FIRSTCARIBBEAN INTERNATIONAL BANK LIMITED ANNUAL REPORT 2006

FIRSTCARIBBEAN
INTERNATIONAL BANK

PARTNERING PROSPERITY

GROUP 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 General Meeting

Notice is hereby given that the Thirteenth Annual General Meeting of the Shareholders of **FirstCaribbean International Bank Limited** will be held at the Poinsettia Room, Sherbourne Conference Centre, Two Mile Hill, St. Michael, Barbados, on Thursday, March 22, 2007 at 5 p.m. for the following purposes:

1. To receive audited accounts for the year ended October 31, 2006 and the Reports of the Directors and Auditors thereon.

2. To elect the following Directors:

   (i) Thomas Woods for a period of one year

   (ii) Steven McGirr for a period of one year

   (iii) Alfred John D. Orr for a period of one year

   To re-elect the following Directors who retire by rotation and being eligible seek re-election:

   (iv) Teresa Butler for a period of three years

   (v) David Ritch for a period of three years

   (vi) Richard Venn for a period of three years

   (vi) Kyffin Simpson for a period of three years

3. To appoint the Auditors and to authorise the Directors to fix their remuneration

4. To approve the amended and restated By-law No. 1 of the Company

5. To discuss any other business which may properly be considered at the Annual General Meeting.

By Order of the Board of Directors

Ella N. Hoyos
Corporate Secretary
January 31, 2007.

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 also be a shareholder. Any instrument appointing a proxy must be received at the office of the Registrar & Transfer Agent, FirstCaribbean International Trust and Merchant Bank (Barbados) Limited no less than 48 hours before the meeting.

Members 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 proxies' votes lodged with the Registrar & Transfer Agent will be excluded.

Dividend

A final dividend of US$0.0300 was approved for the year ended October 31, 2006 and paid on January 10, 2007, to the holders of Common Shares whose names were registered in the books of the Company at the close of business on December 30, 2006.

An interim dividend of US$0.0225 was paid on July 3, 2006 to holders of Common shares whose names were registered in the books of the Company at the close of business on June 20, 2006.

Total dividend for the 2006 financial year amounted to US$0.0525.

Documents Available for Inspection:

There are no service contracts granted by the Company, or our subsidiary companies, to any Director.

Registered Office: Warrens, St. Michael, Barbados, West Indies.

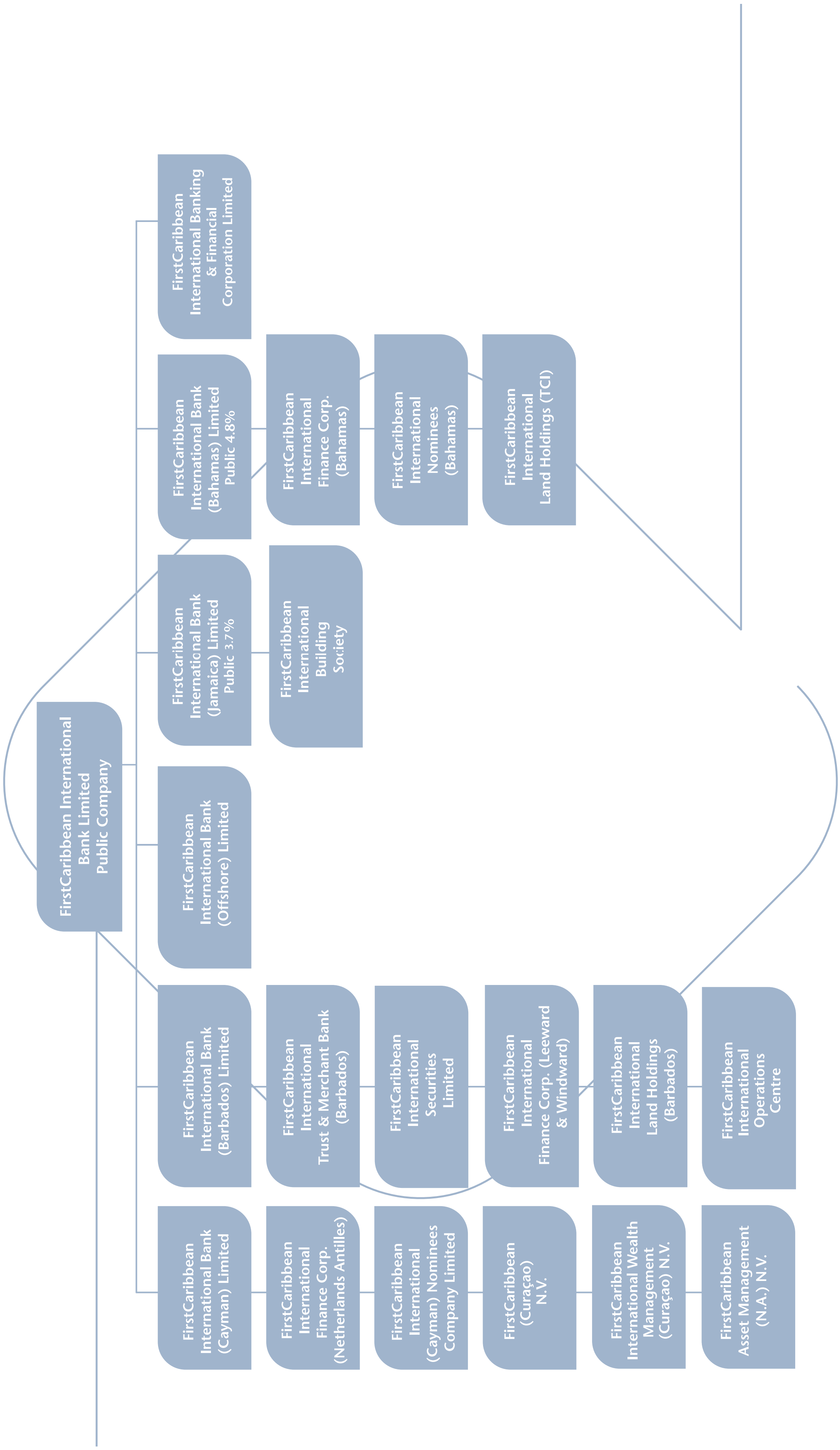
Partnering for prosperity lies behind our "Get There. Together." Brand aspiration.

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

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

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


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


FirstCaribbean International Bank Limited Public Company
FirstCaribbean International Banking & Financial Corporation Limited
FirstCaribbean International Bank (Bahamas) Limited Public 4.8%
FirstCaribbean International Finance Corp. (Bahamas)
FirstCaribbean International Nominees (Bahamas)
FirstCaribbean International Land Holdings (TCI)
FirstCaribbean International Bank (Jamaica) Limited Public 3.7%
FirstCaribbean International Building Society
FirstCaribbean International Bank (Offshore) Limited
FirstCaribbean International Bank (Barbados) Limited
FirstCaribbean International Trust & Merchant Bank (Barbados)
FirstCaribbean International Securities Limited
FirstCaribbean International Finance Corp. (Leeward & Windward)
FirstCaribbean International Land Holdings (Barbados)
FirstCaribbean International Operations Centre
FirstCaribbean International Bank (Cayman) Limited
FirstCaribbean International Finance Corp. (Netherlands Antilles)
FirstCaribbean International (Cayman) Nominees Company Limited
FirstCaribbean (Curaçao) N.V.
FirstCaribbean International Wealth Management (Curaçao) N.V.
FirstCaribbean Asset Management (N.A.) N.V.


Rendezvous Branch

Branch Locations

FirstCaribbean International Bank Limited

Retail Branches

Head Office
P.O. Box 503
Warrens, St. Michael
Barbados
Tel: (246) 367-2300

Anguilla
P.O. Box 140
The Valley
Tel: (264) 497-2301

Antigua
P.O. Box 225
High Street
St. John's
Tel: (268) 480-5000

The Bahamas
P.O. Box N-8350
Bay Street
Nassau
Tel: (242) 356-8000

Barbados
Broad Street
Bridgetown, St. Michael
Tel: (246) 467-1700

Belize
P.O. Box 363
21 Albert Street
Belize City
Tel: 9011+(501) 227-7212

British Virgin Islands
P.O. Box 70
Road Town
Tortola
Tel: (284) 494-2171/3

Cayman Islands
P.O. Box 68 GT
25 Main Street
George Town
Tel: (345) 949-7300

Dominica
P.O. Box 4
Old Street
Roseau
Tel: (767) 448-2571

Grenada
P.O. Box 37
Church Street
St. George's
Tel: (473) 440-3232

Jamaica
P.O. Box 403
23-27 Knutsford Boulevard
Kingston
Tel: (876) 929-9310

St. Kitts
P.O. Box 42
The Circus
Basseterre
Tel: (869) 465-2449

St. Lucia
P.O. Box 335
Bridge Street
Castries
Tel: (758) 456-1000

St. Maarten
P.O. Box 941
38 Back Street
Philipsburg
Tel: (599) 542-3511

Nevis
P.O. Box 502
Charlestown
Tel: (869) 469-5309

Turks & Caicos
P.O. Box 698
Leeward Highway
Tel: (649) 946-5303

St. Vincent
P.O. Box 604
Halifax Street
Kingstown
Tel: (784) 456-1706

Financial Centres & Trust Companies

Corporate Banking Centre
P.O. Box N-7125
Shirley Street
Nassau, The Bahamas
Tel: (242) 322-8455

International Banking Centre
P.O. Box N-8350
Shirley Street
Nassau, The Bahamas
Tel: (242) 302-6000

Finance Corporation
P.O. Box N-8350
Shirley Street
Nassau, The Bahamas
Tel: (242) 322-7466

Corporate Banking Centre
P.O. Box 405
Rendezvous
St. Michael, Barbados
Tel: (246) 367-2500

Trust and Merchant Bank
P.O. Box 503
Warrens
St. Michael, Barbados
Tel: (246) 367-2100

International Banking Centre
P.O. Box 301
Rendezvous
Christ Church, Barbados
Tel: (246) 431-5262

Trustee Branch
P.O. Box 438
Broad Street
Bridgetown
St. Michael, Barbados
Tel: (246) 431-5296

International Banking Centre
FirstCaribbean House
P.O. Box 68 GT
Main Street
George Town
Grand Cayman
Cayman Islands
Tel: (345) 949-7300

FirstCaribbean International Bank
Wealth Management Centre
De Ruyterkade 61
P.O. Box 3144
Willemstad
Curaçao
Netherlands Antilles
Tel: (599) 9 433-8000

International Banking Centre
P.O. Box 70
Wickham's Cay
Road Town
Tortola
British Virgin Islands
Tel: (284) 494-2171

International Banking Centre
P.O. Box 236
Butterfield Square
Providenciales
Turks & Caicos Islands
Tel: (649) 941-3606

Corporate Banking Centre
23-27 Knutsford Blvd
Kingston, Jamaica
Tel: (876) 929-9310

Building Society
P.O. Box 405
23-27 Knutsford Blvd
Kingston, Jamaica
Tel: (876) 929-9310

Securities Limited
P.O. Box 405
23-27 Knutsford Blvd
Kingston, Jamaica
Tel: (876) 929-9310

Finance Corporation
P.O. Box 335
Castries, St. Lucia
Tel: (758) 452-6371

FirstCaribbean International Banking & Financial Corporation Limited
12 Victoria Avenue
Port of Spain
Trinidad
Tel: (868) 625-8535

Capital Markets Head Office
Briar Place
10-12 Sweet Briar Road
St Clair, Trinidad
Tel: (868) 628-4989

Board of Directors

Seated from left:
Sir Fred Gollop
Attorney-at-Law
Chairman, One Caribbean Media Ltd.

Sir Allan Fields
Independent Director
Chairman, Barbados Shipping and Trading Company Limited

Standing, from left
John Eaton
Former Chief Operating Officer, Private Clients, Barclays Bank PLC

Jacobo Gonzalez-Robatto
Chief Executive, Southern Europe
Barclays Bank PLC

Michael Mansoor
Executive Chairman
FirstCaribbean International Bank Limited

Ron Lalonde
Senior Executive Vice President
Canadian Imperial Bank of Commerce

Standing, from left:
Charles Pink
Chief Executive Officer
FirstCaribbean International Bank

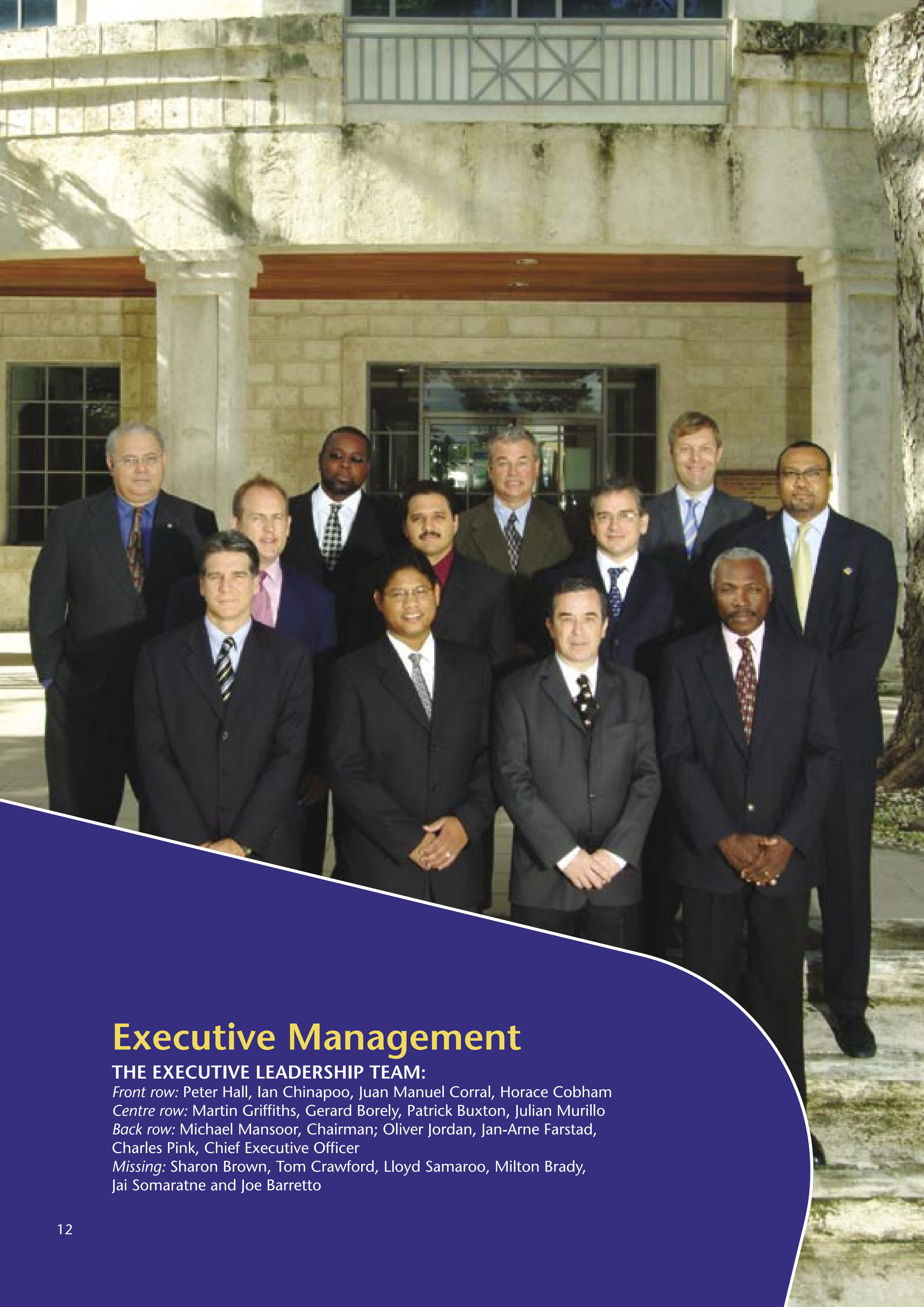
Kyffin Simpson
Independent Director
President
Simpson Motors Limited

Renier Lemmens
Chief Operating Officer
International, Retail & Commercial Banking
Barclays Bank PLC

Richard Venn
Senior Executive Vice President
Canadian Imperial Bank of Commerce

Seated, from left
Teresa Butler
Independent Director,
Former Chairman – Public Service Commission of the Bahamas
& Retired Permanent Secretary

David Ritch
Independent Director,
Attorney-at-Law and Senior Partner – Ritch and Connolly



Executive Management

THE EXECUTIVE LEADERSHIP TEAM:
Front row: Peter Hall, Ian Chinapoo, Juan Manuel 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

Legal Advisors

Chancery Chambers
Messrs. Carrington & Sealy
Fitzwilliam, Stone & Alcazar

Head of Governance & Corporate Secretary

Ella N. Hoyos

Registrar and Transfer Agent

FirstCaribbean International Trust and Merchant Bank (Barbados) Limited

Audit & Governance Committee

Ron Lalonde – Chairman
John Eaton
Christopher Bovell
Teresa Butler
Jacobo Gonzalez-Robatto
Sir Allan Fields
Sir Fred Gollop
David Ritch

