimony that we have made our stakeholders' dreams a reality.

We believe that the journey to prosperity is not an isolated one; it requires the synergy of ideas and resources. No matter the dream, whether in the field of infrastructure, tourism development or capital market deals – FirstCaribbean was there.

Our commitment to partnership, progress and performance has been given international recognition with FirstCaribbean International Bank having won the coveted Euromoney Awards for Excellence 2006; the *Global Magazine* Best Bank in Barbados Award for the third consecutive year; and having topped the list in the Latin American/Caribbean Bank of the Year 2006 for Barbados. Also, *The Banker* magazine, a publication of *The Financial Times*, awarded FirstCaribbean two Bracken awards for Best Bank in Jamaica and The Bahamas.

As we progress into 2007, we stand committed to the prosperity of the region; and this commitment which starts with our customers, our employees and our shareholders is what makes us first class.


FIRSTCARIBBEAN
INTERNATIONAL BANK
THE BAHAMAS
TURKS AND CAICOS ISLANDS
BRITISH VIRGIN ISLANDS
ANGUILLA
ST. MAARTEN
ANTIGUA
ST. KITTS & NEVIS
DOMINICA
BARBADOS
ST. LUCIA
ST. VINCENT AND THE GRENADINES
GRENADA
TRINIDAD & TOBAGO
CURAÇAO
JAMAICA
GRAND CAYMAN
BELIZE
Caribbean Sea



Branch Locations

Shirley Street Branch

Main Branches and Centres

ABACO ISLAND

Hope Town
PO Box AB-20402
Hope Town
Tel: (242) 366-0296
Fax: (242) 367-2156

Man-O-War Cay
PO Box AB-20402
Tel: (242) 393-4386
Fax: (242) 367-2156

Marsh Harbour
PO Box AB-20402
Marsh Harbour
Tel: (242) 367-2166
Fax: (242) 367-2156

New Plymouth
PO Box AB-20401
New Plymouth
Green Turtle Cay
Tel: (242) 365-4144
Fax: (242) 365-4144

ELEUTHERA ISLAND

Governor's Harbour
PO Box EL-25022
Governor's Harbour
Tel: (242) 332-2300
Fax: (242) 332-2318

GRAND BAHAMA ISLAND

East Mall, Freeport
PO Box F-42556
The First Commercial Centre
East Mall Drive
Tel: (242) 352-6651
Fax: (242) 352-6655

Pioneer's Way, Freeport
PO Box F-42404
Pioneer's Way
Tel: (242) 352-8391
Fax: (242) 367-9712

NEW PROVIDENCE ISLAND

Bay Street
PO Box N-8350
Bay Street
Nassau
Tel: (242) 322-4921
Fax: (242) 328-7979

Harbour Bay
PO Box N-8350
East Bay Street
Nassau
Tel: (242) 393-2334
Fax: (242) 393-2560

Hurricane Hole
PO Box SS-6254
Hurricane Hole Shopping Plaza
Paradise Island
Nassau
Tel: (242) 363-3588
Fax: (242) 363-2146

Marathon Mall
PO Box N-8329
Marathon Mall
Tel: (242) 393-4386
Fax: (242) 394-0239

Palmdale
PO Box N-8350
Madeira Street
Nassau
Tel: (242) 322-1231
Fax: (242) 322-1121

RND Plaza West
PO Box N-8329
RND Plaza
John F. Kennedy Drive
Nassau
Tel: (242) 323-2422
Fax: (242) 322-7851

Sandyport
PO Box N-7125
Old Towne Mall
Nassau
Tel: (242) 327-8361
Fax: (242) 327-8324

Shirley Street
PO Box N-7125
Shirley Street
Nassau
Tel: (242) 322-8455
Fax: (242) 326-6552

Thompson Boulevard
PO Box N-8350
Thompson Boulevard
Nassau
Tel: (242) 323-6062
Fax: (242) 328-1717

Commercial Banking Centre
PO Box N-7125
Shirley Street
Nassau
Tel: (242) 322-8455
Fax: (242) 328-1690

International Wealth Management Centre
PO Box N-8350
Shirley Street
Nassau
Tel: (242) 302-6000
Fax: (242) 302-6091

Card Services Centre
PO Box N-8329
Independence Drive
Nassau
Tel: (242) 394-8472
Fax: (242) 394-3655

Premier Banking Centre
PO Box N-8350
Shirley Street
Nassau
Tel: (242) 302-6031
Fax: (242) 328-4227

Capital Markets
PO Box N-8350
Shirley Street
Nassau
Tel: (242) 322-8455
Fax: (242) 328-1690

FirstCaribbean International Finance Corporation (Bahamas) Ltd
Shirley and Charlotte Streets
PO Box N-8350
Nassau
Tel: (242) 322-7466
Fax: (242) 323-4450

Managing Director's Office
PO Box N-3221
Shirley Street
Nassau
Tel: (242) 325-7384
Fax: (242) 323-1087

TURKS & CAICOS ISLANDS

Grand Turk
PO Box 61
Cockburn Town
Grand Turk
Tel: (649) 946-2831
Fax: (649) 946-2695

Providenciales
PO Box 698
Leeward Highway
Providenciales
Tel: (649) 946-5303
Fax: (646) 946-5325

South Caicos
Lee Street
Cockburn Harbour
Tel: (649) 946-3268

Michael Mansoor
Chairman, FirstCaribbean International Bank Limited

Sharon Brown
Managing Director, The Bahamas and Turks & Caicos Islands

Terry Hilts
Retired Banker

Board of Directors

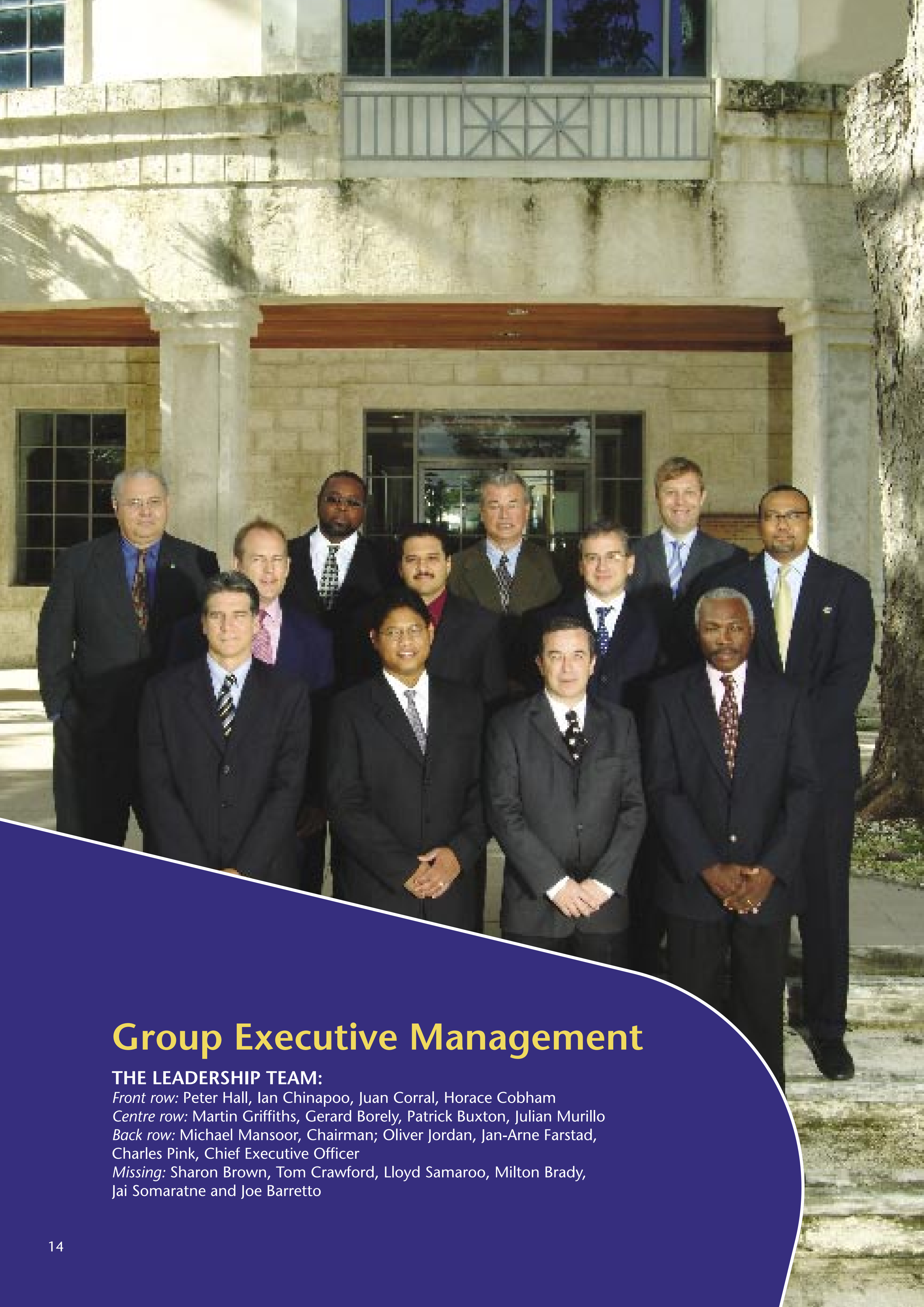
G. Diane Stewart
Attorney-at-Law

Willie Moss
Attorney-at-Law

Joseph Krukowski
Chairman, Doctors Hospital Health System Limited

Teresa Butler
Former Chairman, Bahamas Public Service Commission & Retired Permanent Secretary

Jan-Arne Farstad
Executive Director – Wealth Management



Group Executive Management

THE LEADERSHIP TEAM:
Front row: Peter Hall, Ian Chinapoo, Juan Corral, Horace Cobham
Centre row: Martin Griffiths, Gerard Borely, Patrick Buxton, Julian Murillo
Back row: Michael Mansoor, Chairman; Oliver Jordan, Jan-Arne Farstad, Charles Pink, Chief Executive Officer
Missing: Sharon Brown, Tom Crawford, Lloyd Samaroo, Milton Brady, Jai Somaratne and Joe Barretto

Senior Management and Advisors

Board of Directors
Michael Mansoor – Chairman
Sharon Brown
Teresa Butler
Jan-Arne Farstad
Terence R. Hilts
Joseph W. P. Krukowski
Willie Moss
G. Diane Stewart

Legal Advisors
Harry B. Sands, Lobosky & Company
McKinney, Bancroft & Hughes

Corporate Secretary
Teresa S. Williams

Registrar and Transfer Agents
CIBC Trust Company (Bahamas) Limited

Senior Management
Sharon Brown
Managing Director & Executive Director

Earl Beneby
Head of Credit and Quality Services

Frienderick Dean
Senior Manager, Receivables Management

Pedro Delaney
Manager, Finance

Catherine Gibson
Associate Director Capital Markets

Dennis Govan
International Wealth Management Director,
Bahamas and Turks & Caicos Islands

Dr. Kerry Higgs
Human Resources Director, Northern Caribbean

Pauline Lightbourne
AGM, Channel Management and Service Excellence

Basil Longley
Regional Technical Support

Robin Scavella
Legal Counsel

John Vadiveloo
Operations Network Manager

Teresa Williams
Senior Manager, Managing Director's Office

Registered Office
FirstCaribbean International Financial Centre
2nd Floor, Shirley Street
Nassau, The Bahamas

Regional Audit Committee
Ronald Lalonde - Chairman
Christopher Bovell
Teresa Butler
John Eaton
Sir Allan Fields
Sir Fred Gollop
J. Gonzalez-Robatto
David Ritch

Auditors
PricewaterhouseCoopers

Executive Chairman
Michael Mansoor

I am happy to report that the Bank's fourth year has been a year of solid growth and further consolidation of our operational, governance and control capability. The improved performance in core earnings has resulted in the payment of a total dividend of US 50 cents on earnings per share of US 92.1 cents.

The announcement in March 2006 that CIBC intended to acquire Barclays' 43.7% interest in our Group of Banks was easily the most newsworthy development during the year.

We have emphasised that this change in ownership will not alter the day-to-day operations of parent nor subsidiary banks and that the FirstCaribbean brand, our management, governance structure and our relationships with our customers and our staff will all continue and not be adversely affected. Indeed we believe that this is the beginning of a new and exciting period in the Group's development as a single controlling shareholder who has invested $US 1.08 billion in FirstCaribbean will bring enhanced focus and direction to ensure that the Bank achieves its strategic objectives of growth and enhanced shareholder value.

Governance

We regard good governance and risk management as important determinants of long term profitability and success and we are committed to achieving excellence in this area by ensuring that we implement robust, enlightened and business friendly control policies and procedures and promote a vibrant and strong culture of integrity and governance among our employees.

Last year I reported that we had strengthened the risk and control infrastructure in the Bank by introducing new methodologies and tools. I am pleased to report that during 2006, we made more progress in embedding these initiatives and we believe that virtually all of our people have a heightened sense and appreciation of the need for the deployment of the best possible procedures to mitigate against credit, market, operational and compliance risk. We have significantly improved the monthly reporting on the "risk temperature" of the Bank in these areas and will continue in this endeavour in 2007.

The Board

The Board of Directors continues to meet quarterly to review the strategy of the Bank, to monitor performance in the areas of profitability, customer and employee satisfaction, and to oversee the advancement and implementation of our policies and procedures that are designed to ensure good governance, risk management and strict adherence to legal and regulatory requirements.

We believe that we have established adequate reporting mechanisms to facilitate the Boards' oversight of our performance in all of these areas, some of which are more exhaustively reported on in this publication.

Our People

We are committed to increasing our employees' commitment and capabilities and the creation of a supportive work environment and culture. During the year, we continued to invest significantly in the measurement of employee satisfaction and in the training and development of our people. Special care has been taken by our executives to address the concerns of our staff that arose from various surveys and we have worked assiduously to give our employees the training, coaching and incentives to help them succeed.

We are also committed to giving our customers an unparalleled client experience through the delivery of the best products and services by specially trained and highly motivated employees. Our surveys indicate that we have made progress in this area. We know that persistent focus on and attention to the highly correlated areas of customer and employee satisfaction constitute one of the most demanding imperatives in the creation of a valuable franchise and our efforts will be redoubled in the coming year.

Outlook for 2007

We are approaching 2007 with the same cautious optimism and dogged determination to excel that we have had at the start of each of the preceding four years of growth and institutional strengthening.

Clearly the continued progress and growth of our brand and the creation of sustainable shareholder value are highly dependent on the economic and social conditions prevailing in our markets. Conditions have been favourable during 2006 and we expect this trend to continue.

All of us at FirstCaribbean are committed to enhancing our governance and control capabilities, improving our financial performance and creating shareholder value through excellence in customer service and the talents of some of the most highly skilled professionals in the industry.

Appreciation

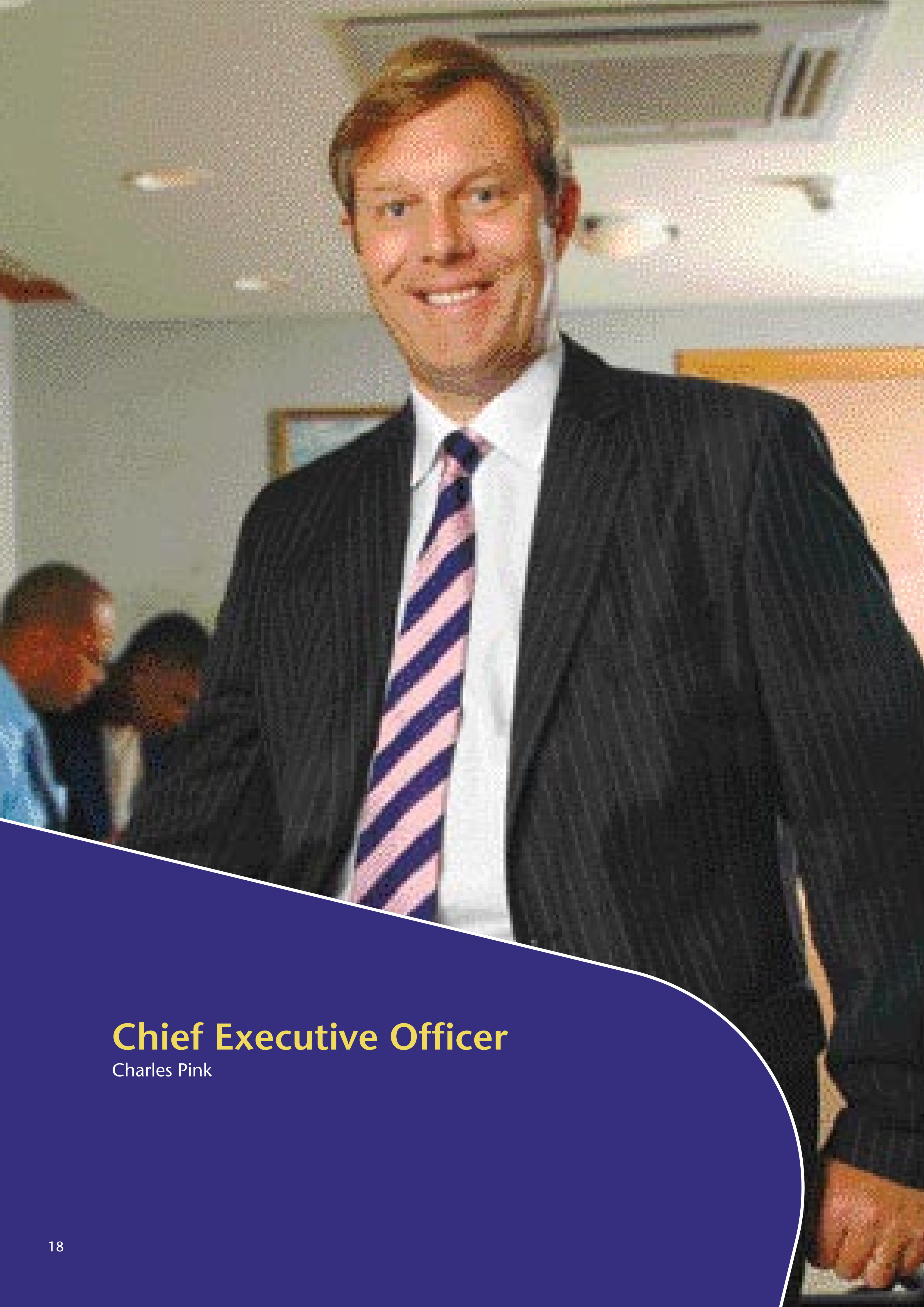
We are greatly indebted to our customers and staff for the successes of 2006. We also thank our regulators and host governments for their support and welcome.

