



**FirstCaribbean International Bank (Bahamas) Limited**

**Chairman's Review  
Of the Results  
For the year ended October 31, 2007**

FirstCaribbean International Bank (Bahamas) Limited earned a consolidated net income of \$109.9 million for the 2007 fiscal year. This represented an increase of \$9.2 million or 9% over last year's restated net income. Excluding the impact of the changes as described in notes 3, 5 and 6 to these financial statements net income for the year would be \$3 million (3%) higher than last fiscal year end, as a result of higher cost of domestic deposits and lower returns on the US dollar investment portfolios.

Total revenues for the year amounted to \$179.3 million, a \$7.4 million (4%) increase over last year with the main driver being operating income. Earnings on our US dollar investment portfolios were adversely impacted by global widening of credit spreads which started during the third quarter.

Interest income rose 18% or \$43 million over last year primarily due to increases in loan and investment volumes, as yields on US placements declined. Interest expenses increased by \$50 million or 55% due to higher customer deposit volumes and repurchase agreements entered into at the end of last year, coupled with increased interest rates in our local currency with no corresponding prime rate movement. Consequently, the Bank's net interest income for the year declined by \$6.9 million (4%) from the prior year.

Operating expenses for the year were \$57.1 million, a reduction of \$8.8 million (13%) from last year and the ratio of expenses to revenue improved by 6% over last year to 31.8%. Excluding the impact of the changes noted above, operating expenses would be flat to the prior year at \$65 million. Loan loss expense was \$12 million, an increase of \$7 million over last year as loan provisions were prudently made during the year.

The total assets of the Bank at October 31, 2007 were \$4.6 billion, representing growth of \$183 million or 4% since last fiscal year end.

Earnings per share was 91.4 cents, 7.6 cents greater than last year. Excluding the impact of the changes as noted above, earnings per share was 84.8 cents for the year.

The return on assets for the fiscal year was 2.4%, and the return on tangible equity was 25.2%.

The Directors have approved the payment of a final dividend of 25 cents per share which will be payable to shareholders of record on December 28, 2007 on January 7, 2008. An interim dividend of 22 cents per share was paid, so that the total dividend is 47 cents per share for 2007.

I thank the Board, management, staff and most importantly our customers for their continued support.

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Michael K. Mansoor  
Chairman

**FirstCaribbean International Bank (Bahamas) Limited**  
**Consolidated Balance Sheet**  
**B\$'000**

	<b>Unaudited</b> <b><u>October 31, 2007</u></b>	<b>Audited</b> <b><u>October 31, 2006</u></b> <b>(Restated)</b>
<b>Assets</b>		
Cash and balances with banks	230,177	366,960
Securities	1,686,888	1,358,846
Loans and advances to customers	2,414,745	2,425,951
Intangible assets	187,748	187,747
Property, plant and equipment	26,955	29,209
Other assets	79,774	55,248
<b>Total assets</b>	<b><u>4,626,287</u></b>	<b><u>4,423,961</u></b>
<b>Liabilities</b>		
Deposits	3,631,219	3,503,903
Other borrowed funds	277,974	281,344
Other liabilities	50,062	41,976
Debt securities in issue	20,620	-
<b>Total liabilities</b>	<b><u>3,979,875</u></b>	<b><u>3,827,223</u></b>
<b>Equity</b>		
Share capital & reserves	439,376	436,030
Retained earnings	207,036	160,708
	<b><u>646,412</u></b>	<b><u>596,738</u></b>
<b>Total liabilities and equity</b>	<b><u>4,626,287</u></b>	<b><u>4,423,961</u></b>

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Director

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Director

**FirstCaribbean International Bank (Bahamas) Limited**  
**Consolidated Statement of Changes in Equity**  
**B\$'000**

	Share Capital & Reserves	Retained Earnings	Total
<b>Balance at October 31, 2005</b>			
<b>as previously reported</b>	417,281	143,958	561,239
Prior period adjustment	-	830	830
<b>Balance at October 31, 2005 as restated</b>	<u>417,281</u>	<u>144,788</u>	<u>562,069</u>
Net income for the year			
as previously reported	-	110,672	110,672
Prior period adjustment	-	(9,972)	(9,972)
<b>Net income as restated</b>	<u>-</u>	<u>100,700</u>	<u>100,700</u>
Dividends	-	(66,119)	(66,119)
Revaluation gains/(losses)	88	-	88
Transfer to Statutory Reserve Fund - Turks & Caicos Islands	4,000	(4,000)	-
Transfer to Statutory Loan Reserve	14,661	(14,661)	-
<b>Balance at October 31, 2006</b>	<u>436,030</u>	<u>160,708</u>	<u>596,738</u>
<b>Balance at October 31, 2006</b>			
<b>as previously reported</b>	435,556	169,850	605,406
Prior period adjustment	474	(9,142)	(8,668)
<b>Balance at October 31, 2006</b>	<u>436,030</u>	<u>160,708</u>	<u>596,738</u>
Net income for the period	-	109,860	109,860
Dividends	-	(56,498)	(56,498)
Revaluation losses	(3,688)	-	(3,688)
Transfer to Statutory Reserve Fund - Turks & Caicos Islands	5,200	(5,200)	-
Release from Statutory Loan Reserve	1,834	(1,834)	-
<b>Balance at October 31, 2007</b>	<u>439,376</u>	<u>207,036</u>	<u>646,412</u>