Auditors

PricewaterhouseCoopers

Bankers

FirstCaribbean International Bank (Barbados) Limited

Senior Management

Michael Mansoor
Executive Chairman

Charles Pink
Chief Executive Officer

Joe Barretto
Executive Director – Integration

Gerard Borely
Chief Financial Officer

Milton Brady
Managing Director, Jamaica

Sharon Brown
Managing Director, Bahamas

Patrick Buxton
Executive Director – Group Treasury

Ian Chinapoo
Executive Director – Capital Markets

Horace Cobham
Executive Director – Corporate

Juan Manuel Corral
Chief Operating Officer

Tom Crawford
Managing Director, Cayman

Jan-Arne Farstad
Executive Director – International Wealth Management

Martin Griffiths
Chief Risk Officer

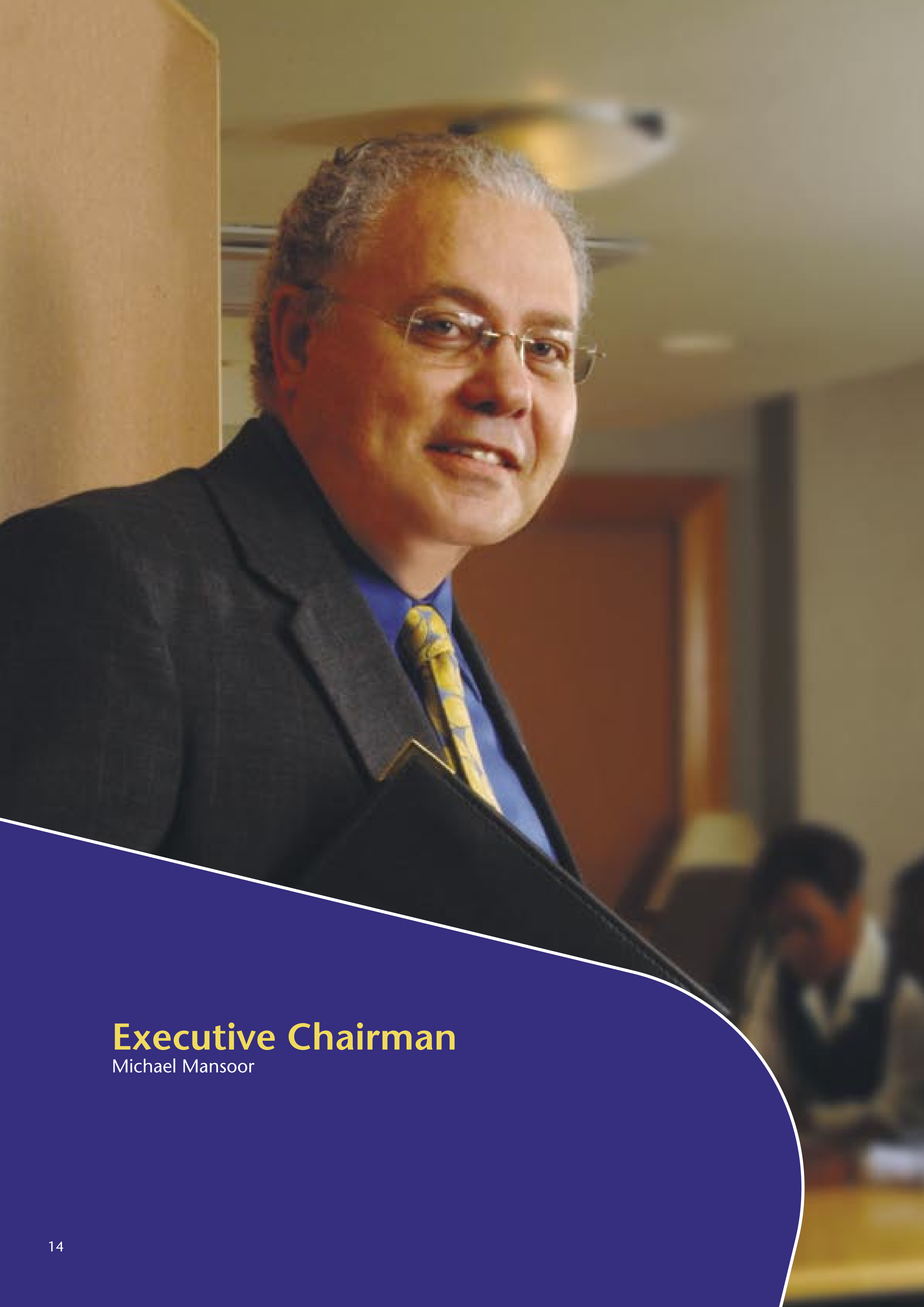
Peter Hall
Chief Administrative Officer

Oliver Jordan
Managing Director, Barbados

Julian Murillo
Executive Director – Retail Banking

Lloyd Samaroo
Managing Director, Trinidad & Tobago

Jai Somaratne
Executive Director – Audit



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 five point two five cents (US$0.0525) on earnings per share of US eleven point two cents (US$0.1120).

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

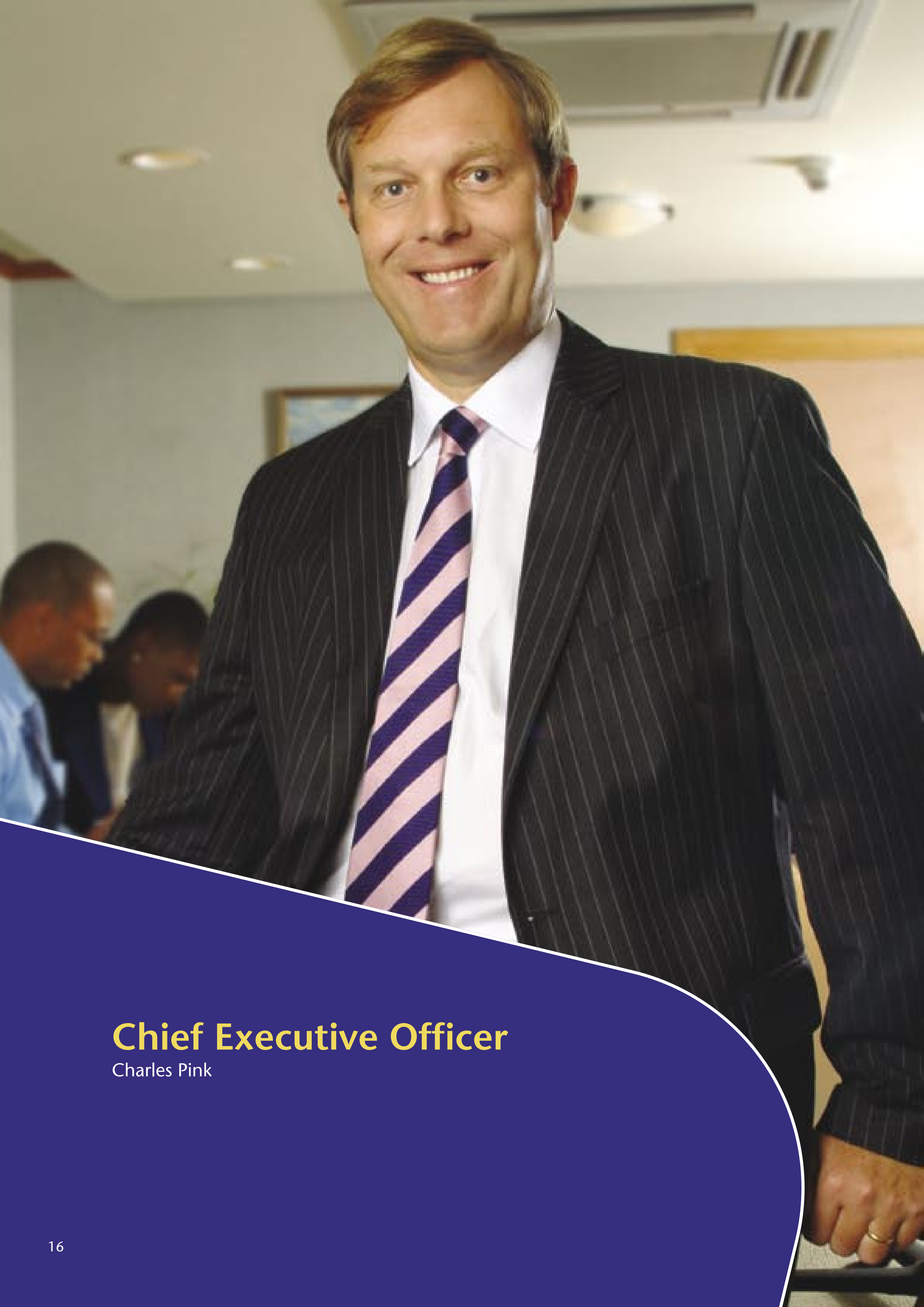
We are greatly indebted to our customers and staff for the successes of 2006. We also thank our regulators and host governments for their support and welcome.

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 $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 43.7% shareholder CIBC was to purchase Barclays 43.7% 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 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 items NIAT showed an even stronger percentage increase over 2005.

The Curaçao acquisition contributed $8.3 million NIAT to these results, offset by the amortisation of intangible assets 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 (excluding the gain on sale of Republic shares) 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$0.0525 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 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.

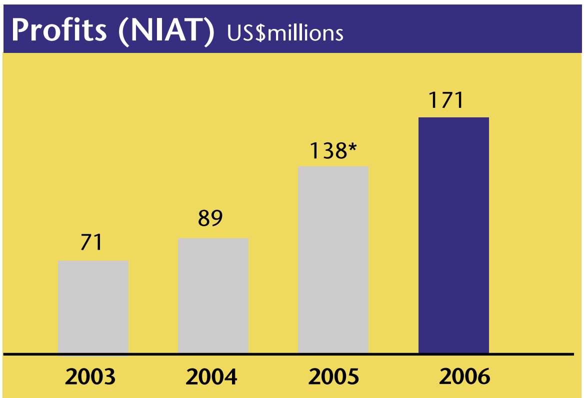
Overall, 2006 was another excellent year for our Bank. As said, it was a year of all round performance. It was a year when our success was externally recognised with "Best Bank" Awards from *Global Finance* magazine (for the third year running), *Euro Finance* magazine, Latin Finance magazine and two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

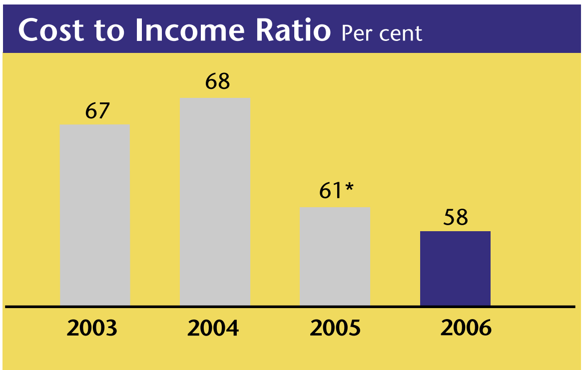
That we are well positioned is as ever a tribute to the hard work of our staff and the loyalty of our customers. I thank both

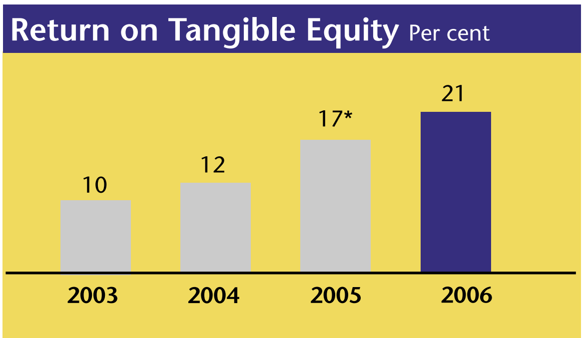
Chas JS Pink

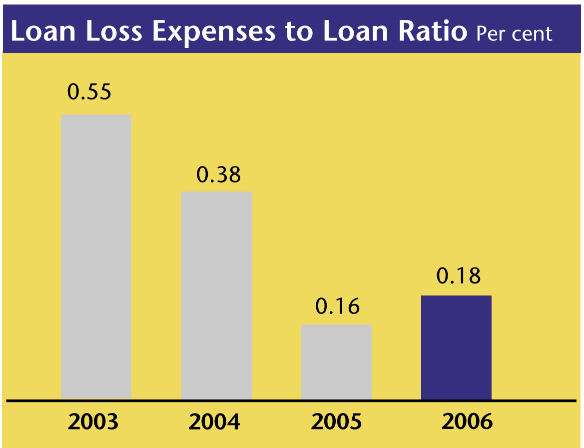
Charles JS Pink
Chief Executive Officer

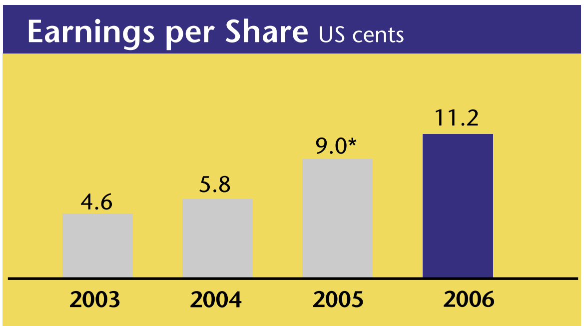
2006 Financial Performance











*Normalised for the gain on sale of Republic Bank shares and restated to reflect the retrospective impact of IAS 18.

Head of Governance & Corporate Secretary
Ella Hoyos

Directors

Since the last Annual General Meeting, and as a consequence of the sale of the Barclays Bank PLC Shareholding in the Company to CIBC Investments (Cayman) Limited, Barclays nominees John Eaton and Renier Lemmens resigned as Directors of the Company effective upon the consummation of the transaction on December 22, 2006. The Board of Directors by Written Consent in lieu of meeting also effective December 22, 2006 accepted the resignations and appointed Thomas Woods and Steven McGirr to fill the casual vacancies created on the Company's Board of Directors by the resignation of Messrs. Eaton and Lemmens. The Board then accepted the resignation of the other Barclays nominee Mr. Jacobo Gonzalez-Robatto, and appointed Alfred John D. Orr to fill the casual vacancy arising from Mr. Gonzalez-Robatto's resignation.

The shareholders are now being asked to re-appoint Mr. Thomas Woods, Mr. Steven McGirr and Mr. Alfred John D. Orr to the Board of Directors. They are also asked to re-appoint as directors, Ms Teresa Butler, Mr. David Ritch, Mr. Richard Venn, and Mr. Kyffin Simpson, who retire by rotation and being eligible offer themselves for re-election for a period of three years.

Directors' Interest

As at October 31, 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.	Michael Mansoor	207,400	nil
2.	Charles Pink	1,000	nil
3.	Teresa Butler (Independent Director)	nil	nil
4.	Sir Allan Fields (Independent Director)	1,000	nil
5.	Sir Fred Gollop	1,416	nil
6.	Thomas Woods	nil	nil
7.	Ron Lalonde	nil	1,000
8.	Steven McGirr	nil	nil
9.	David Ritch (Independent Director)	nil	nil
10.	Kyffin Simpson (Independent Director)	1,000	nil
11.	Richard Venn	nil	1,000
12.	John Orr	nil	nil

Financial Results and Dividends

The Directors report that the Company's consolidated profit after taxation attributable to equity holders of the Company for the year ended October 31, 2006 amounted to US$170.6 million. All statutory requirements for the year ended October 31, 2006 have been fulfilled.

The Company has declared a final dividend of US$0.0300 per Common Share for the year ended October 31, 2006. An interim dividend of US$0.0225 per Common Share was also paid in the 2006 fiscal period. Total dividend for the period was US$0.0525 per Common Share.

Share Capital

During the 2006 financial year, the Company's two significant shareholders Barclays Bank PLC (Barclays) and CIBC Investments (Cayman) Limited (CICL) entered into an agreement pursuant to which Barclays sold and CICL acquired all or substantially all of the 666,001,367 common shares of the Company. As a consequence of this acquisition, CICL on December 22, 2006 made a mandatory offer to acquire all of the issued and outstanding capital of the Company which is now comprised solely of 1,525,176,762 Common Shares. The Board of Directors on December 27, 2006 sent to each shareholder a Directors' Circular with information concerning the CICL offer.

Substantial interest as at October 31, 2006*

Common shares of no par value

1.	CIBC Investments (Cayman) Limited	666,179,631	(43.7%)
2.	Barclays Bank PLC	666,001,367	(43.7%)

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

As a consequence of the change in shareholding, By-law No.1 of the Company has been amended and restated to account for the removal of Barclays as a "Significant Shareholder" of the Company. A resolution to approve the amendment and restatement of By-law No. 1 will be proposed at the Annual General Meeting.

Auditors

Following on the aforementioned change in shareholding, it was anticipated that the Company's external auditors would change in keeping with the rest of the CIBC Group. The Audit and Governance Committee has recommended to the Board that Messrs. Ernst and Young, Chartered Accountants be appointed external auditors of the Company for the 2006/07 financial year. A resolution relating to the appointment of Auditors will also be proposed at the Annual Meeting of the Shareholders of the Company.

By Order of the Board

EHoyos

Ella N. Hoyos
Corporate Secretary

Geographical Business Segments

The FirstCaribbean Group is managed by segments based on geographical location and line of business. The lines of business are International, Retail, Corporate, Capital Markets and Treasury. Each of the Executive Directors managing these businesses has commented on their operations separately within the Annual Report.

The following discussion and analysis is presented based on the Group's major geographical segments. All 2005 comparative numbers have been restated for the impact of IAS 18 Revenue retrospectively, whereby certain loan fees have now been accounted for as if deferred at inception and recognised as an adjustment to the effective interest yield on the loan.

FirstCaribbean International Bank Limited
All Geographical Segments
Financial Highlights (USD'000)

	Actual 2006	Restated Actual* 2005
Net interest income	375,772	310,751
Operating income	128,390	232,489
Total revenue	504,162	543,240
Operating expenses	294,864	262,172
Amortisation of intangible assets	2,219	–
Loan loss impairment	10,369	7,308
Total expenses	307,452	269,480
Net income after tax and minority interest	170,632	255,177
Loan and advances to customers (incl. accrued interest)	5,670,824	4,630,998
Customer deposits and other borrowed funds (incl. accrued interest)	9,870,552	7,771,743
Total assets	12,411,660	9,572,641

** Includes the gain on sale of Republic Bank Limited's shares of $117 million.*

FirstCaribbean has delivered yet another year of very strong results with net income for Fiscal 2006 of $170.6 million, surpassing the prior year by $32.5 million (23%), excluding the gain on sale of Republic Bank Limited's shares.

During the year, we acquired banking operations in Curaçao which contributed $8.3 million to net income before the amortisation of intangibles of $2.2 million and $904 million to total assets at year end. Excluding the Curaçao acquisition, year on year revenue growth was 14.8% and operating costs growth was 10.0%.

The main driver of our strong performance was net interest income which was up $65.0 million (21%) due in part to the Curaçao acquisition which contributed $11.2 million, but primarily due to the growth in volumes for interest earning assets, coupled with the effect of yield increases resulting from increases in US LIBOR rates. These increases in interest income would have been partially offset by the corresponding effects of increased US LIBOR rates on deposit liabilities, deposit rate hikes in Barbados (200 bps) and an additional four and a half months' subordinated debt interest.

Loans and advances grew by over $1.0 billion (22%) year on year closing at $5.7 billion, with the growth stemming mainly from Corporate, Retail and Capital Markets, and investments grew by approximately $2.0 billion, closing at $3.3 billion.

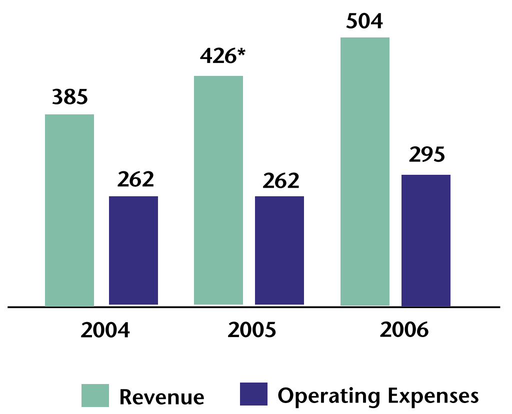
Deposits and other borrowings have grown by over $2.0 billion (27%) year on year, closing at $9.9 billion. The Bahamas and Cayman contributed most of the growth, and the Curaçao acquisition accounted for $0.9 billion.