I would also like to reiterate our welcome to our colleagues in Curaçao, who became part of the FirstCaribbean family in 2006.

On behalf of all our people, I pay tribute to the long and seminal contribution of Barclays to our Bank and to the development of the financial infrastructure of The Bahamas and the wider region. We regard their departure with an abundance of gratitude and a sense of nostalgia.

I also pay tribute to the Directors and Executives of CIBC, who in purchasing Barclays' 43.7% interest in our Group, have elected in 2006 to make the single largest one time investment in the regional financial services industry. We at FirstCaribbean continue to strive to be First for Customers, First for Employees and First for Shareholders.

Michael Mansoor
Executive Chairman



Chief Executive Officer
Charles Pink

Summary

2006 has been another standout year for our Bank. Financial performance has been very strong with Net Income After Tax (NIAT) and minority interest at $170.6 million being a 24 % improvement over 2005's record result (excluding the US$117 million one-off gain on the disposal of the Republic stake in 2005). Similarly Earnings Per Share (EPS) grew by a strong 24%.

Performance has been strong in all areas of our balanced scorecard with Control/Risk, Customer Satisfaction and Staff satisfaction all recording major advances from already strong levels at the end of 2005.

And there have been major positive developments in the area of the ownership of FirstCaribbean with the news in March 2006 that existing 43.4% shareholder CIBC was to purchase Barclays 43.4% stake, bringing CIBC to a minimum of an 87.4% ownership position. It is with the latter major development that I begin my review of the 2006 performance.

CIBC Acquisition of Barclays Stake in FirstCaribbean

I see this as a very positive move for our Bank. Barclays has been a very supportive shareholder and their sale of their stake in FirstCaribbean brings to an end a Retail banking presence in the Caribbean dating back to 1837.

However, to have a single controlling shareholder gives our Bank simplicity and stability of governance. It also gives us, as the major shareholder, a powerful Top 50 in the world bank with the resources to back our growth strategy. CIBC has made clear its support for that strategy.

The Governance structure of FirstCaribbean will not change with control continuing to be exerted through the Board. We are delighted to welcome to the Board, Tom Woods, Steve McGirr and John Orr from CIBC. Their deep banking experience will be of great value. As announced in March, the branding and business model of FirstCaribbean will not change and the business will continue to be led by the same Management team operating from the Caribbean.

I have been delighted to be invited by the new Board to continue my leadership of FirstCaribbean and I became a FirstCaribbean employee at the completion of CIBC's acquisition of Barclays' stake. After 22 years with Barclays, this is a big step for me and my family but the opportunities in FirstCaribbean and the CIBC Group were far too exciting to be left behind!

Group Financial Performance

NIAT and minority interest of $170.6 million was struck, inclusive of the costs borne by FirstCaribbean in support of its role in the acquisition of Barclays' stake by CIBC, and a change in accounting policy on fee recognition. Excluding these and other one-off items NIAT and minority interest showed an even stronger percentage increase over 2005.

The Curaçao acquisition contributed $8.3 million NIAT to these results, offset by intangibles amortisation of $2.2 million, integration costs of $ 0.3 million and the opportunity cost of the capital deployed.

As in 2005, the profit growth was powered by doing more business with customers whilst tightly controlling Risk and costs.

Loan balances increased by 22% or $1 billion, the fastest rate of growth in the Company's four year history. Curaçao contributed only $69 million at acquisition. This growth reflected strong market conditions and the success of the bank's business model.

Deposit balances increased by 18% or $1.4 billion. Excluding the Curaçao business deposit growth was 7%. Liquidity is beginning to get tight in a number of our major markets and deposit raising is an increasing focus for our business.

Costs rose 12%. Excluding the Curaçao acquisition and Barclays/CIBC transaction costs, cost increases were well contained at 8%. Cost/Income ratio fell as a result from 61% in 2005 to 58%.

Nine of our 10 Strategic Business Units (SBU's) had record years (Corporate, Retail, International Wealth Management, Capital Markets, Treasury, Bahamas, Cayman, Jamaica and Trinidad).

The one exception was Barbados where major increases in the Central Bank mandated minimum Deposit rate had a harsh impact on our profitability reflecting high deposit market shares and competitive conditions preventing increases in lending rates.

Reports on the 10 SBU's follow later in this Annual Report.

Provisions for Credit Risk Losses were again well contained at $10.3 million (2005 – $7.3 million) or 0.18 bps of loan book (2005 – 0.16 bps).

The "jaws" between Revenue growth of 18% and cost growth of 12% was again very positive at 6%, driving the profit growth. We continue to focus on this measure as key.

With Earnings Per Share (EPS) increasing by 24% to 11.2 cents per share, Dividends increased by 24% to an aggregate of US 5.25 cents per share for the year.

Overall, this has been an excellent year's financial performance and the business is well poised as it enters 2007.

Strategy

The rollout of the Group's strategy was largely completed in 2004–5 and 2006 was a year of consolidation, leveraging the investments made over the prior years.

Retail and Cards

- Each of the Mortgages, Cards and Consumer Lending businesses had record years with double digit volume growth.

- Our new Insurance business has grown very fast and we have significantly increased the resources allocated to this business to accelerate this trend.

- Reflecting the growing importance of our Cards business at the year end we created this business as an 11th Strategic Business Unit (SBU) and moved its reporting lines outside the Retail SBU to give it separate and increased focus.

Corporate

- Corporate had a record year in 2006 and loan pipelines at year end were also at record levels.

International Wealth Management

- The acquisition of ABN AMRO's Wealth Management business in Curaçao was completed at the end of January 2006.

- The business has performed significantly above acquisition case, synergies from the integration are on plan, and the IT integration and operational re-engineering that follows are all on plan. Overall we are very pleased with this acquisition.

- At the year end we merged the "domestic" Wealth Management businesses formerly sitting in Retail with our International Wealth Management business and renamed the whole "Wealth Management". We now have all our Wealth Management businesses in a single SBU. This will allow us to leverage capabilities across the business and develop an integrated strategy for serving Wealth Management clients. Under Jan-Arne Farstad's leadership, this will be a focus in 2007.

Capital Markets and Treasury

- Capital Markets had a record year and completed several landmark transactions. We are continuing to hire investment bankers to further build this business.

- Treasury also had a record year and is now managed as a profit accountable SBU. Again we are hiring to expand this business.

Costs

As highlighted above our Costs Strategy initiatives continue to be successful with our Cost/Income ratio down to 58 % (having been 69% in 2002). We continue to target a 50% Cost/Income Ratio in the medium term and expect to make further strides towards this target in 2007.

Customer Service

Customer satisfaction indices continued to trend upwards, in some businesses markedly so.

Our comparative surveys versus competitors in main markets also show FirstCaribbean making significant progress.

Again this area continues to be a major focus in 2007 when the "Helpful Partner" service programme initiated in 2006 is expected to successfully conclude implementation.

People

Employee satisfaction also continues to trend upwards and to outpace regional and global benchmarks by significant margins.

Nevertheless, we continue to focus on this measure for further improvement.

Learning and Development Programmes have again been a major focus in 2006 with further increased investment in this area. We have introduced a Wharton mini-MBA Programme for Senior Leadership development, a first we believe for a Caribbean company. We have launched the FirstCaribbean University, bringing together physical and virtual learning and development platforms into one integrated resource for our people.

With the transition to CIBC ownership, Richard Pantcheff, Chief Risk Officer and Patrick Buxton, Group Treasurer, returned to Barclays. I thank Richard and Patrick for their support in a crucial phase of our development. It is a pleasure to welcome Martin Griffiths and Pradip Chhadva to the Executive Leadership Team. Julian Murillo, Executive Director, Retail also moved to pastures new and Rolf Philips joined the team as his replacement.

Control

Our Risk metrics have been very stable through the year. We continue to focus on making further improvements to already strong Risk policies and processes with a current focus on upgrading Market Risk, Compliance and Internal Audit.

Our A- Credit Rating was again reiterated by Standard & Poor's for the fourth year of stability.

During 2007 we will achieve SOX Compliance and begin work on Basel II implementation.

The economic environment remains benign but we are keeping a close eye on rising US interest rates and the potential for slowdown in the US economy.

Community Partnership

Our commitment to spend 1% of prior year pre-tax profits on Community Partnership equated to a commitment of US$1.6 million in 2006 and will be US$2.0 million for 2007 based on our strong 2006 results.

It is pleasing to be able to share our success with the communities within which we operate and our Social Annual Report for 2006 highlights the programmes which enjoyed this investment.

Overall, 2006 was another excellent year for our Bank. As said, it was a year of all round performance. It was a year when our success was externally recognised with "Best Bank" Awards from *Global Finance* magazine (for the third year running), *Euro Finance* magazine, Latin Finance magazine and two Country Awards from *The Banker* magazine. With CIBC's increased ownership and support we are well positioned as we enter 2007.

That we are well positioned is as ever a tribute to the hard work of our staff and the loyalty of our customers. I thank both.

Charles JS Pink
Chief Executive Officer

Managing Director

Sharon E. Brown

2006 was another exciting and successful year for the Bank, culminating with the winning of the prestigious Bracken Award issued by *The Banker* magazine for the Bank of the Year in The Bahamas. The achievement of the Banker Award would not have been possible without our staff and our customers – we have a first class team and are grateful to our customers who are making us their bank of choice and allowing us to be their financial partner.

Enhancing Service

Following on last year's restructuring of our front line and relationship management units to better meet the needs of our customers, we turned our focus to our support and facilitating teams in 2006. In an effort to further improve our service to our customers in The Bahamas and the Turks & Caicos Islands, restructuring and expansion of some of our support teams took place during 2006. Additionally, we streamlined various operational activities, enhanced a number of our processes and automated many of our manual processes to boost efficiency. We are expecting demonstrable improvement in service to our customers consequent to these initiatives and the full roll-out of our Helpful Partner programme to address other process inefficiencies and service shortcomings.

We completed the conversion of our various credit card platforms to a single platform this year, which now positions us to aggressively roll out additional card products and services. We thank our customers for their patience during this transition.

Plans have been agreed upon to open a second branch in Providenciales and we continue to review opportunities to expand and enhance our delivery channels, footprint and service in The Bahamas and Turks & Caicos Islands.

Financial Performance

2006 was another very financially successful year with record profits further enhancing shareholder value. We passed the historic $100 million-mark in net income. This strong financial performance did not come without its challenges – Bahamian Dollar liquidity for most of the year impacted funding cost and the Barcap fees which were enjoyed during our first three years of operations were discontinued.

Boosted by a 24% growth in loans and a 49% growth in securities and cash, total assets improved by 34% or $1.2 billion to $4.7 billion. Thanks to customer confidence and the efforts of our sales staff our loan portfolio, net of provisions, grew by some $466 million. The growth came primarily from our capital market activities, corporate and mortgage businesses as we continued to facilitate business acquisition and expansion and home ownership. Our loan book grew by 23% in The Bahamas and 26% in the Turks & Caicos as we partnered with the business community and home purchasers in both countries. We continue to be the largest mortgage lenders in The Bahamas. In expanding our loan book, we did not compromise asset quality but adhered strictly to prudent lending principles. Deposits grew substantively during 2006, primarily on the international side and in Turks & Caicos, ending the year at $3.5 billion some $642 million higher than last year.

With revenue growth of $17.7 million primarily driven by higher loan volumes, Forex earnings and increased international rates coupled with well-controlled expenses resulted in net income improving by $12.6 million to $110.7 million. However, if we were to factor in the discontinuation of the Barcap fees and the new accounting requirement for deferral of loan fees, our net income performance would be even stronger when compared to the prior year. Our continued focus on building and growing strong relationships with our customers and the commitment and hard work of our staff accounts for this very strong financial performance by the Bank which continues to be excellently capitalised at $605 million.

Community Partnership

Again in 2006, we were very active in sponsorship and community partnership. We feel strongly that it is important that we give back to our communities both financially and in service. It is equally important that we do our part to build and nurture our community and our people. In addition to the financial assistance provided by the Bank through the Adopt-a-Cause programme, many of our staff gave unselfishly of their personal time, skills and resources to ensure they made a true difference in the lives of the persons involved in the beneficiary programmes. Programmes benefiting from the joint engagement by staff and the Bank through the Adopt-a-Cause programme include the Elizabeth Estates Children's Home, the PACE programme, the Children's Emergency Hostel, Gambier Primary School, Salvation Army School for the Blind and the Shepherd's Nook Home for Girls.

The youth, who are our future, were major beneficiaries of our sponsorship and community partnership during 2006 as we sponsored and facilitated a number of summer youth programmes, and provided computer equipment to Albury Sayles Primary School and Oakes Field Primary School to enhance learning. Scholarships were provided to students via the Junior Achievement, Governor General Youth Award and Bahamas Primary School Student of the Year programmes . We additionally partnered with the Kiwanis Club of Nassau AM to assist with their library and computer lab project at Simpson Penn School for Boys. The Fort Charlotte Urban Renewal programme was a significant beneficiary of the Bank's community partnership as we funded the purchase of instruments for their band. We also provided books and supplies to assist a number of students returning to school in the new school year.

In the educational arena, our partnership with the College of the Bahamas continued. We provided full scholarships for three members of the President's Scholars programme. These scholarship recipients have been provided mentors from the Bank's management team and will also participate in an internship programme with the Bank.

In the area of sports, we continue as sponsors of two junior baseball teams as well as two volleyball teams and a track club. We additionally provided support to the Bahamas Basketball Federation to assist the National Team with travel expenses and were a major sponsor of the Bahamas Swimming Federation for participation the in the CISC, CAC and National Swimming Championships.

Our assistance in the cultural arena continued with funding provided to many of the Juankanoo groups to facilitate their participation in the annual Boxing and New Year's Day parades.

Another successful year for our Unsung Heroes programme which identifies and rewards outstanding humanitarians in our community. This year's winners were Ean Maura – a volunteer/coordinator at an after-school programme he started; Kenneth Sweeting – a prison officer who has been a volunteer at the Children's Emergency Hostel for the past seven years, personally funding supplies for the children, giving the boys haircuts and helping with the maintenance and upkeep of the hostel building and grounds. Our third winner who was also a Regional Runner Up is Marvin Finlayson who has been deaf since the age of six due to meningitis. Marvin has excellent speech, lip-reading and writing skills and is fluent in sign language. He is the first deaf person to graduate from the College of the Bahamas and has used his ability to function in both the deaf and hearing world to assist other hearing-impaired persons in The Bahamas. He is a past president of the Talking Hands Society, founding member of the Bahamas Deaf Sports Federation, Director of the Deaf Ministry at Grace Community Church and Visual Communications Instructor. He is employed with the Ministry of Education as a Technical Educator where he teaches deaf children and adults the rudiments of computer science.

Our People

A very active learning and development programme took place this year for our staff. Training included orientation for all new entrants. In the case of our People managers, training included performance management, coaching, employee relations and leadership. Training was also provided for specific job roles, new process and sales as well as anti-money laundering. Staff has embraced the training, enhancing their skills and effectiveness in their roles.

Staff continued to demonstrate great resilience and responded positively to the process and structural changes aimed at improving and enhancing customer service and performance.

We welcome Dennis Govan, our new Wealth Management Director for The Bahamas and Turks & Caicos Islands to our senior team. He comes with a wealth of experience and skills in international banking.

We salute our Regional Pro Performer winners Joan Rahming and Jayson Clark for their exceptional performance.

Future Outlook

We have seen some attractive fruits this year coming from the initiatives taken in prior years and the initiatives of 2006 should position us to reap further benefits going forward. We are now positioned with our single platform to roll out card products and services which are in great demand and which will additionally enhance service options and improve efficiency. We expect similar opportunities as we enhance our Wealth Management offerings.

We hope to have our second branch in Providenciales opened and operational this coming year and will continue to look at opportunities to expand our footprint, products and service offerings in all of our segment activities.

Growth opportunities are expected to continue in The Bahamas and Turks & Caicos Islands. The Bank will remain responsive to meeting the product and service needs of our customers and will continue to facilitate them in participating in opportunities and achieving prosperity.

Appreciation

It is with gratitude and pleasure that I thank our 800 plus staff for delivering such historic and excellent results in 2006 and responding so positively to the various change initiatives. I remain grateful to our customers for their loyalty, support and patience as we roll out various initiatives aimed at enabling us to better service their current and future banking needs. To our shareholders, your continued confidence in and commitment to the Bank is greatly appreciated. Our Board of Directors has again played a very substantive role in the Bank's success and I thank them for their continued guidance and counsel.

We – Bank, staff, customers and shareholders – can take enormous pride in our achievements this year, which have garnered world recognition through our Bank of the Year Award.

Sharon E. Brown
Managing Director

Corporate Secretary
Teresa S. Williams

Directors

In accordance with the Memorandum and Articles of Association, the following Directors cease to hold office at the end of the Annual General Meeting, and being eligible offer themselves for re-election:-

i. Sharon E. Brown
ii. Teresa Butler
iii. Jan-Arne Farstad
iv. Terence R. Hilts
v. Joseph W. P. Krukowski
vi. Michael Mansoor
vii. Willie Moss
viii. G. Diane Stewart

Directors' Interest

As at October 31st, 2006, particulars of Directors' shareholdings in the issued capital of the Company are as follows:

Common Shares of No Par Value

	Beneficial Interest	Non-Beneficial Interest
1. Terence Hilts	31,220	nil

Financial Results and Dividends

The Directors report that the Company's net income for the year ended October 31, 2006 amounted to $110.7 million. All statutory requirements for the year ended October 31, 2006 have been fulfilled.

An interim dividend of twenty-five cents ($0.25) per common share was paid on July 5, 2006. A final dividend of twenty-five cents ($0.25) per common share for the fiscal year 2006 was approved by the Directors on December 15, 2006 and paid to shareholders on January 5, 2007. Total dividends paid for fiscal 2006 were fifty cents ($0.50).

Share Capital

Substantial Interest as at October 31, 2006*
Common Shares of B$0.10 par value

1. FirstCaribbean International Bank –
   114,463,600 (95.21%)

*Substantial interest means a holding of 5% or more of the company's issued share capital.