**FirstCaribbean International Bank (Bahamas) Limited**  
**Consolidated Statement of Income**  
**B\$'000**

	Unaudited Quarter Ended		Unaudited	Audited
	<u>October 31, 2007</u>	<u>October 31, 2006</u> (Restated)	<u>Year Ended</u> <u>October 31, 2007</u>	<u>Year Ended</u> <u>October 31, 2006</u> (Restated)
Total interest income	77,108	75,050	288,601	245,479
Total interest expense	(36,260)	(29,027)	(141,440)	(91,407)
Net interest income	40,848	46,023	147,161	154,072
Operating income	3,771	(8,795)	32,143	17,825
	44,619	37,228	179,304	171,897
Operating expenses	15,657	15,514	57,104	65,873
Loan loss expense	4,293	3,909	12,340	5,324
	19,950	19,423	69,444	71,197
Net income	24,669	17,805	109,860	100,700

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Weighted average number of common  
shares outstanding for the period

120,216,204

120,216,204

Earnings per share (in cents)

91.4

83.8

**FirstCaribbean International Bank (Bahamas) Limited**  
**Consolidated Statement of Cash Flows**  
**B\$'000**

	<b>Unaudited Year Ended <u>October 31, 2007</u></b>	<b>Audited Year Ended <u>October 31, 2006</u> (Restated)</b>
Net cash from (used in) operating activities	193,573	(253,390)
Net cash from (used in) financing activities	(39,248)	214,573
Net cash used in investing activities	(186,016)	(523,210)
Net increase (decrease) in cash and cash equivalents	(31,691)	(562,027)
Cash and cash equivalents, beginning of period	180,084	742,111
Cash and cash equivalents, end of period	<u>148,393</u>	<u>180,084</u>

# **FirstCaribbean International Bank (Bahamas) Limited**

## **Notes to Consolidated Financial Statements**

### **Year Ended**

**October 31, 2007**

#### **1. Accounting Policies**

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the annual financial statements for the year ended October 31, 2006.

The consolidated interim financial statements include the accounts of the following wholly owned subsidiaries:

- FirstCaribbean International Finance Corporation (Bahamas) Limited
- FirstCaribbean International (Bahamas) Nominees Company Limited
- FirstCaribbean International Land Holdings (TCI) Limited

#### **2. Comparatives**

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

In the prior year, in accordance with IAS 18 Revenue, loan fee income, which would have been considered to be an integral part of the effective interest rate of the financial instruments, was deferred and recognised as an adjustment to the effective interest yield on the loan. This adjustment was applied retrospectively, and as such, the comparative statements for 2005 were restated. The 2006 previously published comparatives have also been restated to reflect this adjustment. In addition, the 2006 comparative amounts have been restated to reflect the reclassification of this unearned loan fee income from other liabilities to loans in the amount of \$19.4 million, and operating income to interest income in the amount of \$5.7 million.

During the year, a review of the Bank's hedge accounting revealed that one of the criteria was not fully met and this resulted in the restatement of the prior year's results. Opening retained earnings for 2006 was increased by \$0.8 million, revaluation reserves were increased by \$0.5 million, net income attributable to the equity holders of the Bank for 2006 was reduced by \$9.9 million with a corresponding reduction in retained earnings, and total assets were reduced by \$8.6 million.

#### **3. Change in Accounting Estimate**

Effective November 1, 2006, the Bank changed its estimate on the useful life of software which resulted in an increase in the depreciation charge for the year in the amount of \$836.

#### **4. Change in Accounting Policy**

Effective March 1, 2007, the Bank changed the date on which all purchases and sales of financial assets at fair value through the profit and loss are to be recognised from trade date to settlement date. The audited October 31, 2006 balances have been restated to reflect this change. The impact on the audited October 31, 2006 balances was to reduce trading securities by \$157 million, other assets by \$82 million and other liabilities by \$239 million. There was no impact on the year to date October 31, 2006 balances.

#### **5. Post Retirement Benefits**

Effective January 1, 2007 certain changes to the Bank's post retirement health benefit schemes were made which resulted in the recognition of a curtailment gain of \$8.7 million.

#### **6. Related Party Transactions**

The agreement with Barclays Bank PLC whereby the Bank would receive an annual payment from Barclay Bank PLC of \$10 million as an incentive to retain deposit placements with Barclays Capital expired on December 31, 2005. The comparative period ended October 31, 2006 would therefore include income for the final two months in the amount of \$1.7 million within operating income.

#### **7. Deposits**

Included in deposits are deposits from related entities in the amount of \$597 million (October 31 2006: \$484 million) which may be repaid within the year.

#### **8. Issuance of Debt Instruments**

On November 3, 2006, the Bank issued \$20 million redeemable floating rate notes at prime plus 0.75% which mature November 3, 2011.