Operating income was up $9.3 million (8%) excluding the Curaçao acquisition and the gain on sale of Republic Bank Limited's shares in the prior year. Most of this increase was driven by foreign exchange earnings, fees and commissions and mark to market gains on our trading portfolios, and was achieved despite the expiration on December 31, 2005 of the agreement with Barclays Bank PLC under which FirstCaribbean received an annual incentive payment of $10 million to retain deposit placements with Barclays Capital.

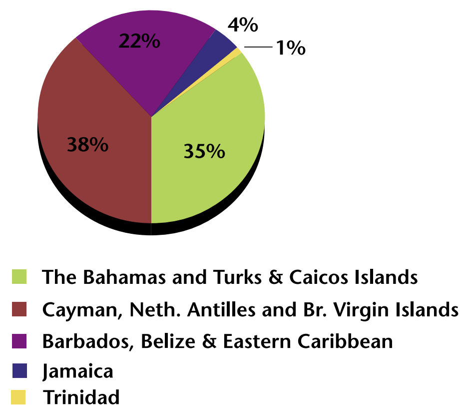
Operating expenses grew by $26.3 million (10%) excluding the Curaçao acquisition, primarily due to higher remuneration and benefits to employees in line with our performance-driven reward system; higher computer depreciation and maintenance resulting from continued capital expenditure to improve the services we offer to our customers, such as Internet banking; a greater focus on advertising; and additional professional fees associated with CIBC's acquisition of Barclays' stake in FirstCaribbean. Despite this, our efficiency ratio of 58% at the end of fiscal 2006 continues to reflect our focus on cost control.

Loan loss expenses have increased by $3.0 million year on year mainly due to the significant increase in loans, which has driven up unidentified impairment provisions; prior year provision levels were lower due to releases in Hurricane Ivan provisions. We have still managed to keep our ratio of loan loss expenses to total gross loans at 0.18% despite the 22% growth in gross loans year on year, which reflects our continued strong credit and adjudication polices and procedures.

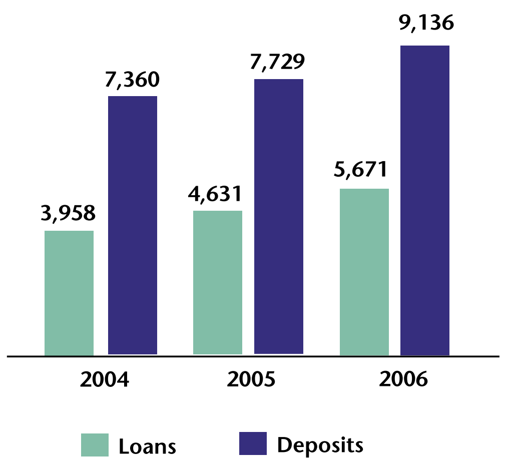
Total Revenue and Operating Expenses
US$ millions



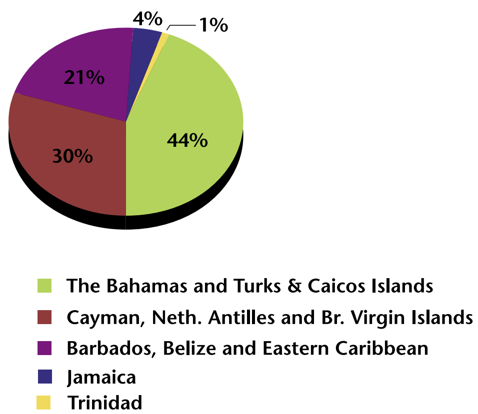
Total Assets excluding the Regional Head Office contributed by geograhical segment
Per cent



Net Loans and Advances to Customers and Customer Deposits US$ millions



Net Income excluding the Regional Head Office contributed by geographical segment
Per cent



*Normalised for the gain on sale of Republic Bank Shares and restated to reflect the retrospective impact of IAS 18 Revenue.

Bahamas and Turks and Caicos Operations (All lines of business)

This geographical segment is the largest contributor to the Group's overall performance.

Bahamas incl. TCI Geographical Business Segment Financial Highlights (USD'000)

	Actual 2006	Restated Actual 2005
Net interest income	148,333	126,469
Operating income	33,535	37,652
Total revenue	181,868	164,121
Operating expenses	65,873	62,158
Loan loss expense	5,324	3,917
Total expenses	71,197	66,075
Net income after tax	110,671	98,046
Loan and advances to customers (incl. accrued interest)	2,444,830	1,972,392
Customer deposits and other borrowed funds (incl. accrued interest)	3,785,247	2,856,737
Total assets	4,691,475	3,510,142

The Bahamas Operations generated net income of $110.7 million exceeding the prior year by $12.6 million (13%), despite the loss of $8.3 million in fees from Barclays Bank PLC due to the expiration of FirstCaribbean's arrangement with Barclays Capital.

Net interest income was substantially up year on year by $21.8 million (17%) primarily due to increased loans and investment volumes of $472 million and $1,055 million respectively, as well as the impact of higher yields due to increases in US LIBOR rates (75 bps). These increases were partially offset by higher interest expenses due mainly to higher deposit and other borrowings volumes and cost of funds both in local currency (tightening liquidity) and US$ due to increases in US LIBOR rates.

Loan growth of $0.5 billion (24%) year on year was driven relatively equally by Retail (28%), Corporate (29%) and Capital Markets (29%). Loan loss expenses were higher than the prior year by $1.4 million due in part to the overall increase in loan volumes, as well as changes in security values.

Deposits and other borrowed funds increased by $0.9 billion (33%) year on year mainly due to Treasury and Corporate business activity.

Operating income declined from the prior year by $4.1 million (11%) mainly due to the loss of fee income from Barclays Capital; offset by higher foreign exchange earnings and mark to market gains on our Treasury outsourced portfolio.

Operating expenses were above the prior year by $3.7 million (6%) mainly as a result of the prior year gain on the sale of a property. Excluding this gain, operating expenses would have increased by 1%.

Cayman, BVI and St. Maarten Operations (All lines of business)

This geographical segment is the second strongest contributor to the Group's overall performance.

Cayman incl. BVI, St Maarten and Curaçao Geographical Business Segment Financial Highlights (USD'000)

	Actual 2006	Restated Actual 2005
Net interest income	93,031	62,887
Operating income	24,723	17,643
Total revenue	117,754	80,530
Operating expenses	40,014	25,670
Amortisation of intangible assets	2,219	–
Loan loss expense	(566)	(3,443)
Total expenses	41,667	22,227
Net income after tax	74,106	56,263
Loan and advances to customers (incl. accrued interest)	1,364,917	1,078,477
Customer deposits and other borrowed funds (incl. accrued interest)	3,809,640	2,372,261
Total assets	5,118,777	3,172,754

The Cayman Operations continue to make a strong contribution to our bottom line, with net income of $74.1 million exceeding prior year by $17.8 million (32%). The increase over the prior year has been impacted by $3.0 million in imputed interest relating to an inter-company loan to the Group Parent Company and $8.3 million due to the Curaçao acquisition, offset by five additional months of subordinated debt interest. Excluding these items, net income would have increased by $7.6 million (13%).

Net interest income was up $12.3 million (19%) over the prior year, excluding the impact of the inter-company loan and the Curaçao acquisition. This was primarily due to higher yields and interest bearing asset volumes, particularly investments and cash placements which increased by $0.9 billion (236%) and $0.4 billion (36%) respectively, but also to loans which increased by $0.2 billion (27%). These increases were offset by higher interest expenses, again due to increased deposits and other borrowed funds volumes of $1.4 billion (61%) and higher cost of funds, as well as increases in the debt interest due to an additional five months' of interest this year.

Other income increased from the prior year by $3.0 million (17%) excluding the Curaçao acquisition, mainly due to foreign exchange earnings, fees and commissions, and mark to market gains on the outsourced Treasury portfolio.

Operating expenses excluding the Curaçao acquisition were above prior year by $7.9 million (31%), mainly as a result of higher remuneration and benefits and the receipt of hurricane insurance refunds in the prior year.

As a result of the Curaçao acquisition, customer related intangibles were recorded which have resulted in $2.2 million in amortisation in the current year.

Loan loss expenses exceeded prior year by $2.9 million mainly due to releases in unidentified impairment provisions last year.

Barbados, EC Islands and Belize Operations (All lines of business)

The following analysis includes the Group's onshore and offshore operations in Barbados, Belize, the Eastern Caribbean and some trust business in Jamaica. The Barbados onshore operations exclude the results of the Regional Head Office. In the Eastern Caribbean, mainly Retail and Corporate onshore business is conducted in Anguilla, Antigua & Barbuda, Dominica, Grenada, St. Lucia, St. Kitts & Nevis and St. Vincent.

Barbados Operations incl. EC Islands and Belize
Geographical Business Segment
Financial Highlights (USD'000)

	Actual 2006	Restated Actual 2005
Net Interest Income	102,540	94,478
Operating income	59,734	51,943
Total Revenue	162,274	146,421
Operating Expenses	90,298	89,012
Loan loss expense	3,853	5,738
Total expenses	94,151	94,750
Net Income After Tax	52,669	40,781
Loan and advances to customers (incl. accrued interest)	1,488,240	1,375,777
Customer deposits and other borrowed funds (incl. accrued interest)	2,563,372	2,364,303
Total assets	2,854,389	3,659,040

Net income for this geographic segment amounted to $52.7 million, reflecting a significant improvement from the prior year up by $11.8 million (29%). Most of the improvement was as a result of increases in total revenues and a reduction in loan loss expenses.

The offshore operations had net income of $10.0 million, which surpassed the prior year by $5.5 million (122%), while the onshore operations had net income of $42.7 million exceeding the prior year by $6.4 million (18%).

The extremely good performance for the offshore business was mainly due to improved spreads on our US dollar book with the US Libor Rate increases and higher loan and cash placement volumes, as well as, higher foreign exchange earnings and fees and commissions. The offshore loan portfolio has grown year on year by $34 million (83%), while the deposits and other borrowed funds have increased by $43 million (14%).

The improved onshore business performance was mainly due to operating income, which increased by $6.0 million (12%) due primarily to higher foreign exchange earnings and fees and commissions. Net interest income was marginally up over the prior year by 3% mainly due to higher loan and cash placement volumes, as spreads continue to decline primarily in Barbados. Additionally, costs identified as regional were transferred to the Parent Company which kept the expenses in line with the prior year and brought the efficiency ratio down from 61% last year to 56% at the end of the current fiscal.

The onshore loan book has increased year on year by $79 million (6%) primarily due to Corporate but also Retail in the area of residential mortgages. Loan loss expenses were lower than the prior year by $2.0 million and represent 0.26% of total gross loans, which continues to reflect our prudent underwriting policies.

Onshore deposits and other borrowed funds have also grown year on year by $156 million (8%) mainly due to Treasury and Corporate deposits, and all categories of deposits have shown growth.

Jamaica Operations (All lines of business)

The Group's operations in Jamaica are mainly conducted in the Retail, Corporate and Capital Markets business segments. This geographic segment has shown significant growth year on year, as we have invested additional capital and expanded the overall network and operations in Jamaica.

Jamaica Geographical Business Segment Financial Highlights (USD'000)

	Actual 2006	Restated Actual 2005
Net interest income	32,668	25,233
Operating income	9,372	10,160
Total revenue	42,040	35,393
Operating expenses	26,434	24,907
Loan loss expense	1,502	1,095
Total expenses	27,936	26,002
Net income after tax	9,561	7,023
Loan and advances to customers (incl. accrued interest)	367,712	217,903
Customer deposits and other borrowed funds (incl. accrued interest)	409,527	311,760
Total assets	501,485	370,382

Our Jamaica expansion strategy has been successful as evidenced by the increase in net income of $2.5 million (36%). In the prior year, this operation recorded a gain on sale of a subsidiary in the amount of $2.5 million. Excluding this gain, net income would be up year on year by $5.0 million (72%).

The increase over the prior year stemmed mainly from net interest income, which was up by $7.4 million (29%) year on year due primarily to strong loan growth made possible by the additional capital injection during the year to support the continued expansion in Jamaica. Loans have grown by $150 million (69%) year on year, primarily from Corporate and Retail.

Operating income excluding the prior year gain on sale of subsidiary increased by $1.7 million (22%), mainly due to deposit and credit fees and commissions resulting from the volume growth. Deposits and other borrowed funds have grown by $98 million (31%) year on year and were primarily Corporate deposits.

Operating expenses exceeded the prior year by $1.5 million (6%) mainly due to higher employee benefits. Loan loss expenses were greater than the prior year by $0.4 million (37%) due to higher inherent risk provision resulting from the year on year growth in the loan portfolio.

Trinidad Operations

The Trinidad operations were acquired on December 31, 2004, and consequently the prior year represents ten (10) months' results as compared with a full year for 2006. For the purposes of the commentary thereon, the prior year has been annualised on the assumption that business activity would have continued in the same proportion for the additional two months. Most of the business in Trinidad is conducted in the Corporate and Capital Markets lines of business.

Trinidad Geographical Business Segment Financial Highlights (USD'000)

	Actual 2006	Restated Actual 10 months 2005
Net interest income	4,467	2,329
Operating income	2,343	862
Total revenue	6,810	3,191
Operating expenses	2,191	811
Loan loss expense	251	–
Total expenses	2,442	811
Net income after tax	3,657	2,096
Loan and advances to customers (incl. accrued interest)	93,888	32,803
Customer deposits and other borrowed funds (incl. accrued interest)	104,729	57,131
Total assets	155,456	91,653

The Trinidad acquisition has delivered healthy returns with net income of $3.7 million exceeding annualised prior year by $1.1 million (46%).

The increase over the annualised prior year was primarily due to net interest income, which increased by $1.7 million (60%) year on year resulting from good returns on investments and strong loan growth. Loans were up $61 million (184%) year on year. Loan loss expenses were also above the prior year by $0.2 million due to increases in unidentified impairment provisions resulting from increased loan volumes.

The increase in interest income was however partially offset by the cost of increased deposits and other borrowed funds volumes. Deposits and other borrowed funds reflected year on year growth of $47 million (83%).

Operating income of $2.4 million increased over the annualised prior year by $1.3 million due primarily to capital markets fees, but also loan origination fees resulting from the increased loan book.

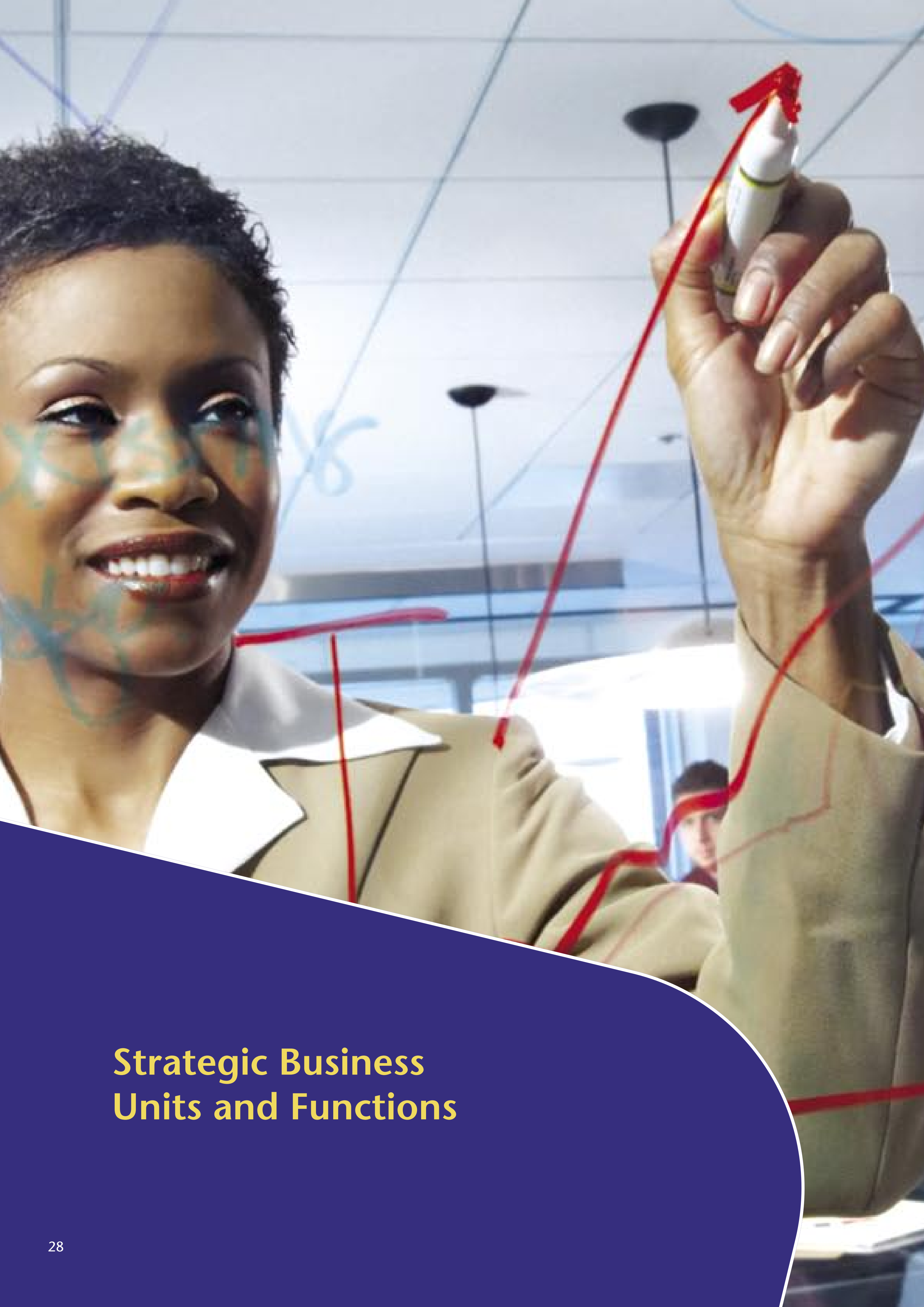
Operating expenses were above annualised prior year by $1.5 million mainly due to remuneration and benefits for an increased number of employees, and annual salary increases.

Capital Ratios

Capital strength provides protection for depositors and creditors, allows FirstCaribbean to undertake profitable business opportunities as they arise and helps maintain favourable credit ratings. In March 2006, the International Credit Agency, Standard & Poor's, reconfirmed our A- Stable credit rating, which we have held since it was first issued in October 2002.

Banks are required to maintain a minimum capital amount of at least 8% of their risk-weighted assets, with at least 4% being in the form of Tier 1 Capital. Tier 1 Capital is comprised of common stock, retained earnings, and minority equity interest in consolidated subsidiaries, less goodwill and other deductions. Tier 2 Capital principally comprises hybrid capital instruments such as subordinated debt and general provisions and 45% of revaluation reserves on available-for-sale securities.

We have significantly exceeded the required minimum capital ratios. In 2006, Tier 1 and total capital ratios were 14% and 18% respectively (2005 – 14% and 18% respectively).