By Order of The Board

Teresa S. Williams
Corporate Secretary
February 3, 2007

Operating Results and Financial Condition for the Fiscal Year 2006

Financial Highlights

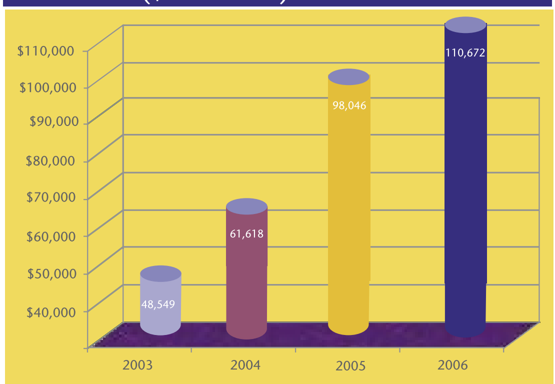
B$(000)	2006	2005 (Restated)
Net income	110,672	98,046
Earnings per share (cents)	92.1	81.6
Total assets	4,691,474	3,510,142
Total equity	605,406	561,239
Return on assets	2.8%	2.9%
Return on tangible equity	27.7%	27.6%
Ratio of operating expenses to revenues	36.2%	37.9%
Dividends per share (cents)	50	50
Dividend pay-out ratio	54%	61%
Dividends times covered	1.84	1.63

Overview

FirstCaribbean International Bank (Bahamas) Limited has recorded another excellent year increasing profits and assets year over year to improve total shareholder value.

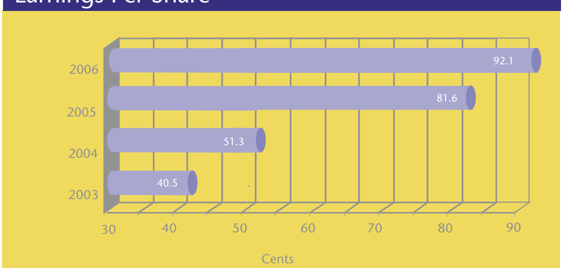
Net income rose by 12.9% over the restated amount for last year to $110.7 million and total assets increased by $1,181 million or 33.6% to $4.7 billion at October 31, 2006.

Net Income ($ thousands)



Likewise, earnings per share rose 12.9% from the restated amount for last year of 81.6 cents to 92.1 cents for this fiscal year. Return on tangible equity and return on total assets remained relatively unchanged after restating last year's net income. ROE increased from 27.6% last year to 27.7% and ROA decreased from 2.9% to 2.8% for the year.

Earnings Per Share

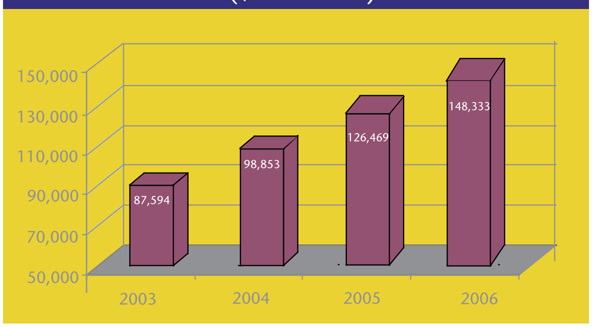


In accordance with IAS 18 Revenue, fees, such as loan origination and commitment fees that are considered to be an integral part of the effective rate of a financial instrument, are required to be deferred, along with the related direct costs. In previous years, this accounting treatment was not followed as the effect was considered immaterial in any one year. In 2006, this accounting treatment was implemented and the impact has been applied retrospectively with the comparative statements for 2005 being restated. Net income for last year was reduced by $1.4 million, and opening retained earnings as of November 1, 2004 was reduced by $17 million, which is the amount of the adjustment relating to periods prior to 2005.

Net Interest Income and Margin

Net interest income represents interest earned on loans, securities and deposits with other banks, less interest paid on deposits from customers and banks and other borrowings. Net interest income for the year increased $22 million, or 17% from $126 million last year to $148 million in 2006. Total interest income climbed by $51.6 million to $239.7 million with higher interest income of $39 million earned on loans as gross loan balances increased by 23% or $470 million over last year. Interest income from securities rose $11 million in total as both trading securities and investment securities balances increased from last year. Interest income from the trading portfolios increased by $4.6 million and by $6.2 million for investment securities. Interest income from deposit placements was slightly lower than last year by $0.3 million as bank deposit balances reduced substantially to support the growth in loans and the additional investment in securities.

Net Interest Income ($ thousands)



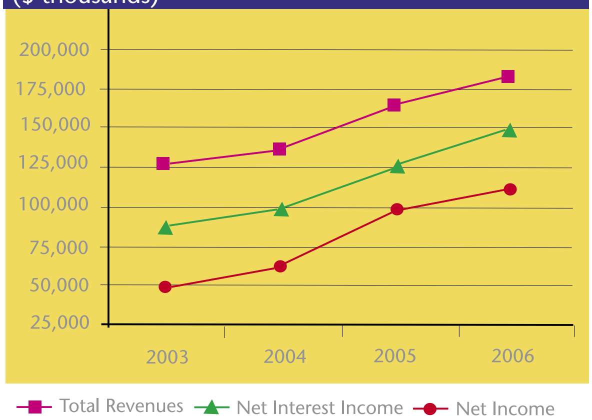
Total interest expense also increased by $29.8 million or 48% primarily due to the rising level of deposits. Interest expense from customer and bank deposits increased by $32.9 million as total deposits climbed 23% or $641.6 million over last year. The average interest rate on deposits also increased by 1.7% as the US Fed rate continued to increase over the year and local deposit rates increased as a consequence of tighter liquidity. Net interest on derivatives improved by $3.8 million as net interest income was earned this year compared to net interest expense last year. The net interest margin, which refers to the interest spread earned by the Bank on total assets and total liabilities, remained at 3.8% for the year as both net interest income and total assets increased.

	2003	2004	2005	2006
Net interest margin	2.7%	3.1%	3.8%	3.8%

Other Operating Income

Other operating income consists of all revenues not classified as interest income and compared to last year, was $4 million (11%) lower in fiscal 2006. Gains on foreign exchange transactions were $2.3 million higher than last year as foreign exchange volumes increased. Realised and unrealised losses on the trading portfolios were lower by $2.4 million this fiscal as the US Fed rate continued to increase during the year. However, other income earned by the Bank during the year was $7.4 million lower than last year primarily as a result of the December 31, 2005 expiration of the agreement with Barclays PLC to earn $10 million as fees for maintaining deposit placements with Barclays.

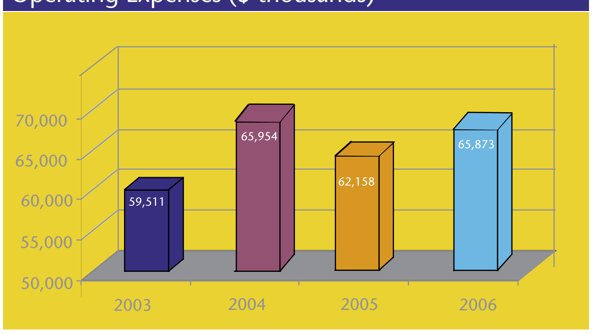
Revenue, Net Interest Income and Net Income ($ thousands)



Operating Expenses

Operating expenses for this fiscal year were $3.7 million or 6% higher than last year. The higher expenses for this year were primarily due to a gain of $2.7 million realised last year on the disposition of one of the Bank's premises.

Operating Expenses ($ thousands)



Property and equipment expenses were also higher than last year by $0.5 million as higher repairs and maintenance charges were incurred on the Bank's premises.

The Bank's efficiency ratio, i.e., the ratio of operating expenses to total revenues, continued to improve as overall costs were prudently managed.

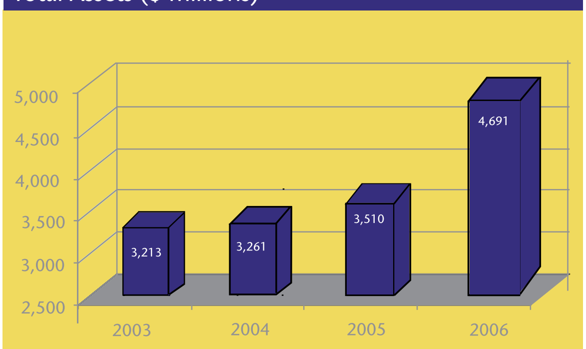
	2003	2004	2005	2006
Efficiency ratio	46.8%	48.6%	37.9%	36.2%

Summary Balance Sheet

B$(000)	2006	2005 (Restated)
Assets		
Cash and bank balances	367,400	791,661
Securities	1,524,879	468,811
Loans	2,444,830	1,972,392
Other assets	354,365	277,278
	4,691,474	3,510,142
Liabilities and equity		
Deposits	3,503,903	2,856,737
Other liabilities	582,165	92,166
Equity	605,406	561,239
	4,691,474	3,510,142

Total assets were $4,691 million which was an increase of $1,181 million or 33.6% over last year. This increase was primarily due to the increase in loans of $472 million and also the increase in cash and securities balances of $632 million.

Total Assets ($ millions)



Cash and Advances to Banks

Cash and advances to banks (excluding accrued interest) declined by a total of $423 million or 54% to a balance of $365 million at October 31, 2006. Cash resources were applied to the growth in loan balances as well as the increase in trading and investment securities.

Securities

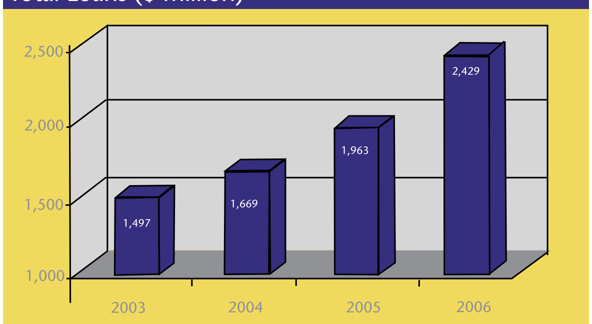
Total securities (excluding accrued interest) increased by $1,042 million or 225% to $1,505 million at October 31, 2006. The Bank holds both an investment portfolio of securities as well as a trading portfolio of securities. Trading securities are securities which are acquired for the purpose of generating a profit from short-term fluctuations in price or dealer's margin. As financial assets held for trading, these are represented in the financial statements as financial assets at fair value through profit or loss and consist of government bonds, corporate bonds and asset backed securities. The trading securities increased by $507 million during the year to a balance of $803 million (excluding accrued interest) at October 31, 2006 as additional funds were placed in the trading portfolios. As with all actively traded portfolios, at any given point in time, there are securities which have been traded for which cash has not yet been exchanged. At year end, there were unsettled trades of $157 million for which a corresponding payable amount of $239 million is included in other liabilities and a receivable of $82 million is included in other assets.

The investment securities are securities which the Bank intends to hold for an indefinite period of time and has no intention of trading but may be sold in response to liquidity requirements or other changes in market conditions. These securities represent debt securities issued by the Government or its related agencies as well as corporate bonds. The B$ investment securities form a part of the liquid assets requirement prescribed by the Central Bank of The Bahamas. The investment securities portfolio increased by $535.6 million to $702 million (excluding accrued interest) at October 31, 2006 as additional available for sale securities were purchased. Included in investment securities are government bonds with a par value of $280 million which are pledged pursuant to repurchase agreements and for which a corresponding liability is included as other borrowings.

Loans

Gross loans and advances to customers grew by 23% or $469.9 million to a balance of $2,476 million (excluding accrued interest) at October 31, 2006. Total loans net of the allowance for loan losses and excluding accrued interest, was $2,429 million at the end of this fiscal year compared to $1,963 million last year.

Total Loans ($ million)



The growth in loans continues to be driven by the strong performance in business and government loans as well as residential mortgages. Business loans increased by $206.8 million or 24% from last year end as the capital markets segment of the Bank was introduced. Total mortgages grew by 19% or $165.7 million over the balances reported last year whereas personal loans increased by 16% or $45.2 million.

Total provision for loan losses increased by $4.2 million to $47 million with a total charge of $5.3 million to the income statement for the year compared to a charge of $3.9 million last year. Provisions for specific credit risk increased $3 million and the general provision for inherent risk increased $1.2 million as the Bank prudently provided for any potential losses on its portfolio of loans. Non-performing loans increased by $17.7 million to $124 million at year end.

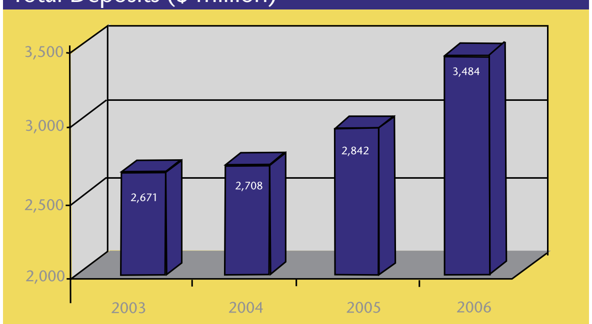
The ratio of the total provision to total loans decreased marginally from 2.1% to 1.9% at October 31, 2006. The ratio of specific provision to non-performing loans also decreased from 34.6% to 32.1%. The actual expense for the year however increased by $1.4 million over last year.

	2003	2004	2005	2006
Total provisions to total loans	2.6%	2.7%	2.1%	1.9%
Specific provisions to non-performing loans	27.7%	35.4%	34.6%	32.1%

Deposits

Customer and bank deposits rose by $641.6 million, or 23% from last year end, to $3,484 million (excluding accrued interest) at the end of this fiscal year.

Total Deposits ($ million)



The growth in customer and bank deposits was largely attributable to an increase in fixed deposits payable which increased by $589.5 million (32%) over last year as deposits from banks increased by $454 million to $535 million. Deposits from related FCIB entities increased $472 million.

Deposits from other corporate and government entities increased by $140 million (8%) from last year end to $1,888 million. Deposits taken from individuals increased 5% by $48 million to $1,061 million.

At the end of fiscal 2006, the percentage of total deposits held with a fixed maturity date increased by 5% to 70% compared to the end of last fiscal and deposits payable on demand and after notice decreased by 4% and 1% respectively.

The Bank was challenged during the year in raising Bahamian dollar deposits as liquidity within the economy tightened. Consequently, on November 3, 2006, the Bank issued $20 million redeemable floating rate bonds which will mature in 2011.

Other Borrowed Funds

During the year, the Bank sold investment securities having a par value of $280 million and agreed to buy back these securities under repurchase agreements. Generally accepted accounting principles require this transaction to be accounted for as a borrowing transaction and accordingly, a liability of $280.7 million, excluding accrued interest, is reflected at year end.

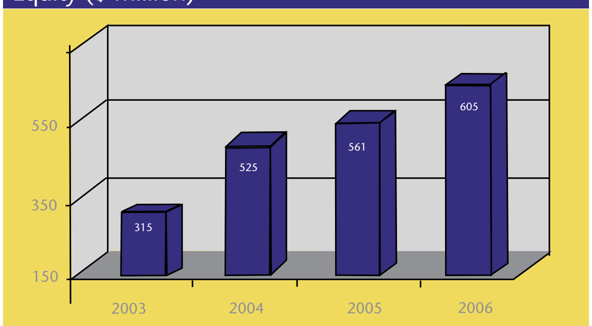
Other Liabilities

Other liabilities have increased by $195.5 million and essentially represent the amount due to brokers of $239 million for unsettled trades in the trading portfolios as at October 31, 2006 compared to $48 million at last year end.

Equity & Capital Ratio

Equity for the Bank increased 8% or $44 million to $605 million at October 31, 2006 after the restatement of retained earnings at October 31, 2004 for the deferral of loan fees. The increase represents the current year's profit less dividend distributions.

Equity ($ million)



The return on tangible equity for this fiscal year is 27.7%, which represents a marginal improvement over last fiscal year's return of 27.6% (after restatement).

A final dividend of $0.25 per share in respect of this year's profits was declared after October 31, 2006 and therefore not deducted from the reported equity. The total dividend declared in respect of this fiscal year amounted to $0.50 per share ($60.1 million), the same as last year and represents a dividend payout ratio of 54% compared to 60% last year.

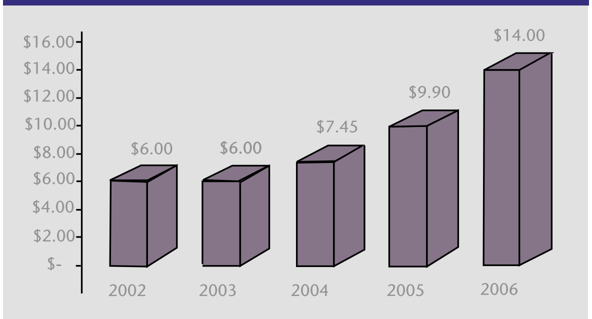
The Bank continues to maintain a strong capital base and capital ratios above the regulatory requirement. Tier I capital generally includes share capital and retained earnings, less goodwill. Tier II capital principally comprises of hybrid capital instruments and general reserves. At October 31, 2006, tier I capital ratio and the total capital ratio of the Bank, that is the ratio of capital to the risk adjusted assets, were 14.25% and 15.05%.

The return on assets for this fiscal year was 2.8% which was slightly less than last year's 2.9%. Although, net income increased 12.9%, the average total assets increased 15.7% resulting in a lower return on assets.

Share Prices

Shareholder value continues to improve as the market value of the ordinary shares in the Bank has continued to increase. At October 31, 2006, the market price was $14, representing a market price growth of $4.10 or 41% from October 31, 2005.

