BAHAMAS ANNUAL REPORT 2007

FIVE YEARS SERVING THE CARIBBEAN

FIRSTCARIBBEAN
INTERNATIONAL BANK

Vision

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

- **First for Customers**
- **First for Employees**
- **First for Communities**
- **First for Shareholders**

Contents

Notice of Meeting

Annual Meeting

Notice is hereby given that the Thirteenth Annual General Meeting of FirstCaribbean International Bank (Bahamas) Limited will be held at 6:00 p.m. on Friday June 27, 2008 at the Sheraton Cable Beach Resort, Salon C, Cable Beach, Nassau, The Bahamas for the following purposes:

1. To receive and consider the minutes of the last Annual General Meeting held on February 27, 2007.

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

3. To receive accounts for the year ended October 31, 2007 and the report of the Directors and Auditors thereon.

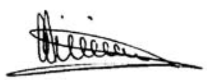
4. To elect the following Directors:
   i. Sharon Brown
   ii. Jan-Arne Farstad
   iii. Terence R. Hilts
   iv. Joseph W. P. Krukowski
   v. Michael Mansoor
   vi. Willie Moss
   vii. G. Diane Stewart

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

6. Ratification of dividends for fiscal 2007.

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

BY ORDER OF THE BOARD OF DIRECTORS



Teresa S. Williams
Corporate Secretary
FirstCaribbean International Bank (Bahamas) Limited
June 4, 2008

Record Date

Holders of FirstCaribbean International Bank (Bahamas) Limited ordinary shares of record at the close of business on June 4, 2008 are entitled to vote at the meeting.

Financial Statements

The Company's audited financial statements for the year ended October 31, 2007 are included in the Company's 2007 annual report, which is enclosed as a part of the proxy soliciting material.

Proxies

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

Dividend

An interim dividend of twenty-two cents ($0.22) per common share was paid on July 6, 2007. A final dividend of twenty-five cents ($0.25) per common share for the fiscal year 2007 was approved by the Directors on December 17, 2007 and paid to shareholders on January 7, 2008. Total dividends paid for fiscal 2007 were forty-seven cents ($0.47).

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

Five Years of Being First

Left to right – *Front row:* Dennis Govan, Sharon Brown, Catherine Gibson and Teresa Williams.
Back row: John Vadiveloo, Andrew McFall, Dolly Young, Siobhan Lloyd, Renee Moore, Darron Cash, Annamaria DeGregory, Earl Beneby, and Basil Longley.

The Banker
Bank of the Year 2007
BAHAMAS

Five Years of Being First

We have passed the five-year mark. In 2007 FirstCaribbean concluded its first half-decade, solidifying our position as the region's most prominent banking institution.

Five years is a significant milestone, and the number itself a powerful symbol. Mystics view the number five as symbolising action, expansion and growth. In radio they use it to indicate perfect signal strength and clarity.

We at FirstCaribbean look back at our five-year existence with confidence in our robust performance and the clarity of our vision for regional banking.