Strategic Business Units and Functions

Managing Director, Bahamas
Sharon 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.

Managing Director, Barbados
Oliver Jordan

Financial Overview

The overall 2006 financial performance of the Barbados Strategic Business Unit (SBU) which includes the bank's operations in Barbados, the Eastern Caribbean Islands and Belize, recorded improved performance over last year despite the challenging economic and business environment experienced in certain countries within the group. The Barbados operations (onshore and offshore) reported Net Income After Tax of approximately US$53 million compared to prior year NIAT of US$41 million which was a 29% increase year on year. Loan growth of 8% was achieved in an extremely competitive banking environment, and was driven largely by increased efficiencies in our operations. The Eastern Caribbean operations experienced mixed results with certain countries e.g. St. Lucia delivering extremely strong performances. This region continues to be challenged with their economies in the process of diversifying from the crop industry to a mixture of tourism and financial services.

Customer Service

We have seen improvements in our customer service delivery during the past year as a result of continuous focus on training. In particular, we have sought to embed and reinforce transactions processing with our staff thereby helping them to deliver the high quality service increasingly demanded by our customers.

Our People

People Development: We have been focusing on developing our teams throughout the islands. For instance, in Barbados, in order to provide support to the Country Management, we selected a core number of managers to assist in the realization of our organizational goals as they relate to employee development and customer service differentiation.

Recognition & Reward: Our recognition programme, in which we recognize and reward employees who have displayed exemplary behaviour, recorded great success. Team leaders took the time to nominate members of their teams who consistently broke through the boundaries to display positive actions and attitudes which augurs well for our business.

New additions to leadership: During 2006 a new Director of Corporate Banking – Carl Lewis of Barbados – was appointed for the Southern Caribbean to provide support to the Heads of Corporate in Barbados and the EC Islands. There were several changes in the EC islands Country Managers lineup during the year. Anguilla, for the first time has its own Country Manager, Ms Marie Rey – a native Anguillan, who is the Retail Branch Manager. Robert Judd, a newcomer to FirstCaribbean, is now heading St. Kitts and Radcliffe Nurse, previously of the Barbados Corporate Unit, has taken up the mantel in St. Vincent.

Community Partnership

We are proud of our community relations efforts throughout Barbados SBU, given the tremendous need within our communities. Our Adopt-A-Cause programme encourages our staff to volunteer their time and efforts for many causes such as refurbishing and painting the Erdiston Special Education Unit in Barbados. This project was credited with establishing a more vibrant and appealing environment for mentally challenged children.

Through our Sponsorship and Community Relations budget, we have been able to continue our commitment to support our communities throughout the islands by giving to worthy charities and causes depending on the needs Examples of sponsorships in 2006 are as follows:

- **Antigua – Antigua & Barbuda Sports Tourism Alliance**
  Sponsorship of Independence Cricket Fest.
- **Barbados – Hope Foundation**
  Donated computer and printer to facilitate the Lupus awareness campaign.
- **Barbados – Salvation Army Outreach**
  Refurbishment of inner city day care centre
- **Grenada – Spice Isle Bill Fish Tournament**
  Donation toward 2006 Event
- **Eastern Caribbean Central Bank**
  Financial Literacy Fair
- **St. Vincent – National Society of Children with Disabilities**
  Sponsorship toward fundraising for educational and disability awareness programmes

In addition to the above, our Unsung Heroes Programme recognises those selfless persons who quietly go about their good works and by extension sustain the development of our communities. This was another highly successful this year with the overall winner being chosen from the Island of St. Vincent.

2007 Performance

In 2007, we will renew our efforts to grow our Corporate and Retail loan books in order to strengthen overall financial performance. In addition we will also maintain our efforts to develop more efficient operating structures that reflects the economic and commercial realities within the countries of the Barbados SBU. We will also be focused on further improvements in customer service with a goal of being the leading bank in meeting and exceeding customer expectations.

Thanks to staff and customers.

Managing Director, Cayman Islands
Tom Crawford

Cayman Islands

FirstCaribbean International Bank (Cayman) Limited provides a broad range of retail, corporate and wealth management services through its offices in British Virgin Islands, Cayman Islands, Curaçao, and St. Maarten.

Our financial performance this year has been excellent. Net income was US$74.1 million and that surpasses all prior records achieved. Each of our three business lines – Retail Banking, Corporate Banking, and Wealth Management turned in strong performances.

Profits increased from growth in deposits and loans as well as the acquisition of the ABN/AMRO business in Curaçao.

In January, 2006 we welcomed FirstCaribbean International Bank Curaçao to the group. Our offices in Curaçao cater to international private, corporate and institutional clients offering a highly specialised range of services through a professional staff. Services include cash management, lending, private banking, asset management, foreign exchange and international mortgages.

During the year, we improved our electronic banking capabilities, card products and mortgage products.

Our Operations and Technology group have made significant improvements to our Processing Centres which have contributed to improved levels of customer service and enhanced cost controls. Operations and Technology continue to provide support and advancements through a dedicated and skilled team.
The competitive market places in which we operate demand the best. We promise to continually improve our quality of service through training, technology and innovation.

In each of the communities we serve, we are committed to being good corporate citizens. Our commitment is to help meet the social needs of the community through financial assistance and staff involvement. An example of our involvement was our participation with the Leo's Club to reconstruct the cabanas at the Seven Mile Public Beach. During the year, we continued to support various charitable organisations such as the Cancer Society, Junior Achievement, Purple Ribbon Pledge, Hospice Care, Cayman Crisis Centre and many other worthwhile causes.

The loyalty of our customers and the dedication of our staff are critical to our success throughout the year and into the future. We are grateful for the support that all stakeholders have provided and look forward to a bright future as we succeed together.

Managing Director, Jamaica
Milton Brady

Financial Performance

The 2006 fiscal year has been an outstanding one for FirstCaribbean Jamaica in our journey to fulfill our mission of being first for customers, first for employees, first for shareholders and first for the communities in which we operate.

The year was one of continued growth for FirstCaribbean Jamaica. Our asset base increased by 35% to US$501 million driven by growth in our loan portfolio which climbed by 69% to US$368 million in 2006. Total Revenues grew by 19% to US$42 million despite a steady decline in domestic interest rates. The resultant Net Income After Tax (NIAT) rose by 36% to US$9 million. Excluding the US$2 million gain on the sale of a subsidiary in 2005, the increase in NIAT was 90%.

Strategic Initiatives and Successes

Our shareholders gave us a vote of confidence with the approval of a US$20 million capital injection in January 2006. This created a platform for us to aggressively grow our Corporate and Capital Markets businesses. Our Retail business also registered impressive performances in the Mortgage and Consumer Finance segments. The growth in Retail was fuelled by new products like the US$ Mortgages and co-branded VISA Credit Cards.

The expansion of our distribution channels continued apace as we made significant progress towards establishing three new branch locations in Sav La Mar, Liguanea and Portmore. We are well on the way towards doubling our island-wide ABM network from 11 to 22, to provide greater access to our customers.

FirstCaribbean was selected as "Bank of the Year – Jamaica 2006" by *The Banker Magazine*. We are proud of this accomplishment and we see it as an affirmation of the progress we have made in implementing our strategy of "Profitable Growth" which we embarked on in 2005.

Customer Satisfaction

Our Customer-Voice survey, an independently conducted benchmarking of our customer service standards against our main competitors, rated FirstCaribbean Jamaica number one in both "Customer Satisfaction" and giving our customers "Value for Money". In fact, FirstCaribbean was ranked first in seven of the nine categories surveyed. However, we are not resting on our laurels; in 2007, we will launch our "Helpful Partner" programme to further enhance our customer service standards.

Taking Care of the Team

In the past year, FirstCaribbean Jamaica recorded the third consecutive annual increase in its Employee Satisfaction Index, which climbed from 74% to 82%. We continue to rank well above the average for both regional and international companies. Our relationship with the Bustamante Industrial Trade Union (BITU), which represents our staff, has been strengthened with a heightened level of cooperation in cementing our FirstPartnership agreement.

CareerFirst, the Bank's intensive 24-month graduate training programme, welcomed three Jamaican nationals to the list of successful six candidates from the region. FirstCaribbean also launched a major leadership development programme in conjunction with the prestigious Wharton School of Business at the University of Pennsylvania in the USA. The objective of this programme is to build leadership capabilities around key organisation needs that will allow FirstCaribbean to maintain its competitive edge.

Nurturing our Communities

FirstCaribbean has committed to contributing 1% of it pre-tax profits to Community causes. In 2006, FirstCaribbean Jamaica surpassed this standard by contributing in excess of 1.3% of our 2005 pre-tax profits to worthy causes throughout Jamaica. Through our flagship "Unsung Heroes" programme and our "Adopt-a-Cause" programme, we made contributions of more than US$0.1 million. Our staff plays a key role, contributing financial resources, time and energy to refurbish classrooms and to mentor students at the schools in their communities.

This year, FirstCaribbean signed a Memorandum of Understanding with the Urban Development Corporation (UDC) for our Kingston Waterfront Beautification project. This project will see the Bank upgrading a section of the Kingston Waterfront to improve the environment for residents as well as visitors as Kingston plays host during World Cup Cricket 2007.

Outlook for 2007

Despite the lingering economic challenges, we are upbeat about the future. FirstCaribbean is well positioned to capitalise on opportunities in the growth sectors of the economy. We expect to see continued strong organic growth in all areas of our business. In the pursuance of our strategy of "Profitable Growth", we will also seek to capitalise on the trend of consolidation in the Jamaican financial sector.

Appreciation

Sincere thanks to all our stakeholders for making 2006 a resounding success; to our shareholders for your strong vote of confidence; to our team members for your unwavering dedication and stellar performance; and to our valued customers, for your loyalty and trust in FirstCaribbean's ability to provide you with top quality, value-adding products and services with the highest degree of professionalism and confidentiality!

Managing Director,
Trinidad and Tobago Lloyd Samaroo

Trinidad & Tobago

Performance Review

We are pleased to report that our Trinidad Operations produced after tax profits of US$3.7 million for the 12-month period ended October 31, 2006 (2005 (10 months) – US$2.1 million) with total assets of US$155 million (2005 – US$92 million).

These foregoing results take account of a charge made to the Income Statement of $0.2 million as a general provision for any inherent impairment of the loan portfolio in accordance with IAS 39.

The accounting year for 2005, comprised a period of 10 months due to the date of the acquisition.

The normal funding base comprising certificates of deposit and other short term unsecured funding instruments amounted to $30 million (2005 – US$19 million) at the end of the period. The Bank has continued its policy of restricting deposit inflows in line with funding requirements due to high liquidity conditions and inconsistent credit demand which pertained for the greater part of the year. However, due to policy measures taken by the Central Bank to dampen liquidity and the rising rate of inflation, there were a number of increases in the prime lending rate of interest and by the end of the year, liquidity conditions had tightened somewhat with interest rates on an upward trend. The US Dollar denominated lending portfolio was funded by loans from the Parent Company in the aggregate equivalent amount of US$50 million at year end (2005 – US$12 million).

The lending portfolio made up of inventory and receivables finance, finance leases, medium and long term finance, totalled US$94 million (2005 – US$33 million) at year end. The Bank continued its emphasis on maintaining a high quality credit portfolio whilst growing its loan book. A review of the year's lending activity reveals new lending turnover of US$154 million (2005 – US$43 million) of which US$48 million (2005 – US$14 million) comprised renewals of short-term instruments, thus resulting in net new lendings (before repayments) of US$106 million (2005 – US$30 million) in the period.

The Bank's lending activity was buoyed by Capital Markets booked transactions in the aggregate amount of US$40 million at year end (2005 – Nil).

The foreign exchange market was dominated by continued and increasing excess demand over supply. The Central Bank reported that purchases from the public for the 11 months to the end of November, 2005 had increased to US$2,310.6 million (2004 – US$2,127.8 million) whilst sales grew to US$3,264.6 Million (2004 – US$2,611.7 million). During 2005, the Central Bank increased its sales to the market to US$695 million and in the period January to April, 2006, these interventions amounted to US$438 million. These demands were attributed in the main to capital outflows to fund foreign acquisitions and capital market activity in other markets and the high foreign exchange requirements for public sector infrastructural projects.

Fee income derived from new lending activity, Capital Markets transactions and trustee services amounted to US$1.9 million for the year (2005 – US$0.5 million (10 months). The components of the fee income were US$0.4 million (2005 – US$0.2 million) for loans, US$1.4 million (2005 – US$0.1 million) for Capital Markets and US$0.2 million (2005 – US$0.2 million) for trustee services. In compliance with IAS 18 Revenue, fee income earned of US$0.2 million was deferred during the year.

The year began with the commercial banks' TT$ prime lending rate of interest being 9.50% and the Central Bank REPO rate being 5.75%. These rates had increased to 11.75% and 8.00% respectively by year end. Notwithstanding the official hike in interest rates, institutions continued to compete strongly by lending to their prime customers below their published prime lending rates. According to the Central Bank Statistics as at December 2005, commercial banks' special deposits and holdings of treasury bills amounted to US$248.6 million (December 2004 – US$114.5 million).

Rising inflation approaching double digits resulted in the Central Bank signalling its intention to take more aggressive steps to absorb liquidity and improve the filtering of its interest rate policy throughout the system. These steps included the re-introduction of a Secondary Reserve requirement for commercial banks and the increased sale of government securities.

In the period, funds moved from short term investments to fund the growth in the loan portfolio and long term funding instruments in the amount of US$3.3 million were retired.

There are presently 19 staff members apart from the three full time Executive Directors. Mr Larry Nath joined the Bank on 16th June, 2006, taking up the position of Head of Corporate Banking & Deputy Managing Director. From time to time as required, the Bank utilises the services of experienced persons on short term contracts for specific projects. The Directors wish to acknowledge the support provided to the Executive by the experienced bankers who comprise the backbone of the Bank's staff.

In accordance with the Bank's business expansion plans, new staff hires are planned which are expected to take the permanent staff complement (inclusive of the Executive Directors) to 32 by the end of October, 2007.

The 2007 Business Plan includes a number of changes to the Organisational Structure with the introduction of new positions in the front line and support functions in the Corporate, Capital Markets and Operations divisions as the business expands.

The Bank has applied to the Central Bank for a retail banking licence and approval is expected to be forthcoming in the very near future. This will enable the Bank to enter the shorter end of the market in terms of deposit taking activity and expand its services as desired in other areas.

In order to more adequately accommodate its expansion plans, it is envisaged that the Bank will consolidate its operations during the course of 2007. In this regard, new premises have been leased at 74 Long Circular Road, Port of Spain.

The Trinidad Board acknowledges the sterling contributions being made by management and its support staff in growing the business of the Bank and establishing the FirstCaribbean brand in Trinidad and Tobago. Much has been achieved in a relatively short period as the results attest and all indications point to continued success in the Bank's aggressive expansion plans. The management team wishes to place on record its acknowledgement and appreciation to all members of the Board for their support, guidance and encouragement and their active role in the Board Audit Committee.

Retail Banking

Executive Director, Retail Banking
Julian Murillo

Retail Banking

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 35% of the Bank's total revenue in 2006, which is down from 43% 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 Trindad – 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 by over 100% over prior year and we achieved a cost to income ratio of 35%. 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.

Total revenues hit a new high of $275 million – exceeding the record performances of the two prior years which represented 36% of the Bank's total revenues. 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.

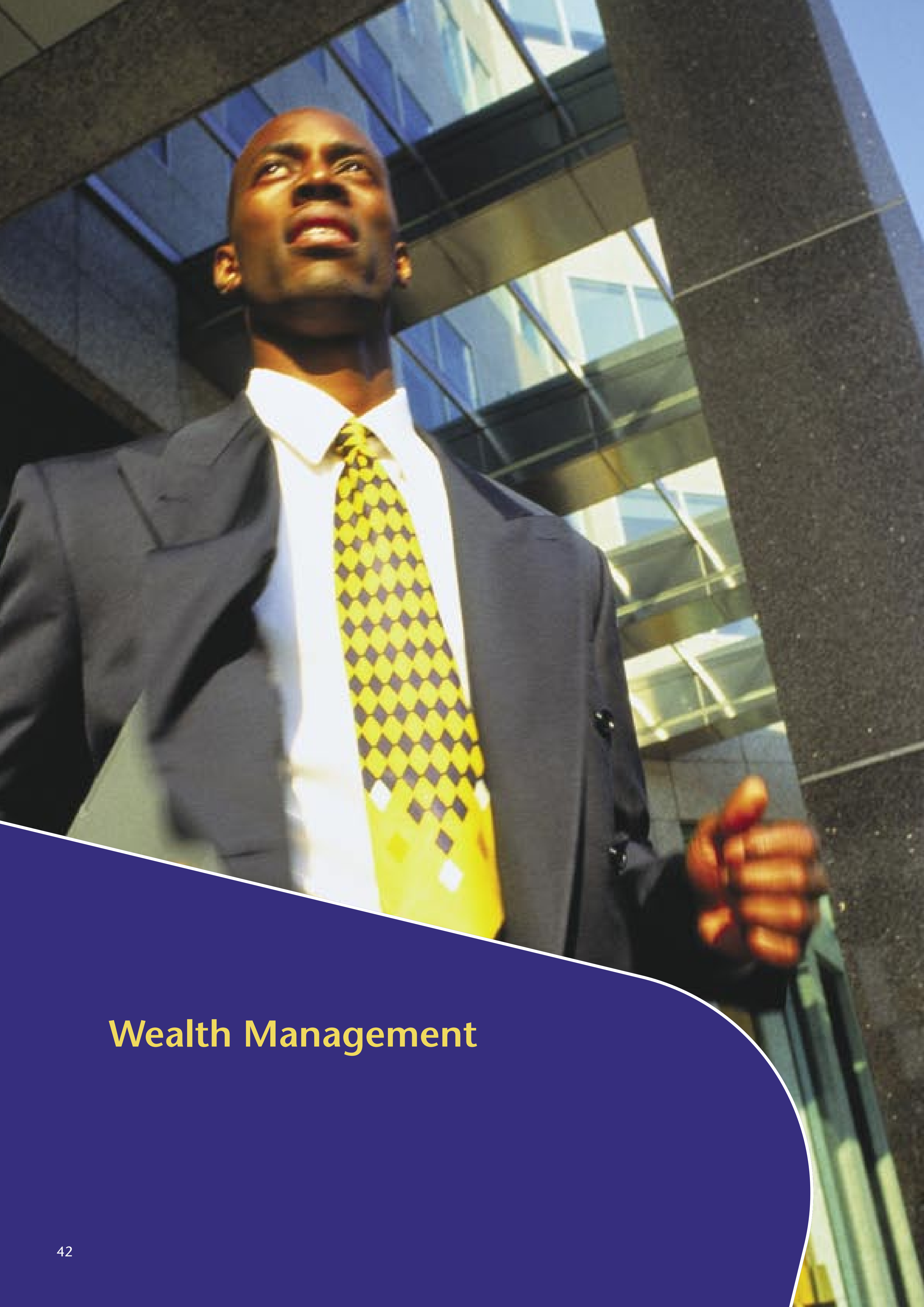
We strengthened our workforce capability through targeted training in sales management, contact management tools and techniques all designed to improve our customers' experience with us.
This improved delivery coupled with an expanded product offering augurs well for our customers as we strive to provide 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, International Banking
Jan-Arne Farstad

Wealth Management

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 admin-istration 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 17% to the Bank's total revenues compared to 27% for the current year.