Share Price



Strategic Business Units

Business Unit Managers

Cherise Archer
Manager, JFK Branch

Walton Bain
Manager, Sandy Port Branch

Paul Bartlett
Manager, Marsh Harbour, Abaco

Audrey Colebrooke
Manager, Marathon Mall Branch

Joann Dames
Manager, Bay Street Branch

Lawrence Daxon
Manager, Paradise Island Branch

Sherwin Hilton
Manager, Governor's Harbour, Eleuthera

Marlene Knowles
Manager, Pioneer's Way Branch, Freeport, Grand Bahama

Sally Laing
Manager, East Mall Branch, Freeport, Grand Bahama

Jackie Jolly
Manager, Thompson Boulevard Branch

Byron Miller
Manager, Shirley Street Branch

Jackie Reckley
Manager, Palmdale Branch

Rozelda Rigby
Manager, Harbour Bay Branch

Sean Blyden
Senior Manager, Domestic Premier

Elsie Seymour
Manager, Card Services

Rochelle Wilkinson
Acting Manager, FirstCaribbean International Finance Corporation (Bahamas)Ltd

Helen Pascal
Manager, Turks & Caicos Islands

Consumer Finance Sales Leaders

Marvin Adderley
Gezel Farrington
Inger Johnson
Marvin Major

Home Finance Sales Leaders

Robert Cox
Rochelle Wilkinson

Corporate and Capital Markets Banking Management

Earl Beneby
Head of Credit and Quality Services

Larry Bowleg
Senior Corporate Manager

Kevera Turnquest
Head of Corporate Banking, Freeport, Grand Bahama

Peter Edmunds
Country Head, Turks & Caicos Islands

Catherine Gibson
Associate Director, Capital Markets

Retail Banking

Executive Director, Retail Banking
Julian Murillo

A History-Making Year

Retail Banking has continued the growth started two years ago while improving customer service and maintaining strong focus on Risk Management. Loan growth in 2006 continued to exceed expectations. Performing loans grew by 14% over 2005 and now exceed US$2 billion for the first time in our history. Residential mortgages grew by 14% driven by a 23% increase in sales over 2005. Similarly consumer loan balances grew by 16% over 2005 driven by a 40% increase in sales over 2005.

We have also seen improvement in our key customer service measures. Our Customer Loyalty index improved from 74% to 80% and Customer Satisfaction from 67% to 78%.

Retail Banking contributed 19% of the Bank's profits in 2006, which is down from 31% in 2005. Most of this is as a result of a change in the accounting for foreign exchange income and loan fees. When adjusted, the overall contribution fell by 3% in 2006. This fall in contribution is driven primarily by reductions in loan margins due to increased deposit cost in two of our major markets.

The Retail Banking structure and marketing strategy continue to be successful in driving loan growth and our considerable success in these areas have begun to put pressure on our liquidity position in some of our markets. An equally aggressive deposit raising strategy will be employed by the Retail business in 2007 to reverse this trend.

We have invested heavily in the training and development of our people in 2006 and this investment fuels our strong performance. We take this opportunity to thank them all for their outstanding contribution.

Premier Banking

Our Premier Banking service experienced a year of exponential growth in 2006 with growth in personal loan and mortgage balances of 102%. This service will be amalgamated with our International Wealth Management services in 2007.

Insurance Services

Insurance services continue to be a good fit for Retail Banking and helps to diversify our fee income stream. Creditor life and property insurance are now available in most of our jurisdictions and new policy sales in 2006 increased by 100% over 2005. We will continue to expand the offering to include a wider range of insurance products for our existing banking customers.

Credit Cards

Our Acquiring and Merchant services business had very successful years in 2006. Card sales grew by 25% over 2005 to almost 76,000 new accounts leading to a 9% increase in outstanding balances. Similarly, Merchant Acquiring was up 26% from 2005.

We also successfully completed conversion of our credit card base to a single platform in 2006. This should bring considerable operational efficiency and product capability improvements for our customers in 2007.
Credit Cards and Merchant Acquiring will become a separate Strategic Business Unit in 2007 and will therefore no longer form part of Retail Banking.

Capital Markets

Executive Director, Capital Markets
Ian Chinapoo

A Breakout Year

We are especially proud of our accomplishments this past year. After making significant investments in building a solid team and a robust deal execution infrastructure over the previous two years, 2005/06 has been a landmark year for Capital Markets.

Closing the Deals

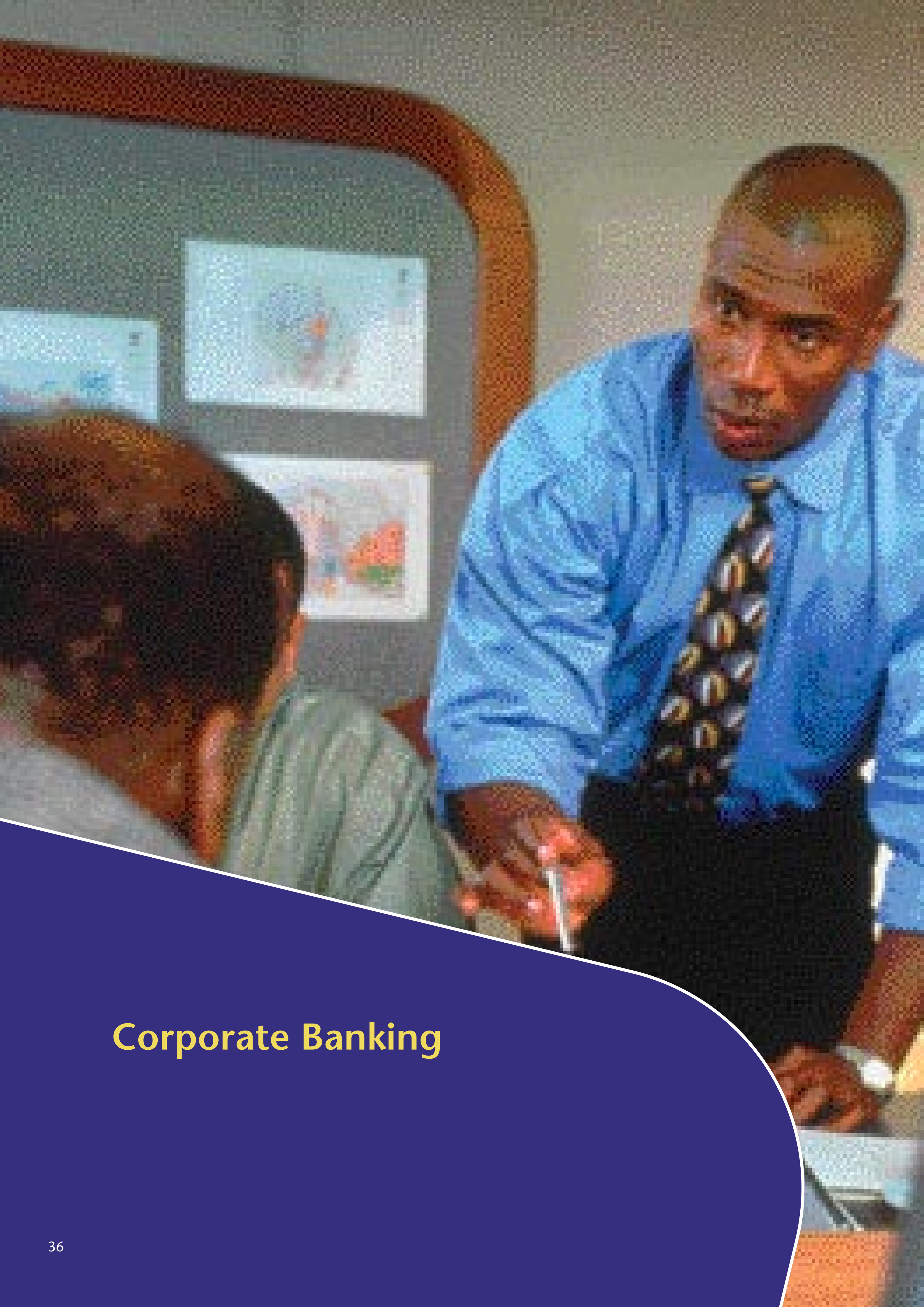
Our most significant achievement was arranging financing of over US$850 million for regional entities, including infrastructure-based construction such as the new Barbados prison and the Waterfront Project in Trinidad. Using our international reach and internal structuring expertise, we developed innovative structures which departed from the commonly employed debt-raising mechanisms and pioneered new avenues that regional sovereigns and corporate entities are now using for large project financings. Consistent with this pioneering approach, we also arranged syndicate financing for the construction of an exclusive five-star residential development in Trinidad – the first of its kind in that country. In addition, we made inroads into the Jamaican market, closing important corporate fund-raisings there and from our newest office in The Bahamas, we launched a domestic bond offering for FirstCaribbean (Bahamas) Limited in October 2006.

Results of Teamwork

It took tremendous teamwork and a great deal of resilience in bringing these deals to fruition and we are very pleased to end the year 27% over budgeted revenues. In our second full year of operations, our revenues grew 83% over prior year and we achieved a cost to income ratio of 35%. Most notably, our contribution to the Bank's bottom line was 157% greater than last year's. Moreover, we are ending 2006 optimistically with a robust pipeline of USD 2.2 billion in aggregate value.

It is with great pride that I look back at the past year. We have gone from a fledgling enterprise to a fast-growing, efficient operation. All credit goes to the team and I commend their efforts. Special thanks to our colleagues in Institutional Trust, Trading & Distribution as their sub-segment moves to Wealth Management.

Our key deliverable for the upcoming year will be to improve our deal pipeline conversion ratio. Critical to realising this is the building out of the Transaction Management, Distribution, and Structured Finance areas of the business as well as increasing the resources available to the team. As these initiatives are already in progress, we are confident we will soar to new heights in 2007.



Corporate Banking

Executive Director, Corporate Banking
Horace Cobham

Best Financial Performance

2006 was a very successful year for the Corporate Strategic Business Unit (SBU). In a market environment characterised by extensive competition, change and an increasing need by customers for innovative and flexible financing solutions, we achieved our best financial performance to date. Despite the intense market competition, we continued to build on our market-leading position in all territories in which we operate. In Jamaica, we had another exceptional year, virtually doubling our business volumes while significantly expanding market share. We have also begun to reap the benefits of our recent investment in Trinidad, where we increased our business volumes by over 72% in the first full year of operation.

And we delivered these strong financial results with an improved customer experience as measured by independent customer surveys.

Financial Performance

From our banking centres in 17 countries and with the added capability to meet financing needs of customers that are outside of our branch representation network, we disbursed loans of in excess of $1 billion for the second consecutive year. As a result, corporate loans grew by 19.5%, surpassing $3 billion. While we enjoyed this excellent loan growth, we maintained our strict underwriting standards, continuing to focus on minimising credit risk through portfolio diversification and asset quality. Deposits also showed exceptionally strong growth of over 28%, reaching $2.7 billion.

Operating Profits hit a new high of $205 million – exceeding the record performances of the two prior years and contributing 54% to the Bank's overall financial performance. Net interest income and fees and commissions each grew by over 40%. At the same time, operating expenses were well contained within planned levels.

Customer Experience

We concentrated on optimising our organisation model, which we rolled out last year in order to drive best practise in our client coverage, product delivery and customer service. We focused on enhancing our customers' experience by delivering value-added product and service solutions through our team of Small Business Specialists, Industry Specialists and dedicated Relationship Managers.

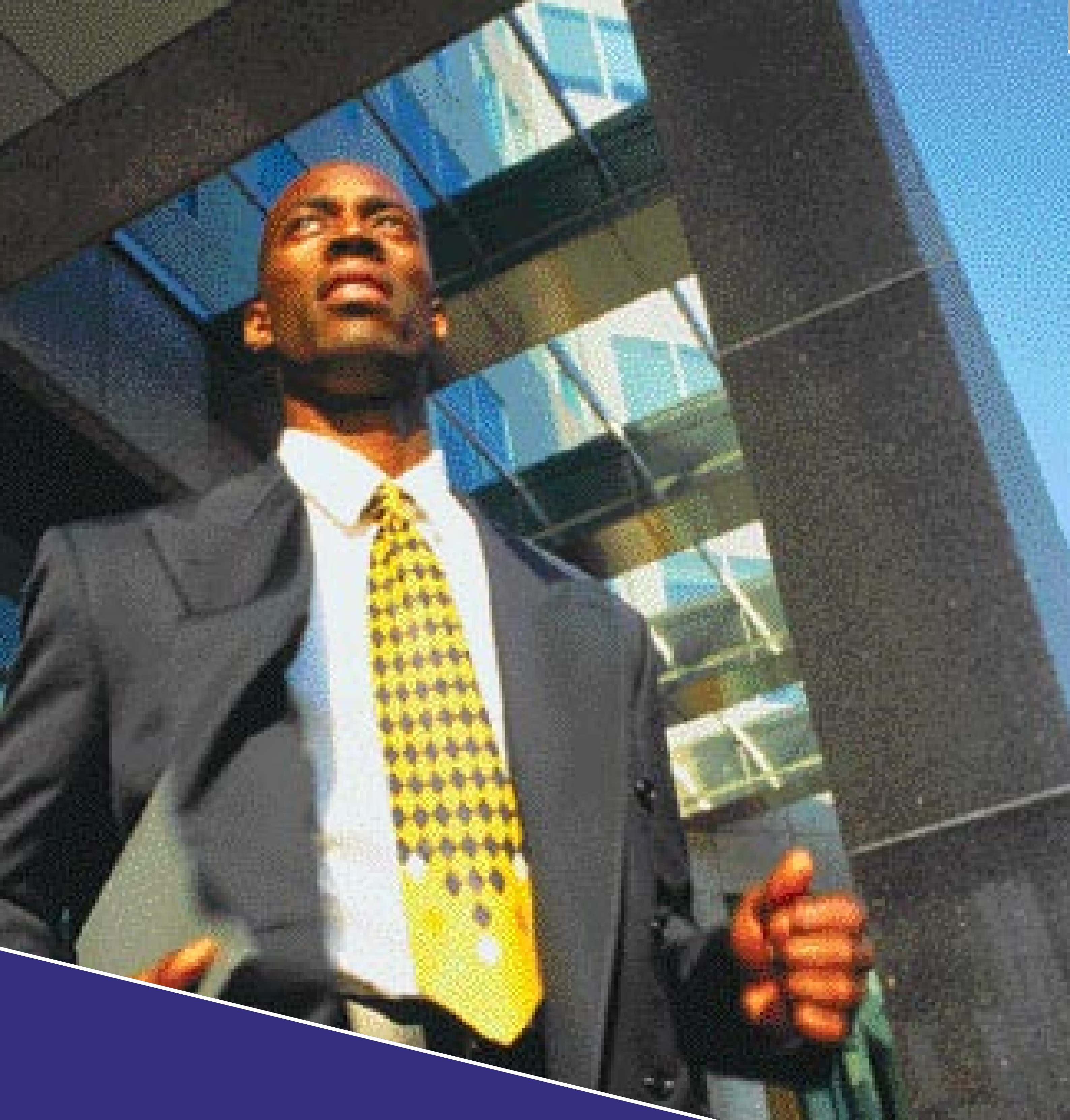
We strengthened our workforce capability through targeted training in sales management, contact management tools and techniques all designed to improve our customers' experience with us.
This improved delivery coupled with an expanded product offering augurs well for our customers as we strive to provide them with value-added solutions and services in keeping with the client/Bank partnership.

Our People

The more than 260 talented dedicated professionals that make up the Corporate team were central to this year's success. They delivered quality service, real relationships and highly competitive financial solutions that customers truly valued. Thank you very much for your strong support and commitment to our customers.

Looking Ahead – Getting There. Together.

We will continue to keep our customers at the centre of everything we do as we commit to meeting their expectations through delivery of a broad range of financial solutions. We expect to be defined by the service we deliver and our aim is to provide the best possible service with every customer contact. Excellence in customer service and getting to know our customers and their specific needs will continue to underpin the way we do business. This will enable us to fulfil our commitments to our customers and distinguish us from our competitors.



Wealth Management

Executive Director, Wealth Management
Jan-Arne Farstad

Specialty Area Gets New Name

Last year was by far our best performance ever in Wealth Management, which was renamed from International Banking as at November 1, 2006, and is a more apt name for this business.

Prior to this date our international and domestic Wealth Management activities had been managed separately with domestic Wealth Management residing in Retail. However, we have combined the two businesses on the basis that they are similar in nature and that each will benefit from the other. From November 1, 2006 all Premier staff in eight islands has been brought "under one roof" – a group of over 50 professionals – under the leadership of a seasoned wealth manager.

Growth in All Aspects

Growth in international deposits, international mortgages, assets under management and administration was robust. International deposits increased from $3.3 to $4.0 billion, an increase of 22% whilst the international mortgage book increased no less than 70%, albeit from a lower base.

On January 31 2006, we closed the acquisition from ABN AMRO of their Curaçao international Wealth Management business, which substantially improved our capabilities in Wealth Management and international cash management services. In the course of the year we have started to leverage products and services from this acquisition throughout our other five Wealth Management centres in The Bahamas, the Cayman Islands, Barbados, the British Virgin Islands and the Turks & Caicos Islands. We have particularly improved our discretionary and advisory portfolio management offering and we are adding more client advisors in all six Wealth Management centres. The Curaçao business itself performed well ahead of expectations last year and we are pleased with the addition of some 75 high-quality staff to the existing Wealth Management team.

Expansion

2006 also saw us progress in a couple of other banking sectors that we are pursuing through product specialists. Firstly, we extended our banking services to the captive insurance market from Barbados into the Cayman Islands, a significantly larger market for such products and services. Secondly, our team of dedicated international mortgage specialists significantly grew their mortgage book as well as expanded geographically. Both specialty areas look set for further growth this year.

The Wealth Management team, now about 225 people, has substantially increased its contribution to the Bank's bottom line over the last couple of years. Last year, Wealth Management contributed nearly 25% of the Bank's profits and we look forward with confidence to the outcome of the current year.

Treasury

Executive Director, Treasury
Patrick Buxton

Transformation and Investment

In early 2006, we completed a strategic review of Treasury in terms of organisation design, resources and talent. Coming out of that review, we have transformed the Treasury function into a new Strategic Business Unit, leveraging our money management skills to build a new unit which will manufacture Treasury products for our customers and further enhance the Group's income for our shareholders. We have also expanded our Treasury team, making new hires in all departments, and have initiated significant new IT and Operations investments to improve our dealing room capability, streamline balance sheet reporting and strengthen Asset and Liability Management (ALM).

Treasury Activities

Treasury is responsible for managing monetary assets and liabilities, for taking market and liquidity risk within prescribed limits and for continuing external Bank relationships. Our objectives are to invest financial surpluses for profit, whilst managing market and liquidity risks, and to originate Treasury products such as foreign exchange for our customers.

Our principal activities are

i. Balance sheet management and ALM
ii. Cash management and transmission of own funds
iii. Placing and liquidating investments
iv. Transacting and managing FX and developing other Treasury products
v. Managing interest rate exposures

Treasury policies are set by the Risk & Conduct Review Committee of the Board or by the Group Asset and Liability Committee (Group ALCO).

Balance Sheet Management

This department produces analysis for the Group ALCO in support of the ALM, supporting that with sophisticated databases and modelling. In 2006, we have increased head count, completed a detailed review of liquidity policy in the Group and specified the ALM requirements for our current round of IT development.