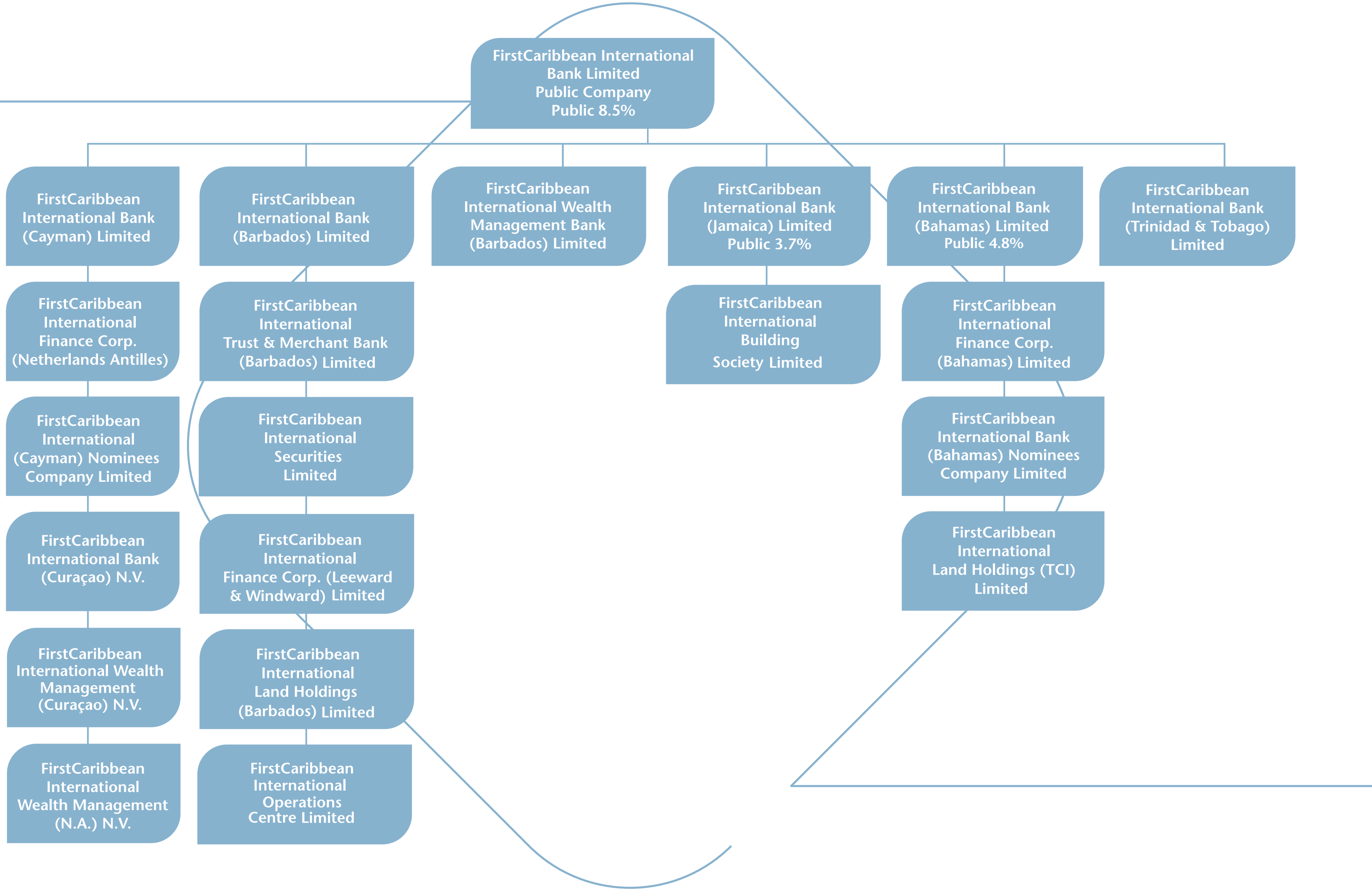
Since our formation in late 2002 through the fusion of Barclays Bank PLC's Caribbean enterprises with the CIBC West Indies Holdings' businesses, we have overcome challenges and achieved continuous growth. At the close of 2007, both our profits and loan and deposit balances are at their highest levels ever.

Though this is only our fifth year of existence, FirstCaribbean is the product of a merger between entities with nearly 250 years of banking experience and we have leveraged that knowledge in launching new initiatives and expanding our business in the region. We made two major acquisitions, improved technologies and carried out far-reaching enhancements to our customer proposition.

"Five by five" is the actual term used in radio for a powerful signal. On this anniversary, FirstCaribbean International Bank not only wants to celebrate our first five years with partners, customers, employees, shareholders and the wider Caribbean community, but to look with promise towards the next 10, 20, 25 years and beyond.