8,493.55
5,776.66
8,274.86
766.84
1,247.74
5,233.60
8,143.93
7,399.18
1,408.19
4,923.03
867.19
1,796.92
8,131.83
37%
37%
37%
37%
37%

Treasury

Executive Director – Group Treasurer
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

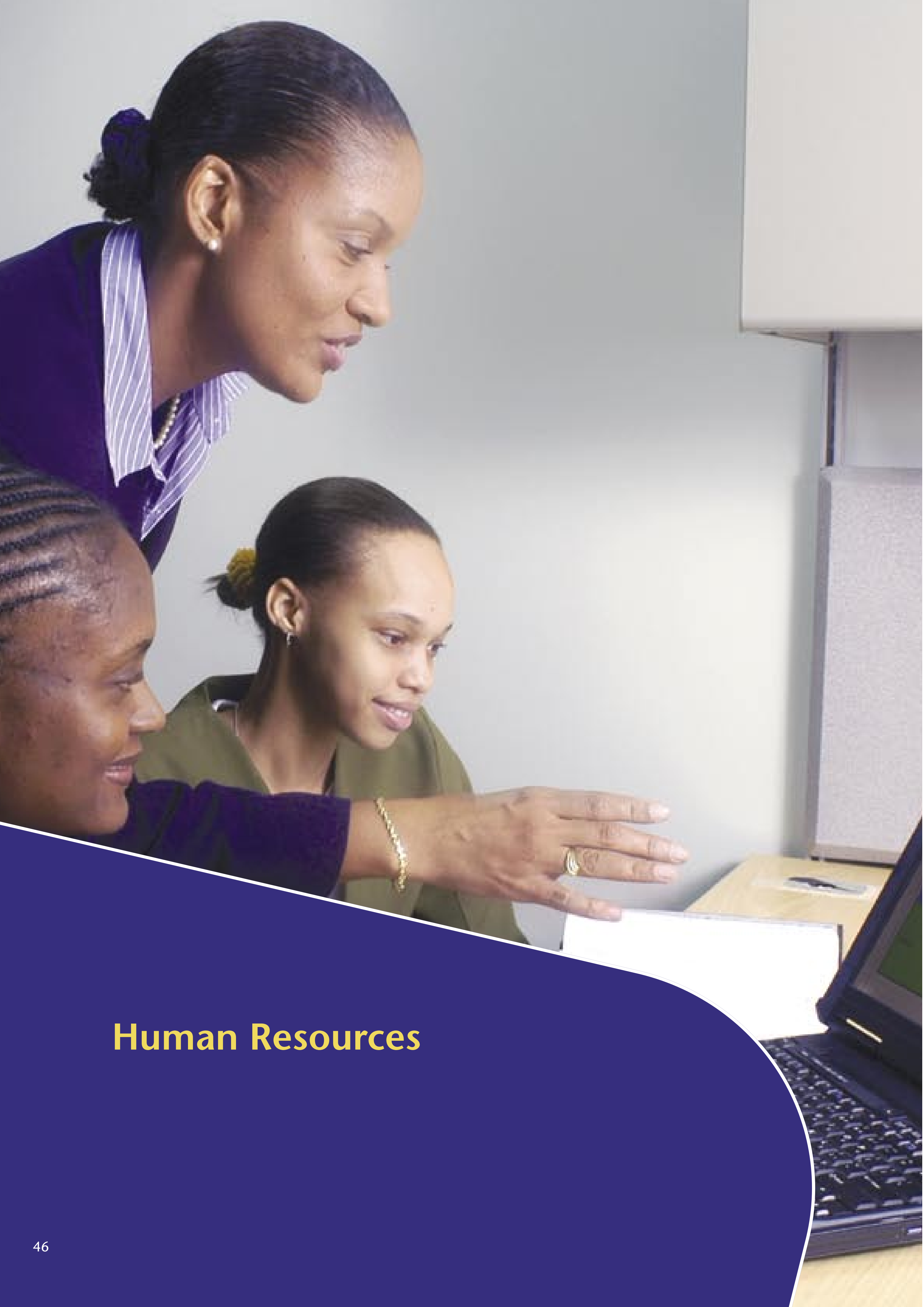
Investment performance in 2006 for our hard currency portfolio has been ahead of external investment grade benchmarks.

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

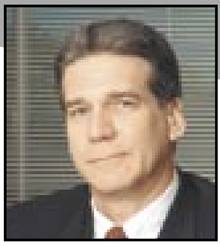
Treasury Products

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
& Chief Administrative Officer
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

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

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

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December 14, 2006

Auditors' Report

To the Shareholders of
FirstCaribbean International Bank Limited

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

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

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of October 31, 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

Consolidated Balance Sheet

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

	Notes	2006 $	Restated 2005 $
ASSETS			
Cash and balances with Central Banks	3	**335,108**	409,696
Loans and advances to banks	4	**2,090,751**	2,490,343
Derivative financial instruments	5	**5,423**	11,290
Financial assets at fair value through profit or loss	6	**1,731,727**	668,899
Other assets	7	**443,602**	188,813
Taxation recoverable		**15,881**	12,198
Investment securities	8	**1,572,103**	646,594
Loans and advances to customers	9	**5,670,824**	4,630,998
Property, plant and equipment	10	**139,680**	148,956
Deferred tax assets	11	**8,595**	11,712
Retirement benefit assets	12	**48,548**	47,607
Intangible assets	13	**349,418**	305,535
Total assets		**12,411,660**	9,572,641
LIABILITIES			
Derivative financial instruments	5	**12,859**	4,350
Customer deposits	14	**9,135,950**	7,729,395
Other borrowed funds	15	**734,602**	42,348
Other liabilities	16	**1,078,914**	459,712
Taxation payable		**14,646**	8,649
Deferred tax liabilities	11	**2,682**	4,094
Debt securities in issue	17	**200,290**	199,532
Retirement benefit obligations	12	**25,157**	24,077
Total liabilities		**11,205,100**	8,472,157
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital and reserves	18	**780,121**	736,601
Retained earnings		**403,610**	343,578
		1,183,731	1,080,179
Minority interest		**22,829**	20,305
Total equity		**1,206,560**	1,100,484
Total equity and liabilities		**12,411,660**	9,572,641

Approved by the Board of Directors on December 14, 2006.

Michael Mansoor Chairman	Gerard Borely Chief Financial Officer	Charles Pink Chief Executive Officer

Consolidated Statement of Changes in Shareholders' Equity

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

	Notes	Attributable to equity holders of the Company			Minority interest	Total equity
		Share capital	Reserves	Retained earnings		
		$	$	$	$	$
Balance at October 31, 2004 as previously reported		1,297,349	(285,625)	195,379	18,433	1,225,536
Prior period adjustment	33 iii	—	—	(29,730)	(949)	(30,679)
As restated		1,297,349	(285,625)	165,649	17,484	1,194,857
Net income for the year as previously reported		—	—	257,935	5,180	263,115
Prior period adjustment	33 iii	—	—	(2,758)	(80)	(2,838)
As restated		—	—	255,177	5,100	260,277
Dividends	26	—	—	(56,003)	(2,279)	(58,282)
Redemption of preference shares	18	(180,000)	—	—	—	(180,000)
Transfer to reserves	18	—	21,245	(21,245)	—	—
Foreign currency translation differences	18	—	(2,066)	—	—	(2,066)
Net change in available-for-sale investment securities	18	—	(113,654)	—	—	(113,654)
Net change in cash flow hedges	18	—	(648)	—	—	(648)
Balance at October 31, 2005 restated		1,117,349	(380,748)	343,578	20,305	1,100,484
Balance at October 31, 2005 as previously reported		1,117,349	(380,748)	376,066	21,334	1,134,001
Prior period adjustment	33 iii	—	—	(32,488)	(1,029)	(33,517)
As restated		1,117,349	(380,748)	343,578	20,305	1,100,484
Net income for the year		—	—	170,632	5,688	176,320
Dividends	26	—	—	(68,632)	(3,164)	(71,796)
Transfer to reserves	18	—	39,522	(39,522)	—	—
Foreign currency translation differences	18	—	205	(2,446)	—	(2,241)
Net change in available-for-sale investment securities	18	—	(1,116)	—	—	(1,116)
Net change in cash flow hedges	18	—	4,350	—	—	4,350
Purchases of treasury shares	18	(426)	—	—	—	(426)
Share based payment reserves		—	985	—	—	985
Balance at October 31, 2006		1,116,923	(336,802)	403,610	22,829	1,206,560

Consolidated Statement of Income

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

	Notes	2006 $	Restated 2005 $
Interest income		**637,685**	479,415
Interest expense		**261,913**	168,664
Net interest income	19	**375,772**	310,751
Operating income	20	**128,390**	232,489
		504,162	543,240
Operating expenses	21	**294,864**	262,172
Loan loss impairment	9	**10,369**	7,308
Amortisation of intangible assets	13	**2,219**	—
		307,452	269,480
Income before taxation and minority interest		**196,710**	273,760
Taxation	22	**20,390**	13,483
Net income for the year		**176,320**	260,277
Attributable to:			
Equity holders of the Company		**170,632**	255,177
Minority interest		**5,688**	5,100
		176,320	260,277
Earnings per share for net income attributable to the equity holders of the Company during the year	23		
(expressed in cents per share)			
— basic		**11.2**	16.7
— diluted		**11.2**	16.7

Consolidated Statement of Cash Flows

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

	2006 $	Restated 2005 $
Cash flows from operating activities		
Income before taxation and minority interest	**196,710**	273,760
Provision for loan loss impairment	**10,369**	7,308
Depreciation of property, plant and equipment	**21,243**	18,325
Amortisation of intangible assets	**2,219**	—
Net gains on sale of property, plant and equipment	**(782)**	(7,161)
Net gains on sale and redemption of investment securities	**(207)**	(118,636)
Net gains from changes in fair values on hedged investment securities	**(1,090)**	—
Net gains from changes in foreign exchange on investment securities	**469**	—
Interest income earned on investment securities	**(49,293)**	(37,266)
Interest expense incurred on borrowed funds and debt securities	**15,368**	10,996
Dividend income	**—**	(3)
Cash flows from operating activities before changes in operating assets and liabilities	**195,006**	147,323
Changes in operating assets and liabilities:		
– net decrease in loans and advances to banks	**548,476**	561,427
– net increase in financial assets at fair value through profit or loss	**(1,062,828)**	(392,380)
– net increase in loans and advances to customers	**(980,893)**	(660,974)
– net increase in other assets	**(245,196)**	(134,167)
– net increase in customer deposits	**387,405**	355,580
– net increase in other liabilities	**634,115**	394,507
Corporate taxes paid	**(16,371)**	(16,525)
Net cash (used in)/from operating activities	**(540,286)**	254,791
Cash flows from investing activities		
Purchases of property, plant and equipment	**(35,920)**	(31,979)
Proceeds from sale of property, plant and equipment	**25,616**	25,464
Purchases of investment securities	**(1,554,200)**	(779,985)
Proceeds from sale of investment securities	**647,223**	1,008,456
Interest income received on investment securities	**30,473**	37,209
Dividend income	**—**	3
Acquisition of subsidiary, net of cash acquired	**914,783**	(276)
Net cash from investing activities	**27,975**	258,892
Cash flows from financing activities		
Proceeds from other borrowed funds and debt securities, net of repayments	**692,191**	193,688
Interest expense paid on other borrowed funds and debt securities	**(14,547)**	(7,639)
Dividends paid	**(71,796)**	(54,791)
Net repayments to related parties	**(17,000)**	(902)
Redemption of preference shares	**—**	(180,000)
Net cash from/(used in) financing activities	**588,848**	(49,644)
Net increase in cash and cash equivalents for the year	**76,537**	464,039
Effect of exchange rate changes on cash and cash equivalents	**(2,241)**	(2,066)
Cash and cash equivalents, beginning of year	**2,002,667**	1,540,694
Cash and cash equivalents, end of year (note 3)	**2,076,963**	2,002,667

1. General information

FirstCaribbean International Bank Limited and its subsidiaries ("the Group") are registered under the relevant financial and corporate legislations of 17 countries in the Caribbean to carry on banking and other related activities. The major shareholders of the company are jointly Canadian Imperial Bank of Commerce ("CIBC"), a company incorporated in Canada, and Barclays Bank PLC, a company incorporated in England. The Group's parent company is FirstCaribbean International Bank Limited (the Bank) which is a company incorporated and domiciled in Barbados at Warrens, St. Michael. At October 31, 2006 the Group had 3,432 employees (2005 - 3,370).

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

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 or 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 33.

New standards, interpretations and amendments to published standards effective for periods beginning on or after January 1, 2005

The following new standards and amendments to standards are mandatory for the Group'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 Group's accounting policies. In summary:

- IAS 1 has affected the presentation of minority interest and other related disclosures.
- IAS 8, 10, 16, 17, 21, 27, 28, 32 and 33 had no material effect on the Group'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 Group require retrospective application other than:

- IAS 21 – prospective accounting for goodwill and fair value adjustments as part of foreign operations; and
- IAS 39 – the derecognition of financial assets is applied prospectively.

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

2.1 **Basis of presentation** (continued)

New standards, interpretations and amendments to published standards that are not yet effective

Certain new standards, interpretations and amendments to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after November 1, 2006 or later periods but which the Group 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 Group 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 or loss and restricts the ability to designate financial instruments as part of this category. The Group believes that this amendment should not have a significant impact on the classification of financial instruments, as the Group should be able to comply with the amended criteria for the designation of financial instruments classified at fair value through the profit or 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 Group 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 4, Determining Whether an Arrangement Contains a Lease (effective from January 1, 2006). IFRIC 4 requires the determination of whether an arrangement is or contains a lease to be based on the substance of the arrangement. It requires an assessment of whether: (a) fulfilment of the arrangement is dependent on the use of a specific asset or assets (the asset); and (b) the arrangement contains a right to use the asset. Management is currently assessing the impact of IFRIC 4 on the Group's operations.
- 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 Group's operations.

2 Summary of significant accounting policies (continued)

2.2 Consolidation

Subsidiary undertakings, which are those companies in which the Group directly or indirectly has an interest of more than one half of the voting rights or otherwise has power to exercise control over the operations, have been fully consolidated. The principal subsidiary undertakings are disclosed in note 36. Subsidiaries are consolidated from the date on which the effective control is transferred to the Group. They are de-consolidated from the date that control ceases.

All inter-company transactions, balances and unrealised surpluses and deficits on transactions and balances have been eliminated. Where necessary, the accounting policies used by subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

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

2.3 Segment reporting

A business segment is a group of assets and operations engaged in providing products and services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments. Segments with a majority of revenue earned from external customers, and whose revenue, results or assets are 10% or more of all the segments, are reported separately.

2.4 Foreign currency translation

Functional and presentation currency

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

2 Summary of significant accounting policies (continued)

2.4 Foreign currency translation (continued)

Transactions and balances

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

Group companies

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

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

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

2.5 Derivative financial instruments and hedge accounting

Derivatives are initially recognised in the balance sheet at their fair value at the 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 Group designates certain derivatives as either: (1) hedges of the fair value of recognised assets or liabilities (fair value hedge); or (2) hedges of highly probable cash flows attributable to a recognised asset or liability (cash flow hedge). Hedge accounting is used for derivatives designated in this way provided certain criteria are met.

2. Summary of significant accounting policies (continued)

2.5 Derivative financial instruments and hedge accounting (continued)

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

i) formal documentation of the hedging instrument, hedged item, hedging objective, strategy and relationship at the inception of the transaction;
ii) the hedge is documented showing that it is expected to be highly effective in offsetting the risk in the hedged item throughout the reporting period; and
iii) the hedge is highly effective on an ongoing basis.

(1) Fair value hedge

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

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

(2) Cash flow hedge

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

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

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

2.6 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 Summary of significant accounting policies (continued)

2.7 Fee and commission income

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

2.8 Financial assets

The Group 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 comprises financial assets held for trading. 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.

iii) Held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group sells 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.

2. Summary of significant accounting policies (continued)

2.8 Financial assets (continued)

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 Group commits to purchase or sell the asset. Otherwise such transactions are treated as derivatives until settlement occurs. Loans and receivables are recognised when cash is advanced to borrowers.

Financial assets are initially recognised at fair value plus transaction costs 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 Group 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 remeasured at fair value based on quoted bid prices or amounts derived from cash flow models. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest yield method, less any provision for impairment. Third party expenses associated with loans and receivables, such as legal fees, incurred in securing a loan are expensed as incurred. Unrealised gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognised in equity. When the securities are disposed of or impaired, the related accumulated fair value adjustments are included in the income statement as gains and losses from investment securities. 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.

Dividends are recorded on the accrual basis when declared.

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.

2.10 Sale and repurchase agreements

Securities sold subject to linked repurchase agreements ("repos") are retained in the financial statements as investment securities and the counter party liability is included in other borrowed funds. 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. Summary of significant accounting policies (continued)

2.11 Impairment of financial assets

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

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

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the carrying amount and the recoverable amount, being the estimated present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted based on the current effective interest rate.

When a loan is uncollectible, it is written off against the related provision for impairment; subsequent recoveries are credited to the provision for credit losses in the income statement. If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited to the 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 disclosed 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

i) Goodwill

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

ii) Computer software development costs

Costs associated with developing and maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include employee costs relating to software development and an appropriate portion of relevant overheads. Computer software development costs recognised as assets are amortised on a straight-line basis over their expected useful lives (not exceeding five years).

iii) Customer-related intangible assets

Customer-related intangible assets represent the fair value of each customer relationship acquired in a business combination, as of the acquisition date, which met the contractual-legal criterion for identification as an intangible asset in the balance sheet separated from goodwill. The fair value of the customer relationships is amortised on a straight-line basis over its expected useful life of six years.

2.13 Property, plant and equipment

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

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

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

The annual rates used are:

– Buildings	2½%
– Leasehold improvements	10% or over the life of the lease
– Equipment, furniture and vehicles	20 – 50%

2. Summary of significant accounting policies (continued)

2.13 Property, plant and equipment (continued)

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. The asset's recoverable amount is the higher of the asset's fair value less costs to sell and the value in use.

Gains and losses on disposal of property, plant and equipment are determined by reference to its carrying amount and are taken into account in determining net income.