Dealing and Financial Performance

Investment performance in 2006 for our hard currency portfolio has been ahead of external investment grade benchmarks.

The regional investment portfolio also outperformed our internal benchmarks and targets: emerging market credit was volatile in 2006 and this was an excellent result.

Treasury Products

Treasury products traded for customers, including FX, migrated into a new team in 2006 and profitability has increased significantly.

Our current IT and Operations investments will enable us to increase volumes and expand the product range: we are excited about this development and bullish about the future of our Treasury business.

Human Resources

Executive Director, Human Resources/ Marketing
Peter Hall

First for Employees

2006 has been another year of growth for FirstCaribbean. The commercial reality of that growth will be apparent to all those who read this report. What has facilitated this performance continues to be directly related to our successful pursuit of excellence in leadership and team building. Combined with this, our ongoing drive to build an employee experience that is "First" is also a contributing factor.

Over the last year, our organisation has continued to pay attention to developing a clear, well-defined approach to building employee commitment that will be second to none in our region. Again, our Employee Opinion Survey this year has shown that employees rate our environment above our peer group regionally and internationally. The Bank's internal formal recognition scheme took note of over 200 employees, including 39 team champions across the business this year. This is growing testimony to our ongoing aspiration of "Employer of Choice", with its cultural primacy being that people are our most important asset.

In our Learning and Development environment, we have developed a strategy which supports our sales, credit, risk and control, basic banking and management training in a focused way. In addition, we have landed a leadership programme in association with Wharton University, which has been customised to put our leaders in touch with the latest thinking and dynamics of leadership including financial, strategic and emotional intelligence learning.

Partnering for Success

The "First Partnership" with our trade union partners continues to be a leading model of workplace industrial relations dynamics. This year, we created another landmark in this area by staging a business forum for direct sharing with our Country Manager population and union leaders. This is serving to advance a partnership based on the premise of performance and productivity. We must recognise the role of all the Trade Unions who are involved in our partnership for their continuous commitment to an ongoing process.

We welcomed Curaçao to FirstCaribbean this year and they have begun their journey of introduction to "One Team. One Bank." This journey is connected to the wider initiative of the Bank to create an internal and external delivery of our brand message of "Helpful Partner", which will in the next 12 to 18 months have a transformational impact on service.

Our young FirstCaribbean brand continues to do astoundingly well in the market and we can be justly proud that FirstCaribbean is not far from becoming the Brand of Choice for banking services in the region. This has been evidenced this year by the strides we have made in our advocacy measures, which have risen in all our markets.

Marketing

In advertising and promotions, we continue to produce campaign and brand material that has directly supported our sales and brand promise, targets and aspirations. In the process, we have copped awards for our FirstCaribbean television advertisement "Get There. Together". This year we will introduce further elements of this including a very spirited "jingle" which will add another dimension to our market presence.

Our research and measurement activities have consolidated a very solid set of data that has enhanced our understanding of internal and external customer service and other aspects of market performance, and this year we will be introducing a new focus on customer and line of business marketing requirements.

The solid and professional presence of our brand both internally and externally continues to be marshalled by our Communications and PR organisation, that not only keep our staff in touch with the brand through Caribbean Pride but who through our PR network ensure that our brand is everywhere in a way that is visually above the rest.

We have cause then to celebrate this year that a clear path has been taken to build a seamless and transformational connection between our people and our brand.

Looking forward, this will be one of the pillars on which we will continue to build the region's number one financial services institution.

Our marketing and human resources leadership teams of Beatrix Carrington, David Small, Debra Johnson, Jacqueline Floro-Forde, Neil Brennan, Vivian Hinds, Kerry Higgs, Henry Reid, Geoffrey King and Monique Straughan continue to keep this ethos of market leadership alive and well and we wish them continued success.

Chief Operating Officer
Juan M. Corral

Operations, Technology & Change Management

On a Mission...
to continuously enhance our delivery capabilities

During this fiscal period, we have been able to capitalise on the groundwork executed previously and we continue to generate material improvements in our core competencies. These are:

- To efficiently process banking transactions daily
- To control banking transactions in all material aspects of their processing
- To provide our customers with excellent service commensurate with price
- To strive to continuously reduce the cost of the Bank's operations
- To lead our staff to excellent performance

In order to execute them all, we have established clear, focused priorities and accountabilities that will create the results we collectively expect.

These goals include:

1. Eliminating the vast majority of manually processed transactions across the region in order to mitigate errors, delays and customer dissatisfaction while generating reduced costs for the Bank
2. Promoting the utilisation of our new delivery channels including, but not limited to, our Internet banking capabilities
3. Further improving our control of transactions, closer to the point of origin and during the same day, to guarantee error elimination
4. Improving our statement-rendering end-to-end process to guarantee timeliness, accuracy and completeness as well as modernise its appearance and content. There are several stages to this process and we have been able to complete the first two in the case of Barbados and the Eastern Caribbean countries
5. Automating the processing of payroll for our corporate customers

Through these and many other initiatives, we are dramatically changing the way the Bank operates and the quality of our services.

A Gradual Shift to a Total-Quality Culture

There is an increased thrust to utilise metrics to run every aspect of our delivery and enhance the quality of our products. We are re-engineering our major processes to migrate from controlling quality to "manufacturing" quality in every phase. This requires that productivity, efficiency, simplicity and speed are present in every process step. To do this, we are training our management in a total quality technique – Six Sigma – originated in manufacturing but which has obtained excellent results in service industries including banking.

Personnel Training & Development

I am undeterred in my aim to make the people in my structure the best bankers in the business. We emphasise training in tools that can be put to work immediately for the benefit of our customers. Additionally, many of our staff has been trained in specific capabilities totally related to their functions, control measures and anti-money laundering programmes to improve the overall productivity and the control environment in the Bank.

Focus in Cost Management

One of the key indicators of a true world-class organisation is its revenue-expense ratio. From 2004 to date, the Bank has seen a steady improvement. We are aiming for a ratio of 2:1 or better and have approached this issue with a multidimensional approach to cost management. In this respect, we have:

- Eliminated unnecessary purchases
- Consolidated suppliers and added competition where necessary
- Analysed the sourcing geography to benefit from low-cost jurisdictions
- Established key partnerships with suppliers to ensure sustainable high-quality supplies and internationally competitive prices
- Upgraded technology, where applicable, to reduce supplies and acquire a "total cost of ownership" focus with examination of costs that go beyond initial price

Technology at the Forefront

We have successfully delivered to some leading technological capabilities to augment our potential growth opportunities and have the ability to better control and manage our business.

Our powerful Internet banking modules allow our customers the ability to make wire payments in an automated and straight-through manner to any place in the world – all in a few keystrokes, in the comfort of their home or office, with a world-class, two-step authentication security feature.

We are gradually positioning our Company to be a leader in the international and domestic credit and debit card business. To that effect, we have very successfully implemented a sophisticated card-processing automated system that aims to efficiently process the highly complex and voluminous card transactions.

Our commitment to providing our customers with a secure and safe banking environment is now further strengthened with the completion of our enterprise-wide encryption of all our telecommunications.

Chief Risk Officer
Martin Griffiths

Risk Management

Prudent and Proactive Risk Management

Risk-taking is inherent in banking and FirstCaribbean assumes a variety of risks in its ordinary business activities. These include Credit Risk, Market Risk, Operational Risk and Compliance Risk. Proactive identification and management of risk is central to the delivery of the Bank's strategy and underpins operations throughout the Group. Prudent Risk Management, as evidenced by the Group's excellent risk experience, is synonymous with the Bank's management ethos. Risk and Control is firmly embedded in our corporate culture as a key competence and provides a sound foundation for sustained growth in earnings and shareholder value.

Risk Management's function is to ensure that FirstCaribbean continues to take risk in a controlled way in order to enhance value and exploit opportunity. The Bank's Risk Management policies are designed to identify and analyse these risks, to set appropriate risk limits, and to monitor and enhance its Risk Management practices to reflect changes in markets, products and evolving best practices, drawing on international and regional expertise.

Accountability

Primary responsibility for Risk Management lies with the line management in our various businesses. We have embedded a risk and control governance structure within each Strategic Business Unit. Risk is subject to independent oversight and analysis by six centrally based Risk Management teams reporting to the Chief Risk Officer; Credit Risk, Market Risk, Receivables Management, Compliance, Portfolio Management and Operational Risk. Representatives from the risk teams meet monthly with the senior leadership of each business unit in order to identify risks in the business and propose and/or track remediation. Through this process, business has taken ownership of its risks and responsibility for remediation through solutions delivered in partnership with the specialist expertise in the Risk Management teams.

This approach is supported by enterprise-wide reporting, enabling risks to be identified in a transparent and rational manner, thus facilitating speedy recognition, resolution and enhanced accountability. It similarly greatly enhances the ability of the organisation to set and monitor risk tolerance and to allow these to play their proper role in determining and delivering on the strategy of the Bank.

Environmental & Social Responsibility

The Bank takes its responsibility to the wider community very seriously. We have signed up to the internationally accepted "Equator Principles". These principles are an industry-wide approach for financial institutions in determining, assessing and managing environmental & social risk in project financing. Project financing plays an important role in financing development throughout the world and especially so in the Caribbean and Bahamas region. In providing financing, all banks sometimes encounter environmental and social policy issues. FirstCaribbean recognises that our role as banker affords us significant opportunities to promote responsible environmental stewardship and socially responsible development.

By adopting the Equator Principles, we have sought to ensure that the projects we finance are developed in a manner that is socially responsible and reflect sound environmental management practices. We believe that adoption of and adherence to these principles offer significant benefits to customers, our shareholders, and ourselves. These principles foster our ability to document and manage our risk exposures to environmental and social matters associated with the projects we finance, thereby allowing us to engage proactively with our stakeholders on environmental and social policy issues. Adherence to these principles will allow us to work with our customers in their management of environmental and social policy issues relating to their investments.

Basel II

FirstCaribbean continues to follow the regulatory developments of Basel II. Preparations for changes to Risk Management practices necessary to comply with the forthcoming regulations have been in evidence throughout the year and will continue to be so in 2007. It is the Bank's intention to leverage the enhancements being made to the sound Risk Management capabilities in place today in order not only to meet the new compliance requirements but also to better manage our risk-adjusted returns to our shareholders.

Focus in 2007

Our focus in 2007 will be supporting the growth strategies of our business units, so that sustainable revenue streams and diverse portfolios prevail. We will invest in our Compliance and Risk functions. We will continue to work in partnership with the business units to enhance and improve Risk Management policies, tools, and methodologies throughout the entire organisation. Our goal is to achieve this whilst, at all times, supporting the growth of a quality lending portfolio and management of operational, market and compliance risks to a high standard.

Financial Statements 2006

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Independent Auditors' Report

To the Shareholders of
FirstCaribbean International Bank (Bahamas) Limited

We have audited the accompanying consolidated balance sheet of FirstCaribbean International Bank (Bahamas) Limited (the "Bank") as of October 31, 2006 and the related consolidated statements of income, changes in equity and cash flows for the year then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Bank as of October 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers.

Chartered Accountants
December 15, 2006

Consolidated Balance Sheet

As of October 31, 2006
(expressed in thousands of Bahamian dollars)

	Notes	2006 $	2005 $ (Restated)
ASSETS			
Cash and balances with the Central Bank	3	**69,143**	108,802
Loans and advances to banks	4	**298,257**	682,859
Derivative financial instruments	5	**1,983**	6,832
Financial assets at fair value through profit or loss	6	**809,509**	300,211
Other assets	7	**121,772**	37,338
Investment securities	8	**715,370**	168,600
Loans and advances to customers	9	**2,444,830**	1,972,392
Property, plant and equipment	10	**29,209**	31,764
Retirement benefit assets	11	**13,654**	13,597
Intangible assets	12	**187,747**	187,747
Total assets		**4,691,474**	3,510,142
LIABILITIES			
Derivative financial instruments	5	**12,424**	267
Customer deposits	13	**3,503,903**	2,856,737
Other borrowed funds	14	**281,344**	—
Other liabilities	15	**276,789**	81,299
Retirement benefit obligations	11	**11,608**	10,600
Total liabilities		**4,086,068**	2,948,903
EQUITY			
Share capital and reserves	17	**435,556**	417,281
Retained earnings		**169,850**	143,958
Total equity		**605,406**	561,239
Total liabilities and equity		**4,691,474**	3,510,142

Approved by the Board of Directors on December 15, 2006 and signed on its behalf by:

Michael Mansoor
Chairman

Sharon Brown
Managing Director

Consolidated Statement of Income

For the year ended October 31, 2006
(expressed in thousands of Bahamian dollars)

	Notes	2006 $	2005 $ (Restated)
Interest income		**239,740**	188,119
Interest expense		**91,407**	61,650
Net interest income	18	**148,333**	126,469
Other operating income	19	**33,536**	37,653
		181,869	164,122
Operating expenses	20	**65,873**	62,158
Loan loss impairment	9	**5,324**	3,918
		71,197	66,076
Net income for the year		**110,672**	98,046
Earnings per share (expressed in cents per share) — basic	21	**92.1**	81.6

Consolidated Statement of Changes in Equity

For the year ended October 31, 2006
(expressed in thousands of Bahamian dollars)

	Notes	Share capital $	Reserves $	Retained earnings $	Total equity $
Balance at October 31, 2004 as previously reported		477,230	(62,866)	110,728	525,092
Prior period adjustment	29	—	—	(17,034)	(17,034)
Balance at October 31, 2004 as restated		477,230	(62,866)	93,694	508,058
Net income for the year		—	—	98,046	98,046
Dividends		—	—	(45,682)	(45,682)
Transfer to statutory reserve fund — Turks & Caicos Islands	17	—	2,100	(2,100)	—
Revaluation reserve — cash flow hedges	17	—	817	—	817
Balance at October 31, 2005		477,230	(59,949)	143,958	561,239
Net income for the year		—	—	110,672	110,672
Dividends		—	—	(66,119)	(66,119)
Transfer to statutory reserve fund — Turks & Caicos Islands	17	—	4,000	(4,000)	—
Transfer to statutory loan loss reserve — Bahamas	17	—	14,661	(14,661)	—
Revaluation reserve — available-for-sale investment securities	17	—	431	—	431
Revaluation reserve — cash flow hedges	17	—	(817)	—	(817)
Balance at October 31, 2006		477,230	(41,674)	169,850	605,406

Consolidated Statement of Cash Flows

For the year ended October 31, 2006
(expressed in thousands of Bahamian dollars)

	Notes	2006 $	2005 $ (Restated)
Cash flows from operating activities			
Net income		**110,672**	98,046
Provision for loan loss impairment	9	**5,324**	3,918
Depreciation of property, plant and equipment	10	**3,536**	3,835
Loss/(gain) on sale of property, plant and equipment	20	**31**	(2,728)
Net gains on sale and redemption of investment securities	19	**(180)**	—
Interest income on investment securities		**(15,666)**	(9,415)
Interest expense on other borrowed funds	18	**652**	—
Unrealised gains on investment securities	8 and 17	**(8,295)**	—
Cash flows from operating profits before changes in operating assets and liabilities		**96,074**	93,656
Changes in operating assets and liabilities:			
– net increase in loans and advances to banks — greater than 90 days		**(144,107)**	—
– net decrease/(increase) in mandatory reserves with the Central Bank		**6,341**	(3,488)
– net increase in financial assets at fair value through profit or loss		**(509,298)**	(31,192)
– net increase in loans and advances to customers		**(477,762)**	(297,129)
– net increase in other assets		**(80,459)**	(16,731)
– net increase in customer deposits		**647,166**	134,757
– net increase in other liabilities		**208,655**	56,221
Net cash used in operating activities		**(253,390)**	(63,906)
Cash flows from investing activities			
Purchases of property, plant and equipment	10	**(1,972)**	(3,729)
Proceeds from sale of property, plant and equipment	10	**960**	6,192
Purchases of investment securities	8	**(543,124)**	(25,575)
Interest income received on investment securities		**4,489**	9,411
Proceeds from sale and redemption of investment securities	8	**16,437**	45,602
Net cash (used in) from investing activities		**(523,210)**	31,901
Cash flows from financing activities			
Proceeds from other borrowed funds	14	**280,692**	—
Dividends paid		**(66,119)**	(45,682)
Net cash from (used in) financing activities		**214,573**	(45,682)
Net decrease in cash and cash equivalents for the year		**(562,027)**	(77,687)
Cash and cash equivalents, beginning of year	3	**742,111**	819,798
Cash and cash equivalents, end of year (Note 3)		**180,084**	742,111

1. General information

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

The Bank is a subsidiary of FirstCaribbean International Bank Limited formerly CIBC West Indies Holdings Limited (the "Parent" or "FCIB"), a company incorporated in Barbados with the ultimate parent companies being jointly CIBC, a company incorporated in Canada, and Barclays Bank PLC, a company incorporated in England. In March 2006, CIBC and Barclays Bank PLC signed a non-binding Letter of Intent for the acquisition by CIBC of Barclays' 43.7% ownership stake in FCIB. Upon completion of the transaction, CIBC would own 87.4% of FCIB.

The registered office of the Bank is located at the FirstCaribbean Financial Centre, 2nd Floor, Shirley Street, Nassau, The Bahamas. At October 31, 2006 the Bank had 812 employees (2005: 811).

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 at fair value through the profit and loss and all derivative contracts.

The preparation of financial statements in conformity with IFRS requires management to make certain critical estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates. The areas requiring a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 29.

The following new standards and amendments to standards are mandatory for the Bank's accounting periods beginning on or after November 1, 2005. Management assessed the relevance of these new standards and amendments and concluded that the adoption did not result in substantial changes to the Bank's accounting policies. In summary:
- IAS 8, 10, 16, 17, 21, 27, 28, 32 and 33 had no material effect on the Bank's policies
- IAS 24 has affected the identification of related parties and some other related party disclosures
- IAS 39 (revised 2004) has affected the investment and trading securities categories for disclosure
- IFRS 2 has affected the disclosures for share-based payments to employees.

All changes in accounting policies have been made in accordance with the transition provisions in the respective standards. All standards adopted by the Bank require retrospective application other than:
- IAS 21 — prospective accounting for goodwill and fair value adjustments as part of foreign operations; and
- IAS 39 — the de-recognition of financial assets is applied prospectively.

2 Summary of significant accounting policies (continued)

2.1 Basis of presentation (continued)

Certain new standards, interpretations and amendments to existing standards have been published that are mandatory for the Bank's accounting periods beginning on or after November 1, 2006 or later periods but which the Bank has not early adopted, as follows:

- IAS 19 (Amendment), Employee Benefits (effective from January 1, 2006). This amendment introduces the option of an alternative recognition approach for actuarial gains and losses. It may impose additional recognition requirements for multi-employer plans where insufficient information is available to apply defined benefit accounting. It also adds new disclosure requirements. The Bank has not yet determined whether it will change its accounting policy adopted for recognition of actuarial gains and losses.

- IAS 39 (Amendment), the Fair Value Option (effective from January 1, 2006). This amendment changes the definition of the financial instruments classified at fair value through the profit and loss and restricts the ability to designate financial instruments as part of this category. The Bank believes that this amendment should not have a significant impact on the classification of financial instruments, as the Bank should be able to comply with the amended criteria for the designation of financial instruments classified at fair value through the profit and loss.

- IFRS 7, Financial Instruments: Disclosures, and a complementary amendment to IAS 1, Presentation of Financial Statements — Capital Disclosures (effective from January 1, 2007). IFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risk arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. It replaces IAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions, and disclosure requirements in IAS 32, Financial Instruments: Disclosure and Presentation. It is applicable to all entities that report under IFRS. The amendment to IAS 1 introduces disclosures about the level of an entity's capital and how it manages capital. The Bank assessed the impact of IFRS 7 and the amendment to IAS 1 and concluded that the main additional disclosures will be sensitivity analysis to market risk and the capital disclosures required by the amendment to IAS 1.

- IFRIC 8, Scope of IFRS 2 (effective from May 1, 2006). IFRIC 8 clarifies that the accounting standard IFRS 2, Share-Based Payment applies to arrangements where an entity makes share-based payments for apparently nil or inadequate consideration. The Interpretation explains that, if the identifiable consideration given appears to be less than the fair value of the equity instruments granted or liability incurred, this situation typically indicates that other consideration has been or will be received. IFRS 2 therefore applies. Management does not believe that IFRIC 8 will impact the Bank's operations.

- IFRIC 9, Reassessment of Embedded Derivatives (effective from June 1, 2006). IFRIC 9 clarifies certain aspects of the treatment of embedded derivatives under IAS 39, Financial Instruments: Recognition and Measurement. Management does not believe that IFRIC 9 will impact the Bank's operations.

2 Summary of significant accounting policies (continued)

2.2 Consolidation

Subsidiary undertakings, which are those companies in which the Bank directly or indirectly has an interest of more than one half of the voting rights or otherwise has power to exercise control over the operations, have been fully consolidated. The principal subsidiary undertakings are disclosed in Note 31. Subsidiaries are consolidated from the date on which the effective control is transferred to the Bank. 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 Bank.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Bank. 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 Bank'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.

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

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

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at rates prevailing at the date of the financial statements and non-monetary assets and liabilities are translated at historic rates. Revenue and expenses denominated in foreign currencies are translated into the Bank's functional 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 available-for-sale reserve in equity.

2 Summary of significant accounting policies (continued)

2.5 Derivative financial instruments and hedge accounting

Derivatives are initially recognised in the balance sheet at their fair value based on trade date. Fair values are obtained from discounted cash flow models, using quoted market interest rates. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

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

The Bank's criteria for a derivative instrument to be accounted for as a hedge include:

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.

(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. Commission and fees arising from origination, 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 Bank classifies its financial assets into the following categories:

i) Financial assets at fair value through profit or loss
ii) Loans and receivables
iii) Held-to-maturity investments
iv) Available-for-sale financial assets

Management determines the classification of its investments at initial recognition.

i) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. 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 Bank provides money, goods or services directly or indirectly 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

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

iv) Available-for-sale

Available-for-sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

All purchases and sales of financial assets at fair value through profit or loss, held-to-maturity and available-for- sale that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recognised at trade date, which is the date that the Bank commits to purchase or sell the asset. Otherwise such transactions are treated as derivatives until settlement occurs. Loans and receivables are recognised when cash is advanced to borrowers.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive the cash flows from the financial assets have expired or where the Bank has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit or loss 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 except where a hedging relationship exists. 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. All realised and unrealised gains and losses arising from changes in the fair value of securities classified as financial assets at fair value through profit or loss are included in operating income.

Unquoted equity instruments for which fair values cannot be measured reliably are recognised at cost less impairment.

Dividend income is recognised when the right to receive payment is established.

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

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 Bank granting to a borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;
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 impairment losses. 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 loan loss impairment in the income statement.

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

2. Summary of significant accounting policies (continued)

2.12 Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the net identifiable assets of the acquired subsidiary undertaking at the date of acquisition and is reported in the balance sheet as an intangible asset. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Goodwill is allocated to lowest levels for which there are separately identifiable cash flows (cash-generating units) for the purpose of impairment testing. An impairment loss is recognised for the amount by which the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

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 Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is computed using 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	2½%
– Leasehold improvements	10% or shorter 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 depreciation 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 disposals are determined by comparing proceeds with carrying amounts and are included in net income.

2.14 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with 90 days or less to maturity from the date of acquisition, including cash balances, non-restricted deposits with the Central Bank, treasury bills and other money market placements.

2.15 Provisions

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

2.16 Retirement benefit obligations

i) Pension obligations

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

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

2. Summary of significant accounting policies (continued)

2.16 Retirement benefit obligations (continued)

i) Pension obligations (continued)

The liability recognised in the balance sheet in respect of defined benefit sections of the plan is the present value of the defined benefit obligation at the balance sheet date minus the fair value of plan assets, together with adjustments for unrecognised actuarial gains/losses and past service costs. The defined benefit obligation is calculated periodically 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. The pension plan is a final salary plan and the charge for such pension plan, 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 the defined contribution section of the plan, the Bank makes contributions to a private trustee-administered fund. Once the contributions have been paid, the Bank has no further payment obligations. The regular contributions constitute net periodic costs for the year in which they are due and as such are included in staff costs. The Bank's contributions in respect of the defined contribution section of the plan are charged to the income statement in the year to which they relate.

(ii) Other post retirement obligations

The Bank provides post-retirement healthcare benefits to its retirees. The entitlement to these benefits is usually based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment, using a methodology similar to that for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to income over the expected average service lives of the related employees. These obligations are valued periodically by independent qualified actuaries.

2.17 Borrowings

Borrowings are recognised initially at fair value and 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.

2.18 Share capital and dividends

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.

2 Summary of significant accounting policies (continued)

2.18 Share capital and dividends (continued)

ii) Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity in the period in which they are declared. Accordingly, dividends in respect of the current year's net income that are declared after the balance sheet date are not reflected in the financial statements.

2.19 Earnings per share

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

2.20 Share-based payments to employees

The Bank engages in cash settled share-based payment transactions in respect of services rendered from certain of its employees. The shares are shares of FirstCaribbean International Bank. The cost of the services received is measured by reference to the fair value of the shares or share options granted. The cost related to the shares or share options granted is recognised in the income statement over the period that the services of the employees are received, which is the vesting period, with a corresponding credit in liabilities.

2.21 Fiduciary activities

The Bank 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 Bank.

2.22 Comparatives

Where necessary, comparative figures have been adjusted to comply with changes in presentation in the current year as noted in accounting policy 2.1.

(expressed in thousands of Bahamian dollars)

3. Cash and balances with the Central Bank

	2006 $	2005 $
Cash	**24,543**	28,290
Deposits with the Central Bank — non-interest bearing	**44,600**	80,512
Cash and balances with the Central Bank	**69,143**	108,802
Less: Mandatory reserve deposits with the Central Bank	**(43,209)**	(49,550)
Included in cash and cash equivalents as per below	**25,934**	59,252

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

Cash and balances with the Central Bank are non-interest bearing.

Cash and cash equivalents

	2006 $	2005 $
Cash and balances with the Central Bank as per above	**25,934**	59,252
Loans and advances to banks, including accrued interest (Note 4)	**154,150**	682,859
	180,084	742,111

4. Loans and advances to banks

	2006 $	2005 $
Included in cash and cash equivalents (Note 3)	**151,847**	679,695
Greater than 90 days to maturity from date of acquisition	**144,107**	—
	295,954	679,695
Add: Accrued interest receivable	**2,303**	3,164
	298,257	682,859

Loans and advances to banks comprise deposit placements and include amounts placed with other FirstCaribbean International Bank entities of $86 (2005 – nil) and deposit placements with CIBC and Barclays Bank PLC entities of $230,778 (2005 – $518,562). The effective yield on deposit placements during the year was 3.3% (2005 – 2.7%).

(expressed in thousands of Bahamian dollars)

5. Derivative financial instruments

The Bank uses interest rate swaps for both hedging and non-hedging purposes. Interest rate swaps are commitments to exchange one set of cash flows for another. The Bank uses interest rate swaps as fair value hedges to reduce the exposure of fair value changes due to fluctuations in market interest rates resulting from fixed rates binding to customers and from available-for-sale securities. The swaps result in an economic exchange of interest rates (fixed rate for floating rate). No exchange of principal takes place. The Bank's credit risk represents the potential cost to replace the swap contracts if counterparties fail to perform their obligation. The counterparties to the swaps are Barclays and Lehman Brothers.

Currency forwards represent commitments to purchase foreign currency including undelivered spot transactions. The counterparty is Royal Bank of Canada.

The notional and fair value amounts under these contracts at October 31 are shown below:

	Contract / Notional Amount	Fair Values	
		Assets	Liabilities
	$	$	$
October 31, 2006			
i) Derivatives held for trading			
— Interest rate swaps	383,320	1,933	—
ii) Derivatives designated as fair value hedges			
— Interest rate swaps	270,834	50	(12,414)
— Currency forward	102,276	—	(10)
		1,983	(12,424)
October 31, 2005			
i) Derivatives held for trading			
— Interest rate swaps	204,700	6,015	—
ii) Derivatives designated as cash flow hedges			
— Interest rate swaps	95,433	817	(267)
		6,832	(267)

(expressed in thousands of Bahamian dollars)

6. Financial assets at fair value through profit or loss

	2006 $	2005 $
Trading securities		
Government bonds	**495**	1,566
Corporate bonds	**241,556**	134,931
Asset-backed securities	**561,360**	159,429
Other debt securities	**—**	906
	803,411	296,832
Add: Interest receivable	**6,098**	3,379
Total trading securities	**809,509**	300,211

The effective yield on the trading securities during the year was 5.7% (2005 – 6.1%).

7. Other assets

	2006 $	2005 $
Due from brokers	**91,411**	—
Amount due from related party	**3,000**	12,630
Prepayments and deferred items	**1,153**	1,398
Other accounts receivable	**26,208**	23,310
	121,772	37,338

The amount due from related party is due on demand from Barclays Bank PLC and is interest-free.

(expressed in thousands of Bahamian dollars)

8. Investment securities

	2006 $	2005 $
Loans and receivables		
Issued or guaranteed by Governments		
— Debt securities	**156,898**	158,823
Total loans and receivables	**156,898**	158,823
Available-for-sale securities		
Government bonds	**411,655**	—
Corporate bonds	**133,363**	7,500
Total available-for-sale securities	**545,018**	7,500
	701,916	166,323
Add: Interest receivable	**13,454**	2,277
Total investment securities	**715,370**	168,600

Debt securities issued or guaranteed by the Government of The Bahamas amounted to $136,700 (2005 – $131,546).

Government bonds include US Treasury Notes of $369,492, of which $279,337 have been pledged in support of the repurchase agreements described in Note 14. The effective yield during the year on investment securities was 6.2% (2005 – 6.0%).

The movement in investment securities may be summarised as follows:

	Loans and receivables $	Available-for-sale $	Total $
Balance, beginning of year	158,823	7,500	166,323
Additions	9,350	533,774	543,124
Disposals — sale and redemption	(11,275)	(4,982)	(16,257)
Gains from changes in fair value (Note 17)	—	8,726	8,726
Balance, end of year	156,898	545,018	701,916

Included in gains from changes in fair value are unrealised net gains of $8,295 on available-for-sale securities that are included in the statement of income, due to these securities being included in fair value hedging relationships. The remaining $431 represents unrealised net gains on available-for-sale securities that are not included in hedging relationships.

(expressed in thousands of Bahamian dollars)

9. Loans and advances to customers

	2006 $	2005 $
Mortgages	**1,025,949**	860,265
Personal loans	**333,866**	288,667
Business loans	**1,064,035**	857,180
Government securities purchased under resale agreements	**52,185**	—
	2,476,035	2,006,112
Add: Interest receivable	**16,035**	9,297
Less: Provisions for impairment	**(47,240)**	(43,017)
	2,444,830	1,972,392

Movement in provisions for impairment is as follows:

	Specific credit risk provision $	Inherent risk provision $
Balance, October 31, 2004	(36,269)	(9,348)
Doubtful debt expense	(6,889)	2,971
Recoveries of bad and doubtful debts	(865)	—
Bad debts written off	7,383	—
Balance, October 31, 2005	(36,640)	(6,377)
Doubtful debt expense	(4,141)	(1,183)
Recoveries of bad and doubtful debts	(1,344)	—
Bad debts written off	2,445	—
Balance, October 31, 2006	(39,680)	(7,560)

The average interest yield during the year on loans and advances was 8.4% (2005 – 8.2%). Impaired loans as at October 31, 2006 amounted to $123,630 (2005 – $105,911). Included in business loans are advances to FirstCaribbean International Bank (Jamaica) totalling $88,754, which are pledged in favour of that bank in support of loans granted to certain of its customers.

(expressed in thousands of Bahamian dollars)

10. Property, plant and equipment

	Land and buildings $	Equipment furniture and vehicles $	Leasehold improvements $	Total 2006 $
Cost				
Balance, November 1, 2005	20,436	30,524	11,445	62,405
Purchases	450	1,438	84	1,972
Disposals	(1,214)	(191)	—	(1,405)
Transfers	(1,137)	615	522	—
Balance, October 31, 2006	18,535	32,386	12,051	62,972
Accumulated depreciation				
Balance, November 1, 2005	5,282	19,898	5,460	30,640
Depreciation	322	2,614	600	3,536
Disposals	(224)	(189)	—	(413)
Transfers	(54)	39	15	—
Balance, October 31, 2006	5,326	22,362	6,075	33,763
Net book value, October 31, 2006	13,209	10,024	5,976	29,209

	Land and buildings $	Equipment furniture and vehicles $	Leasehold improvements $	Total 2005 $
Cost				
Balance, November 1, 2004	25,970	27,042	10,314	63,326
Purchases	1,374	2,146	209	3,729
Disposals	(3,651)	(102)	(897)	(4,650)
Transfers	(3,257)	1,438	1,819	—
Balance, October 31, 2005	20,436	30,524	11,445	62,405
Accumulated depreciation				
Balance, November 1, 2004	5,628	17,632	4,732	27,992
Depreciation	533	2,338	964	3,835
Disposals	(878)	(72)	(236)	(1,186)
Balance, October 31, 2005	5,283	19,898	5,460	30,641
Net book value, October 31, 2005	15,153	10,626	5,985	31,764

(expressed in thousands of Bahamian dollars)

11. Retirement benefit assets and obligations

The Bank has an insured group health plan and a pension plan. The pension plan is a mixture of defined benefit and defined contribution schemes. The defined benefit sections of the scheme are non-contributory and allow for additional voluntary contributions. The insured health plan allows for retirees to continue to receive health benefits during retirement. The plan is 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	
	2006	**2005**	**2006**	**2005**
	$	**$**	**$**	**$**
Fair value of plan assets	**83,149**	77,458	**—**	—
Present value of funded obligations	**(56,398)**	(50,440)	**(9,368)**	(8,910)
	26,751	27,018	**(9,368)**	(8,910)
Unrecognised actuarial gain	**(13,097)**	(13,421)	**(2,240)**	(1,690)
Net asset/(liability)	**13,654**	13,597	**(11,608)**	(10,600)

The pension plan assets include 100,000 ordinary shares in the Bank.

The actuarial return on plan assets for the defined benefit sections of the pension plan is $6,494 (2005 : $5,570).

The amounts recognised in the income statement are as follows:

	Defined benefit pension plans		Post-retirement medical benefits	
	2006	**2005**	**2006**	**2005**
	$	**$**	**$**	**$**
Current service costs	**2,873**	2,780	**526**	500
Curtailment and settlement costs	**(378)**	(280)	**(52)**	281
Expected return on plan assets	**(6,158)**	(6,390)	**—**	—
Interest cost	**3,598**	3,460	**639**	860
Total amount included in staff costs	**(65)**	(430)	**1,113**	1,641

(expressed in thousands of Bahamian dollars)

11. Retirement benefit assets and obligations (continued)

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

	Defined benefit pension plans		Post-retirement medical benefits	
	2006	**2005**	**2006**	**2005**
	$	**$**	**$**	**$**
Balance, beginning of year	**13,597**	13,167	**(10,600)**	(9,064)
Charge for the year	**65**	430	**(1,113)**	(1,641)
Contributions paid	**(8)**	—	—	—
Employer premiums for existing retirees	—	—	**105**	105
Balance, end of year	**13,654**	13,597	**(11,608)**	(10,600)

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

	Defined benefit pension plans	
	2006	**2005**
Discount rate	**6.5%**	7.0%
Expected return on plan assets	**8.0%**	8.5%
Future salary increases	**4.5%**	5.3%
Future pension increases	**1.5%**	1.8%

	Post-retirement medical benefits	
	2006	**2005**
Discount rate	**6.5%**	7.0%
Premium escalation rate	**4.5%**	5.0%
Existing retiree age	**64**	64

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

(expressed in thousands of Bahamian dollars)

12. Intangible assets

	2006 $	2005 $
Goodwill		
Carrying amount, October 31	**187,747**	187,747

13. Customer deposits

	Payable on demand $	Payable after notice $	Payable at a fixed date $	2006 Total $	2005 Total $
Individuals	131,803	181,215	747,980	**1,060,998**	1,013,248
Business and Governments	699,729	31,991	1,156,011	**1,887,731**	1,747,846
Banks	1,154	—	534,317	**535,471**	81,476
	832,686	213,206	2,438,308	**3,484,200**	2,842,570
Add: Interest payable	230	273	19,200	**19,703**	14,167
	832,916	213,479	2,457,508	**3,503,903**	2,856,737

Included in deposits from banks are deposits from other FirstCaribbean Bank entities of $484,877 (2005 – $13,199) and deposits from CIBC and Barclays Bank PLC entities of $12,757 (2005 – $l7,550).