2.14 Leases

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

2.15 Cash and cash equivalents

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

2.16 Provisions

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

2.17 Retirement benefit obligations

i) Pension obligations

The Group operates a number of pension plans, the assets of which are generally held in separate trustee-administered funds. The pension plans are generally funded by payments from the relevant Group companies, taking account of the recommendations of independent qualified actuaries. The Group has both a defined benefit plan and a defined contribution plan. A defined benefit plan is a pension plan that defines an amount of pension benefit to be provided, usually as a function of one or more factors such as age, years of service or compensation. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

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

2.17 Retirement benefit obligations (continued)

i) Pension obligations (continued)

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

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

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

ii) Other post-retirement obligations

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

2.18 Deferred tax

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

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

2. Summary of significant accounting policies (continued)

2.18 Deferred tax (continued)

Tax payable on profits, based on the applicable tax law in each jurisdiction, is recognised as an expense in the period in which profits arise. Deferred tax assets relating to the carry-forward of unused tax losses are recognised to the extent that it is probable that future taxable profits will be available against which the tax losses can be utilised.

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

2.19 Borrowings

Borrowings are recognised initially at fair value less transaction costs 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 method.

2.20 Share capital

i) Share issue costs

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

ii) Dividends on ordinary shares

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

iii) Treasury shares

Where the Company or other members of the consolidated Group purchase the Company's equity share capital, the consideration paid is deducted from total shareholders' equity as treasury shares until they are cancelled. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity.

2.21 Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of Common Shares in issue during the year. For the diluted earnings per share, the weighted average number of Common Shares in issue is adjusted to assume conversion of all dilutive potential shares.

2. Summary of significant accounting policies (continued)

2.22 Share-based payments to employees

The Group engages in equity settled share-based payment transactions in respect of services rendered from certain of its employees. 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 to equity.

2.23 Fiduciary activities

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

2.24 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 United States dollars)

3. Cash and balances with Central Banks

	2006 $	2005 $
Cash	**133,879**	144,076
Deposits with Central Banks – interest bearing	**24,244**	127,514
Deposits with Central Banks – non-interest bearing	**176,985**	138,106
Cash and balances with Central Banks	**335,108**	409,696
Less: Mandatory reserve deposits with Central Banks	**(178,011)**	(189,561)
Included in cash and cash equivalents as per below	**157,097**	220,135

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

Cash and cash equivalents

	2006 $	2005 $
Cash and balances with Central Banks as per above	**157,097**	220,135
Loans and advances to banks (note 4)	**1,919,866**	1,782,532
	2,076,963	2,002,667

4. Loans and advances to banks

	2006 $	2005 $
Included in cash and cash equivalents (note 3)	**1,919,866**	1,782,532
Greater than 90 days maturity from date of acquisition	**170,885**	707,811
	2,090,751	2,490,343

The effective yield on these amounts during the year was 3.5% (2005 – 2.5%).

(expressed in thousands of United States dollars)

5. Derivative financial instruments

	Contract/ Notional amount $	Fair Values Assets $	Fair Values Liabilities $
October 31, 2006			
i) Derivatives held for trading - Interest rate swaps	**413,320**	**1,852**	**—**
ii) Derivatives held for hedging (a) Derivatives designated as fair value hedges - Interest rate swaps	**657,112**	**3,571**	**(12,859)**
		5,423	**(12,859)**

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

(expressed in thousands of United States dollars)

6. Financial assets at fair value through profit or loss

	2006 $	2005 $
Trading securities		
Government bonds	**495**	1,964
Corporate bonds	**241,556**	142,431
Asset-backed securities	**1,481,611**	520,219
Other debt securities	**—**	906
	1,723,662	665,520
Add: Interest receivable	**8,065**	3,379
	1,731,727	668,899

The effective yield on these securities during the year was 6.9% (2005 – 4.2%).

7. Other assets

	2006 $	2005 $
Due from brokers for unsettled trades	**383,834**	91,130
Amount due from related parties	**3,517**	2,514
Prepayments and deferred items	**6,277**	6,398
Other accounts receivable	**49,974**	88,771
	443,602	188,813

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

(expressed in thousands of United States dollars)

8. Investment securities

	2006 $	2005 $
Loans and receivables		
Issued or guaranteed by Governments		
– Treasury bills	**49,265**	158,349
– Debt securities	**312,229**	378,171
Total loans and receivables	**361,494**	536,520
Securities available-for-sale		
Equity securities		
– unquoted	**8,316**	1,080
Debt securities	**1,122,761**	36,155
Total securities available-for-sale	**1,131,077**	37,235
Securities held-to-maturity		
Issued or guaranteed by Governments		
– Treasury bills	**23,894**	12,071
– Debt securities	**27,681**	51,631
Total securities held-to-maturity	**51,575**	63,702
	1,544,146	637,457
Add: Interest receivable	**27,957**	9,137
	1,572,103	646,594

The effective yield during the year on debt securities and treasury bills was 6.6% (2005 – 4.6%).The Group has a regulatory reserve requirement to maintain a percentage of deposit liabilities in cash or in the form of Government securities. At October 31, 2006 the reserve requirement amounted to $376,512 (2005 – $334,047) of which $178,011 (2005 – $189,561) is included within cash and balances with central banks (note 3).

Held-to maturity debt securities in the amount of $15,140 (2005 – $15,140) are held as security for investment certificates issued by the Group (note 15).

(expressed in thousands of United States dollars)

8. **Investment securities** (continued)

The movement in investment securities may be summarised as follows:

	Loans and receivables $	Available -for-sale $	Held-to-maturity $	Total $
Balance at October 31, 2004	551,685	225,929	40,782	818,396
Additions	648,045	25,310	106,630	779,985
Disposals (sales and redemptions)	(663,210)	(218,856)	(83,710)	(965,776)
Losses from changes in fair value on unhedged investments	—	4,852	—	4,852
Balance at October 31, 2005	536,520	37,235	63,702	637,457
Additions	242,264	1,241,224	70,712	1,554,200
Disposals (sales and redemptions)	(417,028)	(147,356)	(82,632)	(647,016)
Losses from changes in fair value on unhedged investments	—	(1,116)	—	(1,116)
Gains from changes in fair value on hedged investments	—	1,090	—	1,090
FX losses	(262)	—	(207)	(469)
Balance at October 31, 2006	**361,494**	**1,131,077**	**51,575**	**1,544,146**

9. **Loans and advances to customers**

	2006 $	2005 $
Mortgages	**2,089,778**	1,763,911
Personal loans	**768,345**	675,295
Business and government loans	**2,895,302**	2,267,495
	5,753,425	4,706,701
Add: Interest receivable	**36,282**	27,861
Less: Provisions for impairment	**(118,883)**	(103,564)
	5,670,824	4,630,998

Performing loans include an amount of $nil (2005 – $3,348) held as security for investment certificates issued by the Group (note 15).

The movement in provisions for impairment is as follows:

	2006 $	2005 $
Balance, beginning of year	**103,564**	125,044
Identified impairment	**8,241**	13,944
Unidentified impairment	**2,128**	(6,636)
Recoveries of bad and doubtful debts	**2,344**	2,104
Bad debts written off	**(2,391)**	(30,892)
Acquired as part of a business combination	**4,997**	—
Balance, end of year	**118,883**	103,564

(expressed in thousands of United States dollars)

9. Loans and advances to customers (continued)

The average interest yield during the year on loans and advances was 9.0% (2005 – 8.6%). Impaired loans as at October 31, 2006 amounted to $280,607 (2005 – $245,043) and interest taken to income on impaired loans during the year amounted to $1,978 (2005 – $1,874).

Loans and advances to customers include finance lease receivables:

	2006 $	2005 $
No later than 1 year	**4,812**	4,725
Later than 1 year and no later than 5 years	**9,717**	9,699
Later than 5 years	**1,393**	1,151
Gross investment in finance leases	**15,922**	15,575
Unearned future finance income on finance leases	**(4,845)**	(2,544)
Net investment in finance leases	**11,077**	13,031

10. Property, plant and equipment

	Land and buildings $	Equipment, furniture and vehicles $	Leasehold improvements $	Total 2006 $
Cost				
Balance, beginning of year	91,096	134,678	22,964	**248,738**
Purchases	1,034	33,245	2,522	**36,801**
Disposals	(8,635)	(17,323)	(973)	**(26,931)**
Transfers	8,246	(1,703)	(6,543)	—
Assets written off	—	(2,757)	—	**(2,757)**
Balance, end of year	91,741	146,140	17,970	**255,851**
Accumulated depreciation				
Balance, beginning of year	19,145	70,749	9,888	**99,782**
Depreciation	1,523	18,267	1,453	**21,243**
Disposals	(870)	(1,192)	(35)	**(2,097)**
Transfers	2,880	(1,544)	(1,336)	—
Assets written off	—	(2,757)	—	**(2,757)**
Balance, end of year	22,678	83,523	9,970	**116,171**
Net book value, end of year	**69,063**	**62,617**	**8,000**	**139,680**

(expressed in thousands of United States dollars)

10. Property, plant and equipment (continued)

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

Additions to equipment, furniture and vehicles include $5,908 (2005 - $12,522) relating to systems development costs and work in progress, on which no depreciation has been charged as these systems and works are not yet complete and in operation. Additionally, property, plant and equipment assets acquired as part of a business combination, which amounted to $881 (2005 – $Nil) (note 34), are also included in additions to equipment, furniture and vehicles.

11. Deferred income taxes

Deferred income taxes are calculated on all temporary differences under the liability method using an effective rate of 27.9% (2005 – 29.3%).

The movement on the deferred income tax account was as follows:

	2006 $	Restated 2005 $
Deferred tax position, beginning of year	**7,618**	3,128
From subsidiaries acquired	—	(278)
Prior year adjustment (portion relating to pre-2005) (note 33)	—	4,218
Deferred tax (charge)/credit for the year	**(1,705)**	550
Deferred tax position, end of year	**5,913**	7,618

(expressed in thousands of United States dollars)

11. Deferred income taxes (continued)

	2006 $	Restated 2005 $
Represented by:		
Deferred tax assets	**8,595**	11,712
Deferred tax liabilities	**(2,682)**	(4,094)
	5,913	7,618

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

	2006 $	Restated 2005 $
Deferred tax assets		
Accelerated tax depreciation	**(187)**	(400)
Pension and other post retirement benefit assets	**(1,462)**	(1,395)
Loan loss provisions	**577**	352
Other provisions	**—**	114
Unearned loan fees	**2,533**	4,708
Tax losses carried forward	**7,134**	8,333
	8,595	11,712
Deferred tax liabilities		
Accelerated tax depreciation	**(849)**	(1,046)
Pension and other post retirement benefit assets	**(3,962)**	(3,487)
Loan loss provisions	**288**	457
Other provisions	**1,804**	(42)
Tax losses carried forward	**37**	24
	(2,682)	(4,094)

The deferred tax comprises of tax losses of $33,480 (2005 – $33,332), which will expire between 2009 and 2015.

The Group has tax losses of $224,918 (2005 – $157,118) for which no deferred tax assets have been recognised due to uncertainty of their recoverability. These losses will expire between 2007 and 2015.

12. Retirement benefit obligations

The Group has insured group health plans and a number of pension schemes. The pension schemes are a mixture of defined benefit and defined contribution plans. Most of the defined benefit pension plans are non-contributory and allow for additional voluntary contributions. The insured health plans allow for retirees to continue to receive health benefits during retirement. The plans are valued by independent actuaries every three years using the projected unit credit method.

(expressed in thousands of United States dollars)

12. Retirement benefit obligations (continued)

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	**244,545**	230,550	—	—
Present value of funded obligations	**(166,505)**	(148,730)	**(15,662)**	(15,200)
	78,040	81,820	**(15,662)**	(15,200)
Unrecognised actuarial gains	**(29,512)**	(34,650)	**(9,475)**	(8,440)
Net asset/(liability)	**48,528**	47,170	**(25,137)**	(23,640)

The amounts recognised on the balance sheet are as follows:

	Defined benefit pension plans		Post-retirement medical benefits	
	2006	2005	2006	2005
	$	$	$	$
Retirement benefit assets	**48,548**	47,607	—	—
Retirement benefit obligations	**(20)**	(437)	**(25,137)**	(23,640)
Net asset/(liability)	**48,528**	47,170	**(25,137)**	(23,640)

The pension plan assets include the Company's Common Shares with a fair value of $2,567 (2005 – $1,363).

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	**8,113**	7,850	**1,024**	1,000
Interest cost	**11,169**	10,960	**1,100**	1,500
Expected return on plan assets	**(20,267)**	(20,310)	—	—
Net actuarial (gains)/losses recognised during the year	**(679)**	(800)	**(217)**	180
Total amount included in staff costs (note 21)	**(1,664)**	(2,300)	**1,907**	2,680
Actual return on plan assets	**18,051**	15,800	—	—

(expressed in thousands of United States dollars)

12. Retirement benefit 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	**47,170**	45,090	**(23,640)**	(21,140)
Charge for the year	**1,664**	2,300	**(1,907)**	(2,680)
Contributions paid	**152**	—	—	—
Employer premiums for existing retirees	—	—	**151**	130
Foreign exchange translation (losses)/gains	**(458)**	(220)	**259**	50
Balance, end of year	**48,528**	47,170	**(25,137)**	(23,640)

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

	Defined benefit pension plans	
	2006	**2005**
Discount rate	**6.5 – 12.0%**	7.0 – 12.0%
Expected return on plan assets	**8.0 – 14.0%**	8.5 – 13.5%
Future salary increases	**4.5 – 10.0%**	5.0 – 10.0%
Future pension increases	**0.0 – 4.0%**	0.0 – 4.0%

	Post-retirement medical benefits	
	2006	**2005**
Discount rate	**6.5 – 12.0%**	7.0 – 12.0%
Premium escalation rate	**4.5 – 10.0%**	5.0 – 10.0%
Existing retiree age	**60 – 65**	60 – 65

a) FirstCaribbean International Bank (Jamaica) Limited Retirement Plan

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

b) FirstCaribbean International Bank Limited Retirement Plan

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

c) FirstCaribbean International Bank (Bahamas) Limited Retirement Plan

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

(expressed in thousands of United States dollars)

13. Intangible assets

	2006 $	2005 $
i) Goodwill	**333,889**	305,535
ii) Customer-related intangible assets	**15,529**	—
	349,418	305,535

i) Goodwill

	2006 $	2005 $
Carrying amount, beginning of year	**305,535**	301,275
Acquisition of a subsidiary (note 34)	**28,354**	4,260
Carrying amount, end of year	**333,889**	305,535

Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to country of operation. This allocation is presented below.

	2006 $	2005 $
St. Vincent	**946**	946
Barbados (Offshore Operations)	**17,040**	17,040
Bahamas	**177,920**	177,920
Cayman	**105,369**	105,369
Trinidad	**4,260**	4,260
Curaçao	**28,354**	—
	333,889	305,535

Each group of CGUs' recoverable amount has been determined using value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a three year period. Cash flows beyond the three year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the country in which the CGU operates.

(expressed in thousands of United States dollars)

13. Intangible assets (continued)

i) Goodwill (continued)

Key assumptions used for value-in-use calculations

	Discount Rate		Growth Rate	
	2006	**2005**	**2006**	**2005**
St. Vincent	16%	16%	3%	4%
Barbados (Offshore Operations)	14%	14%	5%	4%
Bahamas	13%	13%	4%	6%
Cayman	12%	12%	3%	4%
Trinidad	15%	15%	6%	6%
Curaçao	14%	—	2%	—

Management has determined budgeted growth rates based on past performance and its expectations of market development. The discount rates used are pre-tax and reflect specific risks relating to the relevant jurisdictions.

	2006 $	**2005** $
ii) Customer-related intangible assets		
Gross carrying amount, beginning of year	—	—
Acquired as part of a business combination (note 34)	**17,748**	—
Gross carrying amount, end of year	**17,748**	—
Accumulated amortisation, beginning of year	—	—
Amortisation for the year	**2,219**	—
Accumulated amortisation, end of year	**2,219**	—
Net carrying amount, end of year	**15,529**	—

(expressed in thousands of United States dollars)

14. Customer deposits

	Payable on demand $	Payable after notice $	Payable at a fixed date $	2006 Total $	2005 Total $
Individuals	575,532	878,385	1,576,249	**3,030,166**	3,089,538
Business and Governments	1,806,727	361,143	2,675,984	**4,843,854**	4,451,066
Banks	560,397	584,434	73,705	**1,218,536**	159,478
	2,942,656	1,823,962	4,325,938	**9,092,556**	7,700,082
Add: Interest payable	1,069	5,358	36,967	**43,394**	29,313
	2,943,725	1,829,320	4,362,905	**9,135,950**	7,729,395

The effective rate of interest on customer deposits during the year was 2.9% (2005 – 2.1%).

15. Other borrowed funds

	2006 $	2005 $
Investment note certificates	**15,140**	18,488
Other fund raising instruments	**33,872**	21,762
Repurchase agreements	**683,138**	—
	732,150	40,250
Add: Interest payable	**2,452**	2,098
	734,602	42,348

Investment certificates issued by the Company amounting to $15,140 (2005 – $18,488) are secured by debt securities referred to in Note 8 and certain loans referred to in Note 9. The effective rate of interest on these borrowings during the year was 9.5% (2005 – 10.0%).

The repurchase agreements are related to US Treasury bonds included in investment securities available-for-sale. The effective rate of interest on these instruments during the year was 5.17% (2005 – Nil%).

(expressed in thousands of United States dollars)

16. Other liabilities

	2006 $	Restated 2005 $
Accounts payable and accruals	**87,128**	103,432
Due to brokers for unsettled trades	**941,255**	161,915
Trading securities sold short	—	91,875
Deferred loan fees (note 33 iii)	**41,249**	38,225
Bank overdrafts	—	39,738
Restructuring provision (note 24)	—	718
Dividends payable	**3,491**	3,491
Amount due to related parties	**5,791**	20,318
	1,078,914	459,712

The amount due to related parties for 2006 is due to CIBC and Barclays Bank PLC entities and is interest-free with no fixed terms of repayment. In 2005, the balance included $17,000, which carried interest at 1 year LIBOR plus 0.75%.

17. Debt securities in issue

	2006 $	2005 $
USD$200 million guaranteed subordinated floating-rate notes due 2015 (net of transaction costs)	**198,564**	198,273
Add: Interest payable	**1,726**	1,259
	200,290	199,532

In 2005, the Group issued floating-rate notes with a face value of $200,000. The notes are denominated in United States dollars. The interest rate on the notes is reset every 3 months at the USD 3 month LIBOR interest rate plus 70 basis points during the first 5 years. The average effective interest rate during 2006 was 5.9% (2005 – 4.0%). The notes are payable at the option of the Bank in 2010 and are guaranteed on a subordinated basis by the Parent and two fellow subsidiary companies. The notes are listed on the Luxembourg Exchange.