The effective rate of interest on deposits during the year was 3.8% (2005 – 2.1 %).

14. Other borrowed funds

	2006 $	2005 $
Repurchase agreements	**280,692**	—
Add: Interest payable	**652**	—
	281,344	—

The Bank sold under repurchase agreements, investment securities having a fair value of $279,337. The effective rate of interest on these borrowings during the year was 5.17%.

(expressed in thousands of Bahamian dollars)

15. Other liabilities

	2006 $	2005 $
Accounts payable and accruals	**35,204**	26,963
Due to brokers	**239,389**	53,119
Amount due to related parties	**2,196**	1,217
	276,789	81,299

The amount due to related parties refers to balances due to other FirstCaribbean Bank entities as well as CIBC and Barclays Bank PLC or their subsidiaries.

16. Share capital

The Bank's authorised capital is $20 million, comprising 150 million ordinary shares with a par value of $0.10 each and 50 million preference shares also having a par value of $0.10 each. All issued shares are fully paid. At October 31, 2006 and 2005, the issued share capital was as follows:

	Number of shares	Share par value $	Share premium $	Total $
Ordinary shares, voting	120,216,204	12,022	465,208	477,230

17. Share capital and reserves

	2006 $	2005 $
Share capital (Note 16)	**477,230**	477,230
Reserves		
Statutory reserve fund — Turks & Caicos Islands	**6,800**	2,800
Statutory loan loss reserve — Bahamas	**14,661**	—
Revaluation reserve — available-for-sale investment securities	**431**	—
Revaluation reserve — cash flow hedges	**—**	817
Reverse acquisition reserve	**(63,566)**	(63,566)
Total reserves	**(41,674)**	(59,949)
Total share capital and reserves	**435,556**	417,281

(expressed in thousands of Bahamian dollars)

17. Share capital and reserves (continued)

In accordance with the Banking (Amendment) Ordinance 2002 of the Turks & Caicos Islands (TCI), the Bank was required in 2004 to assign capital to the TCI operations in the amount of $24 million.

The movements in reserves were as follows:

	2006 $	2005 $
Statutory reserve fund — Turks & Caicos Islands		
Balance, beginning of year	**2,800**	700
Transfers from retained earnings	**4,000**	2,100
Balance, end of year	**6,800**	2,800

In accordance with the Banking (Amendment) Ordinance 2002 of the TCI, the Bank is required to maintain a statutory reserve fund of not less than the amount of its assigned capital. Where it is less than the assigned capital, the Bank is required to annually transfer 25% of its net profit earned from its TCI operations to this fund. During the year the Bank transferred $4,000 (2005: $2,100) from retained earnings to the statutory reserve fund.

	2006 $	2005 $
Revaluation reserve — available-for-sale investment securities		
Balance, beginning of year	—	—
Net gains from changes in fair value of available-for-sale investment securities (Note 8)	**8,726**	—
Transfer to profit and loss for hedging purposes	**(8,295)**	—
Balance, end of year	**431**	—

	2006 $	2005 $
Revaluation reserve — cash flow hedges		
Balance, beginning of year	**817**	—
Net gains (loss) from changes in fair value	**(817)**	817
Balance, end of year	—	817

(expressed in thousands of Bahamian dollars)

17. Share capital and reserves (continued)

	2006 $	2005 $
Statutory loan loss reserve — Bahamas		
Balance, beginning of year	—	—
Transfers from retained earnings	**14,661**	—
Balance, end of year	**14,661**	—

Banking Regulations of The Central Bank of The Bahamas require a general provision in respect of the performing loans of at least one per cent of these loans. To the extent the inherent risk provision for loans and advances to customers is less than this amount, a statutory loan loss reserve has been established and the required additional amount has been appropriated from retained earnings in accordance with IFRS.

Reverse acquisition reserve

	2006 $	2005 $
Reverse acquisition reserve, beginning and end of year	**(63,566)**	(63,566)

At October 11, 2002, the equity of the Bank comprised the equity of Barclays Bahamas together with the fair value of the consideration given to acquire CIBC Bahamas. However, legally the share capital of the Bank comprised the issued share capital of CIBC Bahamas plus the shares issued to effect the combination, recorded at fair value. The reverse acquisition reserve is therefore the difference between the legally required share capital together with the retained earnings of Barclays Bahamas, and the equity of the Bank presented in accordance with IFRS.

18. Net interest income

	2006 $	2005 $
Interest income		
Cash and short term funds	**20,082**	20,368
Financial assets at fair value through profit or loss	**22,996**	18,383
Investment securities	**15,668**	9,417
Loans and advances	**178,669**	139,951
Reverse repos and other	**2,325**	—
	239,740	188,119
Interest expense		
Banks and customers	**92,723**	59,859
Other borrowed funds	**652**	—
Derivatives, net	**(1,968)**	1,791
	91,407	61,650
Net interest income	**148,333**	126,469

(expressed in thousands of Bahamian dollars)

19. Other operating income

	2006 $	2005 $
Fee and commission income	**16,390**	17,602
Net trading income — foreign exchange transaction gains less losses	**13,181**	10,928
— translation gains less losses	**587**	879
— interest rate instruments	**(3,682)**	(6,084)
Gains less losses from investment securities	**180**	—
Other income	**6,880**	14,328
	33,536	37,653

Analysis of fee and commission income:

	2006 $	2005 $
Fee and commission income		
Credit related fees and commissions	**6,368**	5,371
Corporate finance fees	**(10)**	14
Other fees	**10,032**	12,217
	16,390	17,602

20. Operating expenses

	2006 $	2005 $
Staff costs	**36,104**	36,201
Property, plant and equipment expenses	**6,581**	6,092
Loss/(gain) on sale of property, plant and equipment	**31**	(2,728)
Depreciation (Note 10)	**3,536**	3,835
Operating lease rentals	**3,792**	3,543
Other operating expenses	**15,829**	15,215
	65,873	62,158

(expressed in thousands of Bahamian dollars)

20. Operating expenses (continued)

Analysis of staff costs:

	2006	**2005**
	$	**$**
Wages and salaries	**27,593**	28,026
Pension costs/(income):		
— defined benefit sections of the plan	**(65)**	(430)
— defined contribution section of the plan	**211**	251
Other post-retirement benefits	**1,008**	1,536
Other staff related costs	**7,357**	6,818
	36,104	36,201

21. Earnings per share

Basic earnings per share

	2006	**2005**
	$	**$**
Net income attributable to shareholders	**110,672**	98,046
Weighted average number of ordinary shares in issue	**120,216**	120,216
Basic earnings per share (expressed in cents per share)	**92.1**	81.6

The Bank does not have any dilutive securities.

22. Restructuring provision

	2006	**2005**
	$	**$**
Balance, beginning of year	—	2,011
Credited to income statement during year	—	(1,145)
Utilised during year	—	(866)
Balance, end of year	—	—

(expressed in thousands of Bahamian dollars)

23. Dividends

At the Board of Directors meeting held on December 15, 2006, a final dividend of $0.25 per share amounting to $30,054 in respect of the 2006 net income (December 2005: $0.30 per share, amounting to $36,065) was proposed and declared. The consolidated financial statements for the year ended October 31, 2006 do not reflect this resolution, which will be accounted for in equity as a distribution of retained earnings in the year ending October 31, 2007.

24. Related party transactions and balances

The Bank's major shareholder is FirstCaribbean International Bank Limited which owns 95.2% of the Bank's ordinary shares and is itself jointly owned by CIBC and Barclays Bank PLC which collectively own 87.4% of the voting share capital. The remaining shares are widely held.

A number of banking transactions are entered into with related parties in the normal course of business. Outstanding balances at year-end, and transactions during the year are as follows:

	Directors and key management personnel		Major shareholder and associated banks		Ultimate shareholders	
	2006	2005	2006	2005	2006	2005
	$	$	$	$	$	$
Key related party balances and transactions						
Balances:						
Deposit placements	—	—	**86**	—	**230,778**	518,562
Loans	**2,011**	2,827	**88,754**	46,500	—	—
Deposit liabilities	**5,869**	4,033	**484,877**	13,199	**12,757**	17,550
Transactions:						
Interest income earned	**151**	110	**4,117**	742	**15,956**	17,931
Interest expense incurred	**201**	153	**11,408**	948	**626**	1,084
Other revenue — fee income (note (i))	—	—	—	—	**1,099**	10,548
Other expenses (note (ii))	—	—	**2,300**	2,300	**50**	50

i) The agreement with Barclays Bank PLC whereby the Company received an annual payment from Barclays Bank PLC of $10,000 effective January 1, 2002, as an incentive for the Bank to retain its deposit placements with Barclays Capital expired on December 31, 2005.

ii) Expenses incurred in relation to banking and support services.

(expressed in thousands of Bahamian dollars)

24. Related party transactions and balances (continued)

	2006 $	2005 $
Key management compensation		
Salaries and short-term benefits	**2,095**	1,414

Directors' remuneration

A listing of the members of the Board of Directors is included within the Bank's Annual Report. In 2006, the total remuneration of the directors was $67 (2005 – $40).

25. Contingent liabilities and commitments

The Bank conducts business involving guarantees, performance bonds and indemnities, which are not reflected in the balance sheet. At the balance sheet date the following contingent liabilities and commitments exist:

	2006 $	2005 $
Letters of credit	**60,881**	42,966
Loan commitments	**358,191**	351,109
Guarantees and indemnities	**16,067**	14,586
	435,139	408,661

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

26. Future rental commitments under operating leases

As at October 31, 2006 the Bank held leases on buildings for extended periods. The future rental commitments under these leases are as follows:

	2006 $	2005 $
Not later than 1 year	**2,695**	3,122
Later than 1 year and not more than 5 years	**6,104**	7,556
Later than 5 years	**2,428**	2,436
	11,227	13,114

27. Business segments

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

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

2. Corporate Banking comprises three 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.

3. International Wealth Management is organised into four segments: International Personal, International Premier, International Mortgages and International Corporate. The Personal Banking segment specialises in currency accounts, deposit accounts, US 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 US dollars, to non-residents seeking to purchase second homes for personal use or as an investment. The International Corporate Banking segment specialises in providing banking services to businesses and professional intermediaries at international financial centres.

4. 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 risks of the Bank. In addition, the Treasury Group conducts foreign exchange transactions on behalf of clients, where possible, and hedges fixed rate loans and investments with interest rate swaps.

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

Funds are ordinarily allocated between segments, resulting in funding costs transfers disclosed in operating income. Interest charged for these funds is based on the Bank's funds transfer pricing. 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 borrowings.

Internal charges and transfer pricing adjustments have been reflected in the performance of each business.

(expressed in thousands of Bahamian dollars)

27. Business segments (continued)

October 31, 2006	Retail Banking $	Corporate Banking $	International Wealth Mgt $	Capital Markets $	Treasury $	Other $	Eliminations $	Total $
External revenues	93,181	94,537	13,069	10,487	60,747	1,255	—	273,276
Revenues from other segments	(4,141)	(7,502)	65,374	(7,681)	(46,050)	—	—	—
Total revenues	89,040	87,035	78,443	2,806	14,697	1,255	—	273,276
Segment result	27,816	48,488	34,786	2,477	3,191	(6,086)	—	110,672
Operating profit	27,816	48,488	34,786	2,477	3,191	(6,086)	—	110,672
Net income for the year	**27,816**	**48,488**	**34,786**	**2,477**	**3,191**	**(6,086)**	**—**	**110,672**
Segment assets	1,241,828	1,054,552	1,314,637	11,257	770,771	313,970	(15,541)	4,691,474
Total assets	**1,241,828**	**1,054,552**	**1,314,637**	**11,257**	**770,771**	**313,970**	**(15,541)**	**4,691,474**
Segment liabilities	790,623	864,807	1,364,016	—	1,062,197	18,966	(14,541)	4,086,068
Total liabilities	**790,623**	**864,807**	**1,364,016**	**—**	**1,062,197**	**18,966**	**(14,541)**	**4,086,068**
Other segment items								
Capital expenditure						1,972		1,972
Depreciation						3,536		3,536
Loan loss expenses						5,324		5,324

(expressed in thousands of Bahamian dollars)

27. Business segments (continued)

October 31, 2005	Retail Banking $	Corporate Banking $	International Wealth Mgt $	Capital Markets $	Treasury $	Other $	Total $
External revenues	108,912	65,408	5,256	1,005	36,280	8,938	225,799
Revenues from other segments	(5,551)	(5,515)	35,202	(715)	(23,448)	—	(27)
Total revenues	103,361	59,893	40,458	290	12,832	8,938	225,772
Segment result	61,092	40,591	17,192	282	18,699	(39,810)	98,046
Operating profit	61,092	40,591	17,192	282	18,699	(39,810)	98,046
Net income for the year	**61,092**	**40,591**	**17,192**	**282**	**18,699**	**(39,810)**	**98,046**
Segment assets	1,028,603	836,412	1,325,098	996	261,084	57,949	3,510,142
Total assets	**1,028,603**	**836,412**	**1,325,098**	**996**	**261,084**	**57,949**	**3,510,142**
Segment liabilities	564,476	759,472	1,304,993	—	303,025	16,937	2,948,903
Total liabilities	**564,476**	**759,472**	**1,304,993**	**—**	**303,025**	**16,937**	**2,948,903**
Other segment items							
Capital expenditure						3,729	3,729
Depreciation						3,835	3,835
Loan loss expenses						3,918	3,918

Capital expenditure comprises additions to property, plant and equipment (Note 10).

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

28. Financial risk management

A. Strategy in using financial instruments

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

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

B. Credit risk

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

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

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

Derivatives

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

(expressed in thousands of Bahamian dollars)

28. Financial risk management (continued)

B. Credit risk (continued)

Master netting arrangements

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

Credit related commitments

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

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

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

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

	Total assets $	Total liabilities $	Credit commitment $	Capital expenditure $	Revenues $	Expenses $	Operating profit $
October 31, 2006							
Bahamas	4,131,165	3,575,731	332,371	1,265	236,538	141,596	94,942
Turks & Caicos Islands	560,309	510,337	102,768	707	36,738	15,684	21,054
	4,691,474	4,086,068	435,139	1,972	273,276	157,280	115,996

(expressed in thousands of Bahamian dollars)

28. Financial risk management (continued)

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

	Total assets $	Total liabilities $	Credit commitment $	Capital expenditure $	Revenues $	Expenses $	Operating profit $
October 31, 2005							
Bahamas	3,062,151	2,541,917	371,124	2,984	202,196	115,319	86,877
Turks & Caicos Islands	447,991	406,986	37,537	745	23,576	8,489	15,087
	3,510,142	2,948,903	408,661	3,729	225,772	123,808	101,964

The Bank is managed based on the five business segments, and it operates in two main geographical areas. The Bank's exposure to credit risk is concentrated in these areas.

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

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

	2006 $	**2006 %**	2005 $	2005 %
Bahamas	**2,252,842**	**92**	1,819,464	92
Turks & Caicos Islands	**191,988**	**8**	152,928	8
	2,444,830	**100**	1,972,392	100

D. Currency risk

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

(expressed in thousands of Bahamian dollars)

28. Financial risk management (continued)

D. Currency risk (continued)

Concentrations of assets, liabilities and credit commitments:

	BAH $	**US $**	**Other $**	**Total $**
October 31, 2006				
Assets				
Cash and balances with the Central Bank	62,192	6,727	224	69,143
Loans and advances to banks	1,415	196,474	100,368	298,257
Derivative financial instruments	—	1,983	—	1,983
Financial assets at fair value through profit or loss	—	809,509	—	809,509
Other assets	16,684	104,832	256	121,772
Investment securities	139,025	562,795	13,550	715,370
Loans and advances to customers	1,436,409	1,008,419	2	2,444,830
Property, plant and equipment	22,391	6,738	80	29,209
Retirement benefit assets	11,869	1,785	—	13,654
Intangible assets	186,582	1,165	—	187,747
Total assets	1,876,567	2,700,427	114,480	4,691,474
Liabilities				
Derivative financial instruments	—	12,424	—	12,424
Customer deposits	1,334,691	1,954,116	215,096	3,503,903
Other borrowed funds	—	281,344	—	281,344
Other liabilities	10,494	265,788	507	276,789
Retirement benefit obligations	11,219	389	—	11,608
Total liabilities	1,356,404	2,514,061	215,603	4,086,068
Net on balance sheet position	**520,163**	**186,366**	**(101,123)**	**605,406**
Credit commitments	**174,841**	**258,395**	**1,903**	**435,139**

(expressed in thousands of Bahamian dollars)

28. Financial risk management (continued)

D. Currency risk (continued)

Concentrations of assets, liabilities and credit commitments (continued)

	BAH $	US $	Other $	Total $
October 31, 2005				
Total assets	1,740,054	1,529,111	240,977	3,510,142
Total liabilities	1,301,024	1,412,704	235,175	2,948,903
Net on balance sheet position	**439,030**	**116,407**	**5,802**	**561,239**
Credit commitments	**218,758**	**189,104**	**799**	**408,661**

E. Cash flow and fair value interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. Limits are set on the level of mismatch of interest rate repricing that may be undertaken, which are monitored on an ongoing basis.

Expected repricing and maturity dates do not differ significantly from the contract dates, except for the maturity of deposits up to one month, which represent balances on current accounts considered by the Bank as a relatively stable core source of funding of its operations.

F. Liquidity risk

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

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

(expressed in thousands of Bahamian dollars)

28. Financial risk management (continued)

F. Liquidity risk (continued)

Maturities of assets and liabilities

	0-3 months $	3-12 months $	1-5 years $	Over 5 years $	Total $
October 31, 2006					
Assets					
Cash and balances with central banks	69,143	—	—	—	69,143
Loans and advances to banks	157,033	78,224	63,000	—	298,257
Derivative financial instruments	1,983	—	—	—	1,983
Financial assets at fair value through profit or loss	809,509	—	—	—	809,509
Other assets	121,772	—	—	—	121,772
Investment securities	13,454	111,987	323,758	266,171	715,370
Loans and advances to customers	509,016	251,124	620,621	1,064,069	2,444,830
Property, plant and equipment	—	—	—	29,209	29,209
Retirement benefit asset	—	—	—	13,654	13,654
Intangible assets	—	—	—	187,747	187,747
Total assets	1,681,910	441,335	1,007,379	1,560,850	4,691,474
Liabilities					
Derivative financial instruments	12,424	—	—	—	12,424
Customer deposits	2,940,975	376,205	13,076	173,647	3,503,903
Other borrowed funds	281,344	—	—	—	281,344
Other liabilities	276,789	—	—	—	276,789
Retirement benefit obligations	—	—	—	11,608	11,608
Total liabilities	3,511,532	376,205	13,076	185,255	4,086,068
Net on balance sheet position	**(1,829,622)**	**65,130**	**994,303**	**1,375,595**	**605,406**
Credit commitments	**25,953**	**409,186**	—	—	**435,139**
October 31, 2005					
Total assets	1,265,940	392,172	618,714	1,233,316	3,510,142
Total liabilities	2,309,958	415,732	3,861	219,352	2,948,903
Net on balance sheet position	**(1,044,018)**	**(23,560)**	**614,853**	**1,013,964**	**561,239**
Credit commitments	**17,318**	**391,343**	—	—	**408,661**

(expressed in thousands of Bahamian dollars)

28. Financial risk management (continued)

F. Liquidity risk (continued)

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

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

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

G. Fair values of financial assets and liabilities

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

	Carrying value		Fair value	
	2006 Total $	**2005 Total $**	**2006 Total $**	**2005 Total $**
Financial assets				
Loans and advances to banks	**298,257**	682,859	**298,257**	682,859
Loans and advances to customers	**2,444,830**	1,972,392	**2,437,737**	1,972,392
Investment securities — loans and receivables	**158,983**	161,100	**168,561**	161,100
Financial liabilities				
Customer deposits	**3,503,903**	2,856,737	**3,504,793**	2,856,737
Other borrowed funds	**281,344**	—	**281,240**	—

Loans and advances to banks

Loans and advances to banks include interbank placements and items in the course of collection. The fair value of floating rate placements and overnight deposits is their carrying amount. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money market interest rates for debts with similar credit risk and remaining maturity. Their carrying values approximate their fair values.

28. Financial risk management (continued)

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

Loans and advances to customers

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

Investment securities

Fair value for investments designated as loans and receivables 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. Available-for-sale securities are measured at fair value.

Customer deposits and other borrowed funds

The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand. The estimated fair value of fixed interest bearing deposits and other borrowings without quoted market price is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

29. Critical accounting estimates and judgements in applying accounting policies

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are discussed below.

i) Impairment losses on loans and advances

The Bank reviews its loan portfolios to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the income statement, the Bank makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

29. Critical accounting estimates and judgements in applying accounting policies (continued)

ii) Retirement benefit obligations

Accounting for some retirement benefit obligations requires the use of actuarial techniques to make a reliable estimate of the amount of benefit that employees have earned in return for their service in the current and prior periods. These actuarial assumptions are based on managements' best estimates of the variables that will determine the ultimate cost of providing post-employment benefits and comprise both demographic and financial assumptions. Variations in the financial assumptions can cause material adjustments in the next financial year, if it is determined that the actual experience differed from the estimate.

iii) Loan fee recognition estimate

The Bank's current processes and information technology systems do not support the treatment of loan fee income and the related direct costs as an adjustment to the effective interest rate and deferred. As a consequence, management has to estimate the effect of this treatment.

In accordance with IAS 18 Revenue, loan origination fees, relating to loans that have a high probability of being drawn down, are to be deferred (together with related direct costs) and recognised as an adjustment to the effective interest yield on the loan. This accounting treatment was not applied in the past as previous estimations indicated the adjustment to be immaterial. This year, management has estimated the impact using the last four year's historical data along with certain key assumptions about the maturity profile of the loan portfolio prior to 2004 and the level of fees booked prior to 2002.

The recording of this impact has been applied retrospectively, and the comparative statements for 2005 have been restated. The effect is tabulated below. Opening retained earnings as of November 1, 2004 has been reduced by $17,034, which is the amount of the adjustment relating to periods prior to fiscal 2005.

(expressed in thousands of Bahamian dollars)

29. Critical accounting estimates and judgements in applying accounting policies (continued)

	$'000
The effect on the income statement for 2005 was as follows:	
Net income for the year as previously reported	99,493
Adjusted for:	
Decrease in operating income	(1,447)
Net income for the year as restated	98,046
Earnings per share in cents as previously reported	
— basic	82.8
Earnings per share in cents as restated	
— basic	81.6
The effect on the balance sheet for 2005 was as follows:	
Total liabilities as previously reported	2,930,422
Adjusted for:	
Increase in other liabilities	18,481
Total liabilities as restated	2,948,903
Total equity as previously reported	579,720
Adjusted for:	
Decrease in retained earnings	(18,481)
Total equity as restated	561,239

30. Fiduciary activities

The Bank provides custody and trustee discretionary investment management services to third parties. Those assets that are held in a fiduciary capacity are not included in these financial statements. At the balance sheet date, the Bank had investment assets under administration on behalf of third parties amounting to $201.

31. Post balance sheet event

On October 25, 2006 the Bank offered through a private placement $20 million redeemable floating rate notes. Interest on the notes will be payable at a rate of Bahamas Prime plus 0.75% per annum, and the notes will mature on November 3, 2011. The notes, which are unsecured, may be redeemed after one year at the option of the Bank. The closing date of the offer is November 3, 2006 and accordingly it is not reflected in the financial statements for the year ended October 31, 2006.

32. Principal subsidiary undertakings

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

All subsidiaries are wholly owned.

We are providing these proxy materials in connection with the solicitation by the Board of Directors of FirstCaribbean International Bank (Bahamas) Limited, of proxies to be voted at the Company's 2006 Annual General Meeting of Shareholders and at any meeting following adjournment thereof.

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

You are cordially invited to attend the annual meeting on February 27th, 2007 beginning at 6:00 p.m. E.S.T. Shareholders will be admitted beginning at 5:30 p.m. E.S.T. The meeting will be held at the British Colonial Hilton, Victoria Room, Number One Bay Street, Nassau, The Bahamas.

This financial year of FirstCaribbean International Bank (Bahamas) Limited began on November 1, 2005 and ended October 31, 2006. References in this proxy statement to the year 2006 or financial 2006 refer to the period as mentioned above.

We are mailing this proxy statement and accompanying forms of proxy and voting instructions to holders of the Company's ordinary shares on February 3, 2007, the record date for the meeting.

Proxies and Voting Procedures

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

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

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

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

Shareholders Entitled to Vote

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

On February 3, 2007 there were 120,216,204 ordinary shares of par value $0.10 each outstanding. Each share is entitled to one vote on each matter properly brought before the meeting.

At close of business on February 3, 2007 FirstCaribbean International Bank Limited beneficially owned or controlled directly or indirectly 114,463,600 shares which represents 95.21% of the Company's issued ordinary shares.

Quorum and Required Vote

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

Election of Directors

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

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

The Board of Directors held five (5) meetings in 2006.

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

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

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

Compensation Of Directors

Each director, who is not an employee of FirstCaribbean International Bank (Bahamas) Limited is paid a fee of $2,500 per meeting for his or her services as a director. Directors are also entitled to reimbursement for reasonable travel and living expenses incurred by them in attending any Board of Directors or committee meetings.

No special remuneration was paid to any director during financial year 2006.

Senior Management Compensation

The senior management of the Company received aggregate compensation amounting to B$1,824,155 in the financial year 2006.

Indebtedness Of Management

There is a total indebtedness of approximately B$1,666,680 due to the Company from members of the senior management and directors. This represents loans and mortgages.

Management's Interest In Transactions

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

Name	Principal Occupation	Director Since	Number of Shares Since Beneficially Owned or Controlled Directly or indirectly
Michael Mansoor	Executive Chairman, FirstCaribbean International Bank	1999	Nil
Sharon Brown	Executive Director, Managing Director	2002	Nil
J. W. P. Krukowski	Chairman, Doctor's Hospital Health System Ltd	1997	Nil
Terence Hilts	Retired Banker	1997	31,220
Willie Moss	Attorney-at-Law	1998	Nil
Teresa Butler	Former Chairman, Bahamas Public Service Commission & Retired Permanent Secretary	2002	Nil
G. Diane Stewart	Attorney-at-Law	2002	Nil
Jan-Arne Farstad	Executive Director, International Banking	2004	Nil

Share Option Plan

There is no share option plan.

Shareholder Feedback and Communication

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

Appointment of Auditors

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

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

Other Business

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

Directors' Approval And Certificate

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

Dated at the City of Nassau, New Providence Island in the Commonwealth of The Bahamas this February 3, 2007.

Michael Mansoor
Chairman

Teresa S. Williams
Corporate Secretary

The undersigned _______________________ *(please print)* of________________________ *(please print)* being a shareholder of FirstCaribbean International Bank (Bahamas) Limited ("the Company") hereby appoints Mr. Michael M. Mansoor, or failing him, Sharon E. Brown, or instead or either of them, ____________________ or ____________________ as proxy of the undersigned to attend and vote at the Annual General Meeting of Shareholders ("the meeting") of the Company to be held on February 27th, 2007 and at any adjournment thereof, notice of the meeting, together with the accompanying financial statements and the Information Circular having been received by the undersigned, and on behalf of the undersigned to vote as specifically directed below.

1. Specified in the accompanying Information Circular:

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

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

VOTE FOR ___ WITHHOLD FROM VOTING ___

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

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

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

Dated this .... day of ....A.D. 2007

Corporate Seal ....

Notes:

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

In order for this form of proxy or other appropriate forms of proxy to be valid, it must be signed and should be dated by the shareholder or the shareholder's attorney. The signature should be exactly the same as the name in which the shares are registered. The proxy must be sent by mail or hand delivered to the offices of CIBC Trust (Bahamas) Limited, Registrar and Transfer Agents, Goodman's Bay Corporate Centre, West Bay Street, no later than 48 hours before the time for holding the meeting. If this form of proxy is received undated but otherwise properly executed, it will for all purposes be deemed to be dated February 23rd, 2007.

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Minutes of the Eleventh Annual General Meeting of the Shareholders of FirstCaribbean International Bank (Bahamas) Limited Held at 6:00 p.m. on Monday, 27th February, 2006 at The British Colonial Hilton, Number One Bay Street, Nassau, The Bahamas

Call to Order
The Meeting was called to order by the Chairman, Mr. Michael Mansoor. The Chairman advised the meeting that $11,924.40 had been expended by the Bank in delivering the Annual Report to its Shareholders.

Appointment of Scrutineers
The Chairman advised that Mrs. Norma Cunningham-Major and Mrs. Garnal Brown-Wright would act as Scrutineers for the Meeting.

Notice of Meeting
The Secretary read the Notice of the Meeting and confirmed that the Notice of Meeting had been mailed to all Shareholders of record as of the 3rd February, 2006.

Declaration of Quorum and of Proper Constitution of the Meeting
With the Notice of Meeting having been read to all Shareholders present, and having been advised that a quorum of the Shareholders was present, the Chairman declared the Meeting to be regularly called and properly constituted for the transaction of business. He then proceeded to the business of the Meeting.

Welcome and Introduction
The Chairman welcomed shareholders in attendance to the 11th Annual General Meeting of FirstCaribbean International Bank (Bahamas) Limited. He then introduced the members of the Board of Directors, the Secretary and Senior Management who were present. He apologised for the absence of Directors, Jan-Arne Farstad and Willie Moss.

Scrutineer's Report
The Chairman informed the Meeting that the Scrutineer's Report was ready and advised that there were 115,073,973 shares represented by shareholders present in person, or by proxy, representing 95.72% of the outstanding shares. The meeting was validly constituted to carry on business.

Minutes of Previous AGM
The reading of the Minutes of the 10th Annual General Meeting held on 8th April, 2005 was waived, as they had been mailed out to all members in the Annual Report. The Chairman invited questions and comments on the minutes. He also advised that the Share Register was available for inspection.

Matters Arising
There were no matters arising from the last meeting and upon a motion made by Livan Mortimer and seconded by Walter Gratton it was **RESOLVED** that the Minutes of the 10th Annual General Meeting of Shareholders held on 8th April, 2005 be and are hereby adopted.

Chairman's Review
The Chairman presented a brief overview of the Company's performance. He advised that the Chairman's Report on page 15 of the annual report speaks to the company's annual performance and noted that the Bahamas experienced good financial performance over the past year. He advised that governance and control were working well and that various committees that oversee the risk function submit quarterly credit risk and operational risk reports to the Board. During the year all directors have certified corporate governance matters. He further advised that detailed meetings are held and that the Board examines and assesses all lines of business including the Bank's financial results through the various reports submitted.

The Chairman credited the success of 2005 to the performance of its employees. He advised that the Bank continues to improve the quality of our people through training.

The Chairman then presented the Outlook for 2006. He advised that all indicators for 2006 point toward a good performance for the Bank and noted that the first quarter financial results were to be published in the coming weeks.

The Chairman invited questions and comments. However, none were forthcoming. The Chairman asked for a motion that the Chairman's Review be accepted.

Upon a motion made by Mr. Vincent D'Aguilar, seconded by Mr. David Slatter of Fidelity Merchant Bank and Trust and unanimously carried it was **RESOLVED** that the Chairman's Review be accepted.

Audited Accounts & the Auditors' Report
The Chairman called upon Mr. Edgar Moxey of the accounting firm of PricewaterhouseCoopers to read the Auditors' Report as contained in the Annual Report that had been circulated to Shareholders. The Chairman advised that a clean opinion had been given on the financial statements and invited Ms. Sharon Brown, the Managing Director, to comment on the Bank's financial results.

Ms. Brown gave an overview of the Bank's financial performance as contained in the Balance Sheet and Consolidated Income Statement on pages 47 and 48. She advised that a detailed analysis of the Bank's financial performance could be found on pages 24 through 27 of the annual report. The strong financial performance has led to increased market confidence with share price improving at financial year end by $2.45 to $9.90 and as at today is $11 per share.

The Chairman invited questions and comments on the financial statements.

Mr. David Slatter of Fidelity Investments questioned how the Bank was able to reduce its operational expenses over the past three months and whether further reductions can be expected in 2006. Ms. Brown advised that there were a number of drivers attributed to the decline, in particular, continued merger synergy realisation and a gain on the sale of Bay Street premises of $2.7 million. She further advised that she anticipates there will be opportunities for continuing improvements in 2006.

Mr. Slatter noted that the rise in US interest rates had significantly benefited the Bank and with further increases anticipated, he questioned whether the Bank had a hedging arrangement in place and if not, was one being considered. The Chairman confirmed that a hedging arrangement is in place but noted however, that the Bank was not going to forecast interest rates.

Upon a motion duly made by Denise Turnquest and seconded by David Slatter it was unanimously carried and **RESOLVED** that the Audited Accounts for the year ended 31st October, 2005 and the Auditor's Report be approved.

Election of Directors
The Chairman advised the Meeting that in accordance with the Articles of Association of the Company, all of the Directors must retire at each Annual General Meeting and the Directors, being eligible and having signified their willingness to serve, had offered themselves for re-election.

The Chairman advised that in order to simplify the process, it was recommended that the election of directors be done by way of a single resolution. The Chairman also recommended the re-election of all directors, except himself. Upon a motion made by Mark Seymour and seconded by Pauline Lightbourne, it was unanimously carried and **RESOLVED** that the following persons be and are hereby elected Directors of the Company to serve for the term of one year:

Miss Sharon Brown
Ms. Teresa Butler
Mr. Jan-Arne Farstad
Mr. Terence Hilts
Mr. J. W. P. Krukowski
Mrs. Willie Moss
Mrs. G. Diane Stewart

Mr. Terence Hilts then took the Chair and moved the resolution appointing Mr. Michael Mansoor as Director and Chairman of the Company for a period of one year and, seconded by Mark Seymour, it was unanimously carried and **RESOLVED t**hat Mr. Michael Mansoor be and is hereby elected to serve as Director and Chairman of the Company for a period of one year.

The Chairman thanked those present for the confidence shown in the directors.

Appointment of Auditors
The Chairman advised that the Bank had conducted a formal process regarding the auditors of the company and determined that PricewaterhouseCoopers be appointed for a further year. He indicated PricewaterhouseCoopers willingness to be re-appointed auditors of the Company for the ensuing year. Upon a motion made by Pedro Delaney and seconded by Olrick Turnquest, it was unanimously carried and **RESOLVED** that PricewaterhouseCoopers be and hereby are appointed Auditors of the Company for the ensuing year and that their remuneration be determined by the Directors of the Company.

Ratification of Dividends Paid
The Chairman then proceeded to Item 6 of the Agenda, the ratification of Dividends paid for fiscal 2005. On a motion made by David Slatter and seconded by Vincent D'Aguilar it was unanimously carried and **RESOLVED** that the dividends declared and paid to shareholders totaling fifty ($0.50) per share during 2005 be and are hereby ratified.

The Chairman informed the meeting that director Jan-Arne Farstad's absence was in part due to finalising the acquisition of the wealth management operations of ABN AMRO Bank, a world-class bank. He further informed that the Bank has continued to do well in other parts of the region and highlighted its most recent acquisitions in Trinidad and Curaçao. The Bank, through its various lines of business, is intent on improving its platform for wealth creation through the restructuring of transactions for corporate customers via bonds, etc. Catherine Gibson, Associate Director of Capital Markets has been tasked with the responsibility to cultivate and build the Bank's capital market business in The Bahamas and Turks & Caicos Islands. The strategy of the Group is to grow the lines of business through the creation of a more robust profile evidenced in its recent acquisition in Curaçao.

The Chairman thanked all Shareholders present for the progress made over the past three years and he stated that he was pleased that the Bank was able to deliver on what was proposed in 2002. He attributed the success of the Bank to its employees.

Any Other Business
Mr. Walter Gratton commented on the union in light of its recent activities and expressed concern of its relationship with the Bank. The Chairman advised that the Bank has taken the position to work with the unions and apart from the recent past, the Bank and the unions have worked in partnership and he looks forward to them continuing to do so. Across the region, unions have worked well with the Bank, having developed good relationships and understanding.

Mr. Livan Mortimer commended the Bank on the level of improvement seen in customer service over the last three to four years. The Chairman thanked him for his comments, adding that the Bank continues to give this area major focus and attention.

There being no further business, the Chairman thanked the Shareholders for attending and for their interest in the proceedings and called for a motion to close the formal proceedings of the Meeting.

Mrs. Denise Turnquest seconded the motion and the formal proceedings of the Meeting were officially terminated at 6:45 p.m.

The Chairman then invited all in attendance to partake of the refreshments provided.

Chairman

Corporate Secretary

FirstCaribbean
INTERNATIONAL BANK
GET THERE. TOGETHER.

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