(expressed in thousands of United States dollars)

18. Share capital and reserves

	2006 $	2005 $
Share capital	**1,116,923**	1,117,349
Reserves		
General banking reserve	**29,503**	24,467
Statutory reserve	**100,959**	66,473
Revaluation reserve — available-for-sale investment securities	**4,170**	5,286
Hedging reserve — cash flow hedges	—	(4,350)
Translation reserve	**(8,791)**	(8,996)
Share-based payment reserve	**985**	—
Reverse acquisition reserve	**(463,628)**	(463,628)
Total reserves	**(336,802)**	(380,748)
Total share capital and reserves	**780,121**	736,601

The movements in share capital were as follows:

	Number of shares					
	Common shares ('000)	Preference shares ('000)	Common shares $	Treasury shares $	Preference shares $	Total $
Balance at October 31, 2004	1,525,176	180,000	1,117,349	—	180,000	1,297,349
Shares repurchased and cancelled	—	(180,000)	—	—	(180,000)	(180,000)
Balance at October 31, 2005	1,525,176	—	1,117,349	—	—	1,117,349
Purchases of treasury shares (note 2.20 iii)	(196)	—	—	(426)	—	(426)
Balance at October 31, 2006	1,524,980	—	1,117,349	(426)	—	1,116,923

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

The movements in reserves were as follows:

	2006 $	2005 $
General banking reserve		
Balance, beginning of year	**24,467**	27,514
Reclassification to revaluation reserves	—	(3,047)
Reclassification from statutory reserves	**5,036**	—
Balance, end of year	**29,503**	24,467

(expressed in thousands of United States dollars)

18. Share capital and reserves (continued)

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

	2006 $	2005 $
Statutory reserve		
Balance, beginning of year	**66,473**	45,228
Transfers from retained earnings	**39,522**	21,245
Reclassification to general reserves	**(5,036)**	—
Balance, end of year	**100,959**	66,473

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

	2006 $	2005 $
Revaluation reserve – available-for-sale investment securities		
Balance, beginning of year	**5,286**	115,893
Reclassification from general reserves	**—**	3,047
Net gains from changes in fair value of available-for-sale investment securities	**(1,116)**	4,852
Net gains transferred to income statement on disposal of available-for-sale investment securities	**—**	(118,506)
Balance, end of year	**4,170**	5,286

	2006 $	2005 $
Hedging reserves – cash flow hedges		
Balance, beginning of year	**(4,350)**	(3,702)
Net gains/(losses) from changes in fair value	**4,350**	(648)
Balance, end of year	**—**	(4,350)

	2006 $	2005 $
Translation reserve		
Balance, beginning of year	**(8,996)**	(6,930)
Currency translation difference arising during the year	**205**	(2,066)
Balance, end of year	**(8,791)**	(8,996)

(expressed in thousands of United States dollars)

18. Share capital and reserves (continued)

	2006 $	2005 $
Share-based payment reserve		
Balance, beginning of year	—	—
Shares vested during the year	**985**	—
Balance, end of year	**985**	—

The Group engages in equity settled share-based payment transactions in respect of services rendered from certain of its employees. The cost of the services received is measured by reference to the fair value of the shares granted. The cost related to the shares 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 to equity.

	2006 $	2005 $
Reverse acquisition reserve		
Reverse acquisition reserve, beginning and end of year	**(463,628)**	(463,628)

Under the combination of CIBC West Indies and Barclays on October 11, 2002, CIBC West Indies became the legal parent company with Barclays transferring its operations to subsidiaries of CIBC West Indies in exchange, ultimately, for common shares and newly created classes of non-voting and preference shares of CIBC West Indies. Barclays was identified as the acquirer, as the fair value of its business prior to the combination, was significantly greater than the fair value of CIBC West Indies' business and as a result Barclays had the greater economic interest. This situation is described by IFRS as a reverse acquisition.

In accordance with IFRS, the equity of the Company at October 11, 2002 (the date of the combination) comprised the equity of Barclays ($135,290) together with the fair value of the consideration given to acquire CIBC West Indies ($848,149). However, legally the share capital and statutory reserves of the Company comprise the issued share capital and statutory reserves of CIBC West Indies plus the shares issued to effect the combination, recorded at fair value. The reverse acquisition reserve is therefore the difference between the legally required share capital and statutory reserves together with the retained earnings of Barclays, and the equity of the Company presented in accordance with IFRS.

(expressed in thousands of United States dollars)

19. Net interest income

	2006 $	2005 $
Interest income		
Cash and short term funds	**77,609**	71,372
Investment securities	**49,293**	37,266
Trading securities	**50,981**	24,561
Loans and advances	**455,985**	341,232
Reverse repos and other	**3,817**	4,984
	637,685	479,415
Interest expense		
Banks and customers	**246,545**	157,668
Debt securities in issue	**11,687**	5,519
Borrowed funds and other	**3,681**	5,477
	261,913	168,664
Net interest income	**375,772**	310,751

20. Operating income

	2006 $	Restated 2005 $
Fee and commission income	**61,645**	53,455
Foreign exchange transactional gains less losses	**52,240**	45,536
Foreign exchange revaluation gains less losses	**529**	(647)
Mark to market on trading portfolio	**(923)**	(6,084)
Gains less losses from investment securities	**207**	118,636
Other operating income	**14,692**	21,593
	128,390	232,489

(expressed in thousands of United States dollars)

20. Operating income (continued)

Analysis of fee and commission income:

	2006 $	Restated 2005 $
Credit and card related fees and commissions	**33,228**	29,666
Corporate finance fees	**447**	14
Portfolio and other management fees	**2,321**	472
Other fees	**25,649**	23,303
	61,645	53,455

21. Operating expenses

	2006 $	2005 $
Staff costs	**147,896**	139,956
Property, plant and equipment expenses	**33,489**	32,074
Profit on sale of property, plant and equipment	**(782)**	(7,161)
Depreciation (note 10)	**21,243**	18,325
Restructuring credit (note 24)	**—**	(3,078)
Other operating expenses	**93,018**	82,056
	294,864	262,172

Analysis of staff costs:

	2006 $	2005 $
Wages and salaries	**136,808**	126,829
Pension costs/(income):		
- defined contribution plans	**943**	1,278
- defined benefit plans (note 12)	**(1,664)**	(2,300)
Other post-retirement benefits (note 12)	**1,907**	2,680
Other staff related costs	**9,902**	11,469
	147,896	139,956

(expressed in thousands of United States dollars)

22. Taxation

	2006 $	Restated 2005 $
Taxation charge for the year:		
Current tax	**18,685**	14,033
Deferred tax	**1,705**	(550)
	20,390	13,483

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

	2006 $	2005 $
Income before taxation and minority interest	**196,710**	273,760
Tax calculated at the statutory tax rate of 25% (2005 – 30%)	**49,178**	82,128
Effect of different tax rates in other countries	**(43,219)**	(28,546)
Effect of change in tax rate	—	(60)
Effect of income not subject to tax	**(2,760)**	(56,450)
Effect of income subject to tax at 12.5%	**(1,248)**	(2,154)
Effect of withholding taxes	—	92
Prior year tax reassessments	**274**	(20)
Effect of deferred tax asset/liability at future tax rates	**(24)**	529
Effect of income subject to tax at 15%	**(75)**	(1,791)
Effect of allowances	**(47)**	(34)
Reversal of restructuring provisions	**105**	696
(Over)/under provision of prior year corporation tax liability	**(1,107)**	2,042
Under provision of prior year deferred tax liability	**1,114**	314
Over provision of current year corporation tax liability	**121**	257
(Under)/over provision of current year deferred tax liability	**(678)**	27
Movement in deferred tax asset not recognised	**16,219**	14,768
Effect of expenses not deductible for tax purposes	**2,537**	1,685
	20,390	13,483

(expressed in thousands of United States dollars)

23. Earnings per share

Basic earnings per share

	2006 $	Restated 2005 $
Net income attributable to shareholders	**170,632**	255,177
Weighted average number of Common Shares in issue (thousands)	**1,525,048**	1,525,176
Basic earnings per share (expressed in cents per share)	**11.2**	16.7

Diluted earnings per share

	2006 $	Restated 2005 $
Net income attributable to shareholders	**170,632**	255,177
Weighted average number of Common Shares for diluted earnings per share	**1,525,155**	1,527,176
Diluted earnings per share (expressed in cents per share)	**11.2**	16.7

The share options are considered to be dilutive potential Common Shares (note 25).

24. Restructuring provision

	2006 $	2005 $
Balance, beginning of year	**718**	6,131
Credited to income statement during year (note 21)	**—**	(3,078)
Utilised during year	**(718)**	(2,335)
Balance, end of year	**—**	718

25. Share-based payments

Stock option plan

One of the predecessor organisations, CIBC West Indies, had a stock option plan. Under the rules of the Plan, options to purchase Common Shares in the Company were granted to employees that entitle the employee to purchase Common Shares of the Company at the market price (strike price) of the shares on the date of granting the options. The options vest over a four-year period and the maximum period within which an option may be exercised is ten years. In February 1999, 1,050,000 options were granted to current employees at a strike price of one dollar and seventy-two cents ($1.72) per share.

To date no options have been exercised and no further options have been granted. Number of options forfeited in 2006 amounted to 225,000 (2005 - nil). Number of options outstanding as at October 31, 2006 amounted to 1,050,000 (2005 – 1,275,000).

The expense arising from this Plan in 2006 was $236 (2005 - $263) and liabilities at October 31, 2006 amounted to $235 (2005 - $471).

Long-term incentive plan

The Group operates a long-term incentive plan whereby under the rules of the plan, Common Shares in the Company may be granted to employees on a discretionary basis. The shares vest over a three-year period. The number of shares granted as at October 31, 2006 amounted to 770,910 (2005 – 392,940) and the carrying value of these shares amounted to $1,349 (2005 - $575).

Fair value of the shares granted is measured based on the market price of the shares as at the grant date, adjusted to take into account the terms and conditions upon which the shares were granted. IFRS 2 specifies that vesting conditions, other than market conditions, are not taken into account when estimating the fair value of the shares at the grant date. Instead, vesting conditions are taken into account by adjusting the number of equity instruments included in the measurement.

The expense arising from this plan in 2006 was $958 (2005 - $450).

26. Dividends

As at October 31, 2006, the Directors recommended a final common share dividend, which is not reflected in these financial statements, of three cents ($0.0300) per common share (2005 - $0.0225), bringing the total dividend payout for 2006 to five point two five cents ($0.0525) per common share (2005 - $0.0425).

(expressed in thousands of United States dollars)

27. Related party transactions and balances

The Group's major shareholders are jointly Canadian Imperial Bank of Commerce ("CIBC") and Barclays Bank PLC ("Barclays") who collectively own 86% of the common shares. The remaining shares are widely held.

A number of banking transactions are entered into with related parties in the normal course of business. The key related party balances and transactions are disclosed below.

	Directors and key management personnel		Major shareholders	
	2006	**2005**	**2006**	**2005**
	$	**$**	**$**	**$**
Asset balances:				
Deposit placements	—	—	**1,235,803**	2,023,632
Loans and advances	**3,879**	3,798	—	—
Liability balances:				
Deposit liabilities	**7,825**	4,580	**98,773**	27,556
Revenue transactions:				
Interest income earned	**244**	141	**64,425**	63,645
Other revenue – fee income (note i)	—	—	**1,240**	10,000
Expense transactions:				
Interest expense incurred	**220**	165	**3,961**	1,183
Other expenses (note ii)	—	—	**368**	366

(i) The agreement with Barclays whereby the Company received an annual payment from Barclays of $10,000 effective January 1, 2002, as an incentive for the Company to retain its deposit placements with Barclays Capital was terminated on December 31, 2005. Consequently, $1,667 was included in operating income for the period (2005 – $10,000).

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

	2006	**2005**
	$	**$**
Key management compensation		
Salaries and other short-term benefits	**7,275**	5,940
Post-employment benefits	**320**	268
Share-based payments	**709**	386
	8,304	**6,594**

Non-executive directors' remuneration

A listing of the members of the Board of Directors is included within the Group's Annual Report. In 2006, the total remuneration of the non-executive directors was $112 (2005 – $102). The executive directors' remuneration is included under key management compensation.

(expressed in thousands of United States dollars)

28. Contingent liabilities and commitments

The Bank conducts business involving letters of credit, guarantees, performance bonds and indemnities, which are not reflected in the balance sheet.

	2006 $	2005 $
Letters of credit	**100,472**	84,945
Loan commitments	**786,210**	790,469
Guarantees and indemnities	**113,839**	116,056
	1,000,521	991,470

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

29. Future rental commitments under operating leases

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

	2006 $	2005 $
Not later than 1 year	**7,458**	7,445
Later than 1 year and less than 5 years	**29,398**	20,885
Later than 5 years	**5,436**	4,321
	42,292	32,651

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 Group had investment assets under administration on behalf of third parties amounting to $1,275,566 (2005 – $564,325).

31. Business segments

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

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

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.

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

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

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

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

Funds are ordinarily allocated between segments resulting in funding costs transfers. Interest charged for these funds is based on the Group'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 taxation and intangible assets.

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

(expressed in thousands of United States dollars)

31. Business segments (continued)

	Retail Banking $	Corporate Banking $	International Wealth Mgt $	Capital Markets $	Treasury $	Other $	Eliminations $	Group $
October 31, 2006								
External revenues	230,111	288,054	64,730	21,200	161,271	709	–	766,075
Revenues from other segments	41,010	(12,986)	144,297	(10,347)	(140,956)	_	(21,018)	_
Total revenues	271,121	275,068	209,027	10,853	20,315	709	(21,018)	766,075
Segment result	644	139,132	68,577	5,487	3,647	(20,777)	–	196,710
Taxation								(20,390)
Net income for the year								176,320
Total assets								
Segment assets	2,863,103	3,390,270	3,891,000	52,836	2,793,752	(11,271)	(941,924)	12,037,766
Unallocated assets								373,894
								12,411,660
Total liabilities								
Segment liabilities	2,871,831	2,778,117	3,978,642	34,642	2,432,902	23,808	(932,170)	11,187,772
Unallocated liabilities								17,328
								11,205,100

(expressed in thousands of United States dollars)

31. Business segments (continued)

	Retail Banking $	Corporate Banking $	International Wealth Mgt $	Capital Markets $	Treasury $	Other $	Eliminations $	Group $
Restated October 31, 2005								
External revenues	238,540	199,232	19,390	4,816	238,815	11,111	—	711,904
Revenues from other segments	67,156	6,810	103,039	63	(147,339)	6,234	(35,963)	—
Total revenues	305,696	206,042	122,429	4,879	91,476	17,345	(35,963)	711,904
Segment result	15,589	44,182	47,919	1,382	85,062	79,626	—	273,760
Taxation								(13,483)
Net income for the year								260,277
Total assets								
Segment assets	2,327,264	2,844,385	1,733,810	16,001	2,956,952	(293,258)	(341,958)	9,243,196
Unallocated assets								329,445
								9,572,641
Total liabilities								
Segment liabilities	2,998,968	2,218,489	3,236,445	905	276,844	54,226	(326,463)	8,459,414
Unallocated liabilities								12,743
								8,472,157

Geographical segments are set out in Note 32 (c).

32. Financial risk management

A. Strategy in using financial instruments

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

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

B. Credit risk

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

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

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

Derivatives

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

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

B. **Credit risk** (continued)

Master netting arrangements

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

Credit related commitments

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

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

(expressed in thousands of United States dollars)

32. Financial risk management (continued)

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 commitments $	Revenues $	Capital expenditure $
October 31, 2006					
Barbados	1,726,883	1,785,291	30,875	116,613	20,011
Bahamas	4,131,166	3,575,732	332,371	236,538	1,265
Cayman	3,473,626	3,181,200	240,956	133,316	49,744
Eastern Caribbean	1,040,088	883,942	78,559	90,562	4,844
Curacao	903,946	864,287	34,987	38,321	1,097
BVI	565,422	531,043	69,619	36,707	726
Turks & Caicos Islands	560,309	510,337	102,768	36,738	707
Jamaica	509,417	428,342	77,917	59,714	2,624
Belize	111,492	93,345	12,797	12,321	1,108
Other	331,235	283,751	19,672	26,263	777
	13,353,584	12,137,270	1,000,521	787,093	82,903
Eliminations	(941,924)	(932,170)	—	(21,018)	—
	12,411,660	11,205,100	1,000,521	766,075	82,903

	Total assets $	Total liabilities $	Credit commitments $	Revenues $	Capital expenditure $
Restated October 31, 2005					
Barbados	1,740,079	1,737,618	133,360	247,361	8,878
Bahamas	3,062,151	2,541,883	371,124	202,328	8,423
Cayman	2,702,388	2,258,907	232,326	93,139	3,508
Eastern Caribbean	924,474	795,763	59,639	78,682	6,290
Turks & Caicos Islands	447,991	406,989	37,537	23,442	745
Jamaica	378,367	325,306	87,471	49,981	781
BVI	340,594	527,606	24,433	20,976	641
Other	318,555	204,548	45,580	31,958	2,877
	9,914,599	8,798,620	991,470	747,867	32,143
Eliminations	(341,958)	(326,463)	—	(35,963)	—
	9,572,641	8,472,157	991,470	711,904	32,143

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

(expressed in thousands of United States dollars)

32. Financial risk management (continued)

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

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

	2006 $	**2006 %**	**2005 $**	**2005 %**
Barbados	**715,056**	**12**	685,662	15
Bahamas	**2,252,842**	**39**	1,819,464	39
Cayman	**1,025,460**	**18**	818,780	18
Eastern Caribbean	**707,661**	**12**	631,014	13
Jamaica	**367,712**	**6**	217,903	5
Turks & Caicos Islands	**191,988**	**4**	152,928	3
BVI	**167,391**	**3**	157,712	3
Belize	**65,523**	**2**	59,101	1
Curaçao	**28,985**	**1**	—	—
Other	**236,969**	**3**	135,089	3
	5,759,587	**100**	4,677,653	100
Eliminations	**(88,763)**	—	(46,655)	—
	5,670,824	**100**	4,630,998	100

D. Currency risk

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

(expressed in thousands of United States dollars)

32. Financial risk management (continued)

D. Currency risk (continued)

Concentrations of assets, liabilities and credit commitments:

October 31, 2006	EC $	BDS $	CAY $	BAH $	US $	JA $	Other $	Total $
Assets								
Cash and balances with Central Banks	80,404	80,449	4,342	62,192	55,485	33,981	18,255	335,108
Loans and advances to banks	5,276	20,796	355	1,440	1,090,501	3,491	968,892	2,090,751
Derivative financial instruments	—	—	—	—	5,423	—	—	5,423
Financial assets at fair value through profit or loss	—	—	—	—	1,731,727	—	—	1,731,727
Other assets	(32,449)	48,771	4,101	16,779	306,437	3,085	96,878	443,602
Taxation recoverable	5,637	9,482	—	—	—	—	762	15,881
Investment securities	34,506	145,873	—	139,025	1,157,421	29,997	65,281	1,572,103
Loans and advances to customers	592,755	613,272	428,069	1,436,409	2,217,177	197,507	185,635	5,670,824
Property, plant and equipment	23,724	42,914	18,557	22,391	18,431	6,828	6,835	139,680
Deferred tax assets	1,380	6,915	—	—	—	47	253	8,595
Retirement benefit assets	7,287	11,556	—	11,869	4,608	11,412	1,816	48,548
Intangible assets	—	305,535	—	—	43,883	—	—	349,418
Total assets	718,520	1,285,563	455,424	1,690,105	6,631,093	286,348	1,344,607	12,411,660

(expressed in thousands of United States dollars)

32. Financial risk management (continued)

D. Currency risk (continued)

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

	EC $	BDS $	CAY $	BAH $	US $	JA $	Other $	Total $
October 31, 2006								
Liabilities								
Derivative financial instruments	—	—	—	—	12,859	—	—	12,859
Customer deposits	640,097	1,099,069	192,762	1,334,691	4,350,661	198,336	1,320,334	9,135,950
Other borrowed funds	—	—	—	—	734,602	—	—	734,602
Other liabilities	18,181	59,551	186,241	17,451	753,867	9,228	34,395	1,078,914
Taxation payable	6,080	990	—	—	855	3,540	3,181	14,646
Deferred tax liabilities	441	113	—	—	12	2,143	(27)	2,682
Debt securities in issue	—	—	—	—	200,290	—	—	200,290
Retirement benefit obligations	2,193	4,381	—	11,219	4,675	2,145	544	25,157
Total liabilities	666,992	1,164,104	379,003	1,363,361	6,057,821	215,392	1,358,427	11,205,100
Net on balance sheet position	**51,528**	**121,459**	**76,421**	**326,744**	**573,272**	**70,956**	**(13,820)**	**1,206,560**
Credit commitments	**62,410**	**23,555**	**38,856**	**175,755**	**631,219**	**34,546**	**34,180**	**1,000,521**

(expressed in thousands of United States dollars)

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

D. **Currency risk** (continued)

Restated October 31, 2005	**EC $**	**BDS $**	**CAY $**	**BAH $**	**US $**	**JA $**	**Other $**	**Total $**
Assets								
Cash and balances with central banks	67,389	86,954	3,607	98,346	48,686	40,351	64,363	409,696
Loans and advances to banks	(28,512)	4,952	—	1,254	1,984,690	(144)	528,103	2,490,343
Derivative financial instruments	—	—	—	—	11,290	—	—	11,290
Financial assets at fair value through profit or loss	—	—	—	—	668,899	—	—	668,899
Other assets	98,637	19,780	(3,430)	12,183	80,143	354	(18,854)	188,813
Taxation recoverable	4,930	6,932	—	—	10	326	—	12,198
Investment securities	34,946	235,601	—	133,627	153,691	21,694	67,035	646,594
Loans and advances to customers	577,736	563,977	361,326	1,270,367	1,619,244	143,308	95,040	4,630,998
Property, plant and equipment	25,441	50,466	18,041	24,770	18,079	5,954	6,205	148,956
Deferred tax assets	1,524	8,128	—	—	—	1,100	960	11,712
Retirement benefit assets	7,077	12,307	—	11,788	4,489	10,149	1,797	47,607
Intangible assets	—	305,535	—	—	—	—	—	305,535
Total assets	789,168	1,294,632	379,544	1,552,335	4,589,221	223,092	744,649	9,572,641
Liabilities								
Derivative financial instruments	—	—	—	—	4,350	—	—	4,350
Customer deposits	660,730	1,060,795	221,350	1,284,982	3,693,736	168,495	639,307	7,729,395
Other borrowed funds	—	—	—	—	12,574	—	29,774	42,348
Other liabilities	(596)	81,028	8,157	9,661	360,046	8,095	(6,679)	459,712
Taxation payable	2,738	2,236	—	—	556	292	2,827	8,649
Deferred tax liabilities	969	171	—	—	115	2,838	1	4,094
Debt securities in issue	—	—	—	—	199,532	—	—	199,532
Retirement benefit obligations	2,131	4,915	—	10,310	4,050	2,222	449	24,077
Total liabilities	665,972	1,149,145	229,507	1,304,953	4,274,959	181,942	665,679	8,472,157
Net on balance sheet position	**123,196**	**145,487**	**150,037**	**247,382**	**314,262**	**41,150**	**78,970**	**1,100,484**
Credit commitments	**21,739**	**101,852**	**5,234**	**218,758**	**569,060**	**37,147**	**37,680**	**991,470**

(expressed in thousands of United States dollars)

32. Financial risk management (continued)

E. Cash flow and fair value interest rate risk

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

Expected repricing and maturity dates do not differ significantly from the contract dates, except for the maturity of deposits up to 1 month, which represent balances on current accounts considered by the Group as a relatively stable core source of funding of its operations.

F. Liquidity risk

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

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

	0-3 months $	3-12 months $	1-5 years $	Over 5 years $	Total $
October 31, 2006					
Assets					
Cash and balances with Central Banks	310,515	15,969	8,124	500	335,108
Loans and advances to banks	1,798,878	166,291	125,500	82	2,090,751
Derivative financial instruments	5,423	—	—	—	5,423
Financial assets at fair value through profit or loss	1,731,727	—	—	—	1,731,727
Other assets	347,850	—	95,752	—	443,602
Taxation recoverable	6,598	9,283	—	—	15,881
Investment securities	59,001	178,560	477,259	857,283	1,572,103
Loans and advances to customers	1,184,097	602,718	1,405,628	2,478,381	5,670,824
Property, plant and equipment	—	—	7,059	132,621	139,680
Deferred assets	511	70	7,199	815	8,595
Retirement benefit assets	286	—	—	48,262	48,548
Intangible assets	740	2,218	12,571	333,889	349,418
Total assets	5,445,626	975,109	2,139,092	3,851,833	12,411,660

(expressed in thousands of United States dollars)

32. Financial risk management (continued)

F. Liquidity risk (continued)

Maturities of assets and liabilites (continued)

	0-3 months $	3-12 months $	1-5 years $	Over 5 years $	Total $
October 31, 2006 (continued)					
Liabilities					
Derivative financial instruments	12,859	—	—	—	12,859
Customer deposits	7,567,080	822,926	216,998	528,946	9,135,950
Other borrowed funds	733,587	1,015	—	—	734,602
Other liabilities	952,580	30,523	—	95,811	1,078,914
Taxation payable	11,026	3,620	—	—	14,646
Deferred tax liabilities	113	266	193	2,110	2,682
Debt securities in issue	—	—	200,290	—	200,290
Retirement benefit obligations	—	—	—	25,157	25,157
Total liabilities	9,277,245	858,350	417,481	652,024	11,205,100
Net on balance sheet position	(3,831,619)	116,759	1,721,611	3,199,809	1,206,560
Credit commitments	449,979	471,507	17,860	61,175	1,000,521

	0-3 months $	3-12 months $	1-5 years $	Over 5 years $	Total $
Restated October 31, 2005					
Total assets	3,840,195	1,116,256	1,814,400	2,801,790	9,572,641
Total liabilities	6,654,119	876,703	186,043	755,292	8,472,157
Net on balance sheet position	(2,813,924)	239,553	1,628,357	2,046,498	1,100,484
Credit commitments	486,034	479,822	2,425	23,189	991,470

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

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

(expressed in thousands of United States dollars)

32. Financial risk management (continued)

F. Liquidity risk (continued)

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

G. Fair values of financial assets and liabilities

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

	Carrying Value		Fair Value	
	2006	2005	2006	2005
	$	$	$	$
Financial assets				
Loans and advances to customers	**5,670,824**	4,630,998	5,596,963	4,619,216
Investment securities	**1,572,103**	646,594	1,586,080	637,802
Financial liabilities				
Customer deposits and other borrowed funds	**9,870,552**	7,771,743	9,975,469	7,770,565
Debt securities in issue	**200,290**	199,532	200,277	199,532

Loans and advances to banks

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

Loans and advances to customers

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 held-to-maturity investments and 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.

32. Financial risk management (continued)

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 prices is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

Debt securities in issue

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

33. 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 Group 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 Group 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.

A specific provision (SP) is applied to all impaired loans where full recovery of principal is doubtful. Factors that must be considered in calculating loan loss provisions include:

- Estimated percentage of collectible unsecured loans (net of recovery costs)
- Security value of secured loans
- Estimated time to collect – market conditions in local markets and legal process
- Estimated cost to collect – condition of collateral, selling commissions, legal fees, appraisals and the like
- Interest rates for discounting future cash flows in compliance with IAS39.

These factors are assessed on a loan by loan basis for large loans $500 and over, and a portfolio approach is used for loans under $500 with similar risk profile and loss experience.

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

i) Impairment losses on loans and advances (continued)

Inherent provisions are calculated on an estimate of impairment incurred but not yet reported, existing in assets as at the balance sheet date. Estimated impairment incurred is determined by applying against productive loan balances, the Bank's existing annualised loan default rates and emergence period factors, as well as by applying severity factors (measure of the portion of the debt that will be irrecoverable based on sampling past experiences) against the estimated impairment incurred. This calculation is completed by product type (Corporates, Personal Mortgages, Personal Loans, and Credit Cards) across the region.

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 benefits that employees have earned in return for their service in the current and prior periods. These actuarial assumptions are based on management's 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

In accordance with IAS 18 Revenue, loan origination fees, which 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. The impact of this accounting treatment was in the past determined to be immaterial and as such, not recorded. During the current year, however, a decision was taken to record the adjustment.

The recording of this adjustment has been applied retrospectively, and the comparative statements for 2005 have been restated. The effect is tabulated below. Opening retained earnings for 2005 has been reduced by $30,679 net of deferred income taxes, which is the amount of the adjustment relating to periods prior to 2004.

(expressed in thousands of United States dollars)

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

iii) Loan fee recognition estimate (continued)

The effect on the income statement for 2005 was as follows:	$
Net income for the year attributable to equity holders of the Company as previously reported	257,935
Adjusted for:	
Decrease in operating income	(3,383)
Decrease in taxation	545
Decrease in minority interest expense	80
Net income for the year attributable to equity holders of the Company as restated	255,177
Earnings per share in cents as previously reported	
– basic	16.9
– diluted	16.9
Earnings per share in cents as restated	
– basic	16.7
– diluted	16.7

The effect on the balance sheet for 2005 was as follows:	$
Total assets as previously reported	9,567,933
Adjusted for:	
Increase in deferred tax asset (portion relating to pre-2005) (note 11)	4,218
Increase in deferred tax assets (portion relating to 2005)	490
Total assets as restated	9,572,641
Total shareholders’ equity and liabilities as previously reported	9,567,933
Adjusted for:	
Increase in other liabilities	38,225
Decrease in retained earnings	(32,488)
Decrease in minority interest	(1,029)
Total shareholders’ equity and liabilities as restated	9,572,641

iv) Income taxes

The Bank is subject to taxation in various jurisdictions and significant estimates are required in determining the provision for income taxes. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(expressed in thousands of United States dollars)

34. Acquisitions

Effective February 1, 2006, the Bank acquired 100% of the voting shares of ABN AMRO Bank Curaçao N.V.; and ABN AMRO Asset Management (Curaçao) N.V. and its subsidiary ABN AMRO Asset Management (N.A.) N.V. (jointly referred to hereinafter as "ABN AMRO Curaçao"). The principal business objectives of ABN AMRO Bank Curaçao N.V. are to perform activities pertaining to the banking business. ABN AMRO Asset Management (Curaçao) N.V. and its subsidiary ABN AMRO Asset Management (N.A.) N.V. are primarily engaged in asset management for and on behalf of their clients.

The acquired bank contributed operating profit of $8,330 to the Group for the nine months ended October 31, 2006. If the acquisition was effected at the beginning of the Group's financial year, revenues and net income of the combined entity would have been $17,755 and $10,382 respectively.

There has been no disposal of any operations of ABN AMRO Curaçao as a result of the acquisition.

Details of the cost of acquistion, assets and liabilities acquired and intangibles arising to date are shown below:

	$
Cost of Acquisition	
Cash	70,000
Additional bonus payments (based on the after tax profits of ABN AMRO Curaçao in the ten month period ending October 31, 2006 and the projected twelve month period ending October 31, 2007)	8,000
	78,000

	Book value $	**Fair value** $
Assets and liabilities acquired		
Cash and cash equivalents	**985,000**	984,783
Loans and advances to customers	**69,707**	69,302
Other assets	**4,174**	4,174
Property, plant and equipment	**881**	881
Customer deposits and other borrowed funds	**(1,020,340)**	(1,019,150)
Other liabilities	**(8,092)**	(8,092)
	31,330	31,898

Intangibles acquired	
Cost of acquistion	78,000
Less: Net assets acquired at fair value	31,898
	46,102
Intangibles on acquistion are represented by:	
– Goodwill (note 13)	28,354
– Customer-related (note 13)	17,748
	46,102

34. Acquisitions (continued)

Goodwill arising on the acquisition reflects the following factors:

i) Upon close of the transaction, ABN AMRO Curaçao continued operations under the "FirstCaribbean" name, and use of the "ABN AMRO" name ceased, therefore the "ABN AMRO" trademark was not valued;
ii ABN AMRO Curaçao's core banking system (SCORE) is owned by ABN International and used by ABN AMRO Curaçao under a licence agreement which includes an annual maintenance fee. It is intended that FirstCaribbean Curaçao will migrate to a new system within one year of the transaction. Additionally, ABN AMRO Curaçao owns a proprietary internet banking software system, however it is not yet clear whether FirstCaribbean will continue to use this system or migrate FirstCaribbean Curaçao to its internet banking platform. As such, neither system has been valued; and
iii) Although the assembled workforce was identified and valued for the purposes of determining appropriate contributory asset charges for the other identified intangible assets, it does not meet the definition of an intangible asset under IAS 38, paragraph 15. As such, it is included within goodwill.

35. Post balance sheet event

i) CIBC and Barclays purchase and sale agreement

On June 28, 2006, Barclays and CIBC executed a purchase and sale agreement with respect to the sale by Barclays of its 43.7% interest in FirstCaribbean International Bank Limited. We expect that this transaction should close by December 31, 2006, and that shortly thereafter shareholders will receive an Offer Circular from CIBC to purchase their shares. The offer will be made solely to satisfy legal requirements as CIBC has publicly stated that it is strategically important that FirstCaribbean maintain its strong minority.

ii) Bahamas floating rate notes

On October 25, 2006, the Group, through its Bahamas subsidiary, 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 Group. 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.

36. Principal subsidiary undertakings

Name	Country of incorporation
FirstCaribbean International Bank Limited	Barbados
FirstCaribbean International Bank (Offshore) Limited	Barbados
FirstCaribbean International Bank (Barbados) Limited	Barbados
FirstCaribbean International Trust and Merchant Bank (Barbados) Limited	Barbados
FirstCaribbean International Land Holdings (Barbados) Limited	Barbados
FirstCaribbean International Operations Centre Limited	Barbados
FirstCaribbean International Finance Corporation (Leeward & Windward) Limited	St. Lucia
FirstCaribbean International Bank (Bahamas) Limited (95.2%)	Bahamas
FirstCaribbean International Finance Corporation (Bahamas) Limited	Bahamas
FirstCaribbean International (Bahamas) Nominees Company Limited	Bahamas
FirstCaribbean International Land Holdings (TCI) Limited	Turks & Caicos Islands
FirstCaribbean International Bank (Jamaica) Limited (96.3%)	Jamaica
FirstCaribbean International Securities Limited	Jamaica
FirstCaribbean International Building Society Limited	Jamaica
FirstCaribbean International Banking & Financial Corporation Limited	Trinidad
FirstCaribbean International Bank (Cayman) Limited	Cayman Islands
FirstCaribbean International Finance Corporation (Cayman) Limited	Cayman Islands
FirstCaribbean International (Cayman) Nominees Company Limited	Cayman Islands
FirstCaribbean International Finance Corporation (Netherlands Antilles) Limited	Netherlands Antilles
FirstCaribbean International Bank (Curacao) N.V.	Netherlands Antilles
FirstCaribbean International Wealth Management (Curacao) N.V.	Netherlands Antilles
FirstCaribbean International Wealth Management (N.A.) N.V.	Netherlands Antilles

All subsidiaries are wholly owned unless otherwise stated.

Barbados
The Companies Act, Chapter 308
[Section 140]

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

2. **Particulars of Meeting:**
   Thirteenth Annual Meeting of the Shareholders of the Company to be held at the Poinsettia Room, Sherbourne Conference Centre, Two Mile Hill, St. Michael, Barbados on Thursday, March 22, 2007 at 5 p.m.

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

4. **Any Director's Statement Submitted Pursuant to Section 71 (2):**
   No statement has been received from any Director of the Company pursuant to Section 71 (2) of the Companies Act, Chapter 308.

5. **Any Auditor's Statement Submitted to Pursuant to Section 163 (1):**
   No statement has been received from the Auditors of the Company pursuant to Section 163 (1) of the Companies Act, Chapter 308.

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

Date	**Name and Title**	**Signature**
January 31, 2007	Ella N. Hoyos Corporate Secretary FirstCaribbean International Bank Limited	

I/We, the undersigned shareholder/shareholders of FirstCaribbean International Bank Limited hereby appoint Mr. Michael Mansoor or failing him, Mr. Charles Pink, or any Director of the Company or ______________________________ as my/our proxy to vote for me/us on my/our behalf as indicated below on the Resolutions to be proposed at the Annual Meeting of the shareholders of the Company to be held on Thursday, March 22, 2007.

Dated this ____________day of ___________________________2007.

Name of shareholder(s) of the Company____

Signature____

Name(s) of signatory in block capitals____

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

	FOR	AGAINST
Resolution 1 To approve the adoption of the audited consolidated financial statements and balance sheet of the Company for the year November 01, 2005 to October 31, 2006.		
Resolution 2 To approve the election of the following persons as Directors for the term hereinafter set forth: (i) Thomas Woods for a period of one year. (ii) Steven McGirr for a period of one year. (iii) Alfred John D. Orr for a period of one year. And to re-elect the following persons as Directors: (iv) Teresa Butler for a period of three years. (v) David Ritch for a period of three years. (vi) Richard Venn for a period of three years. (vii) Kyffin Simpson for a period of three years.		
Resolution 3 To approve the appointment of the Auditors, and to authorise the Directors to fix their remuneration.		
Resolution 4 To approve and adopt the amended and restated By-Law No. 1 of the Company as set forth in the Annex A to the Annual Report.		

Notes:

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

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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