Branch Network

Ownership Structure



Branch Locations

Main Branches and Centres

ABACO ISLAND

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

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

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

New Plymouth
P O Box AB-20401
New Plymouth
Green Turtle Cay
Tel: (242) 365-4144
Fax: (242) 367-2156

ELEUTHERA ISLAND

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

GRAND BAHAMA ISLAND

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

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

NEW PROVIDENCE ISLAND

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

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

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

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

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

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

Sandy Port
P O Box N-7125
Old Towne Mall
Nassau
Tel: (242) 327-8361
Fax: (242) 327-8324

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

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

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

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

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

Customer Service Centre
P O Box N-8350
Independence Drive
Nassau
Tel: (242) 502-6800
Fax: (242) 394-8238

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

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

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

TURKS & CAICOS ISLANDS

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

Providenciales
P O Box 698
Leeward Highway
Providenciales
Tel: (649) 946-5303
Fax: (649) 946-5325

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

Board of Directors

Michael Mansoor
Chairman,
FirstCaribbean
International Bank Limited

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

Terence Hilts
Retired Banker

G. Diane Stewart
Attorney-at-Law

Willie Moss
Attorney-at-Law

Joseph Krukowski
Chairman, Doctors Hospital
Health System Limited

Jan-Arne Farstad
Managing Director,
Wealth Management

Group Executive Management

THE EXECUTIVE LEADERSHIP TEAM:

Front row (from left): Ian Chinapoo; Charles Pink, CEO; Michael Mansoor, Chairman and Juan M. Corral.
Centre row (from left): Peter Hall, Jai Somaratne, Sharon Brown, Pradip Chhadva and Tom Crawford.
Back row (from left): Martin Griffiths, Gerard Borely, Horace Cobham, Jan-Arne Farstad and Oliver Jordan.
Absent: Joe Barretto, Milton Brady, Minish Parikh, Rolf Phillips, and Lloyd Samaroo.

Directors, Senior Management and Advisors

Board of Directors

Michael Mansoor – Chairman
Sharon E. Brown
Jan-Arne Farstad
Terence R. Hilts
Joseph W. P. Krukowski
Willie Moss
G. Diane Stewart

Corporate Secretary

Teresa S. Williams

Senior Management

Sharon E. Brown
Managing Director

Earl Beneby
Head of Credit and Quality Services

Darron B. Cash
Chief Financial Officer

Annamaria DeGregory
Retail Banking Director

Catherine Gibson
Associate Director Capital Markets

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

Siobhan Lloyd
Head of Human Resources,
Bahamas and Turks & Caicos Islands

Basil Longley
Manager, Regional
Technical Support

Andrew McFall
Senior Manager,
Receivables Management

Renee Moore
Treasurer

John Vadiveloo
Operations Network Manager

Teresa S. Williams
Senior Manager,
Managing Director's Office

Dolly Young
Legal Counsel

Registered Office

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

Regional Audit Committee

Tom Woods – Chairman
Christopher Bovell
Sir Allan Fields
Sir Fred Gollop
Sir Kyffin Simpson
David Ritch

Auditors
Ernst & Young

Legal Advisors

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

Registrar and Transfer Agents

CIBC Trust Company
(Bahamas) Limited

Chairman's Report

These very commendable results together with the winning by the Bahamas' business of two international banking awards in 2007 have come about as we celebrate the fifth anniversary of the formation of FirstCaribbean and are a tangible manifestation of the achievements of our people. I am very confident in saying that we have built a very strong and resilient financial institution in these five years and I thank the many individuals and groups who have contributed.

Economic Outlook

As we consider the financial results and the sustained growth over the years since 2002, we must also reflect on the global and regional economic climate. Simply put, over the last five years we have witnessed strong economic growth generally across the globe and arguably quantum leaps in the economic potential and promise of certain economies, the mega nations of India and China being the most obvious. In more recent times we have had the international erosion of credit quality epitomised in the sub-prime mortgage phenomenon which continues to play out in the major financial markets.

The likely effects on our regional economies are on balance neutral to negative – high oil prices, rapidly increasing food prices, a declining US dollar to which several of our regional currencies are pegged, growing concerns over the long term prospects of the US economy that impacts tourist arrivals and foreign direct investment. Of positive significance, however, is the proven resilience and capability of our island economies and investment pipeline. We take the view that we need to be cautiously optimistic in this climate and very focused on providing our clients with world class service and support in what may turn out to be somewhat more testing conditions.

Governance

As I have reported in previous years we regard risk management broadly defined to include credit, operational, market and reputational risk as a primary determinant of shareholder value and our long-term growth and profitability.

We continue to enhance our risk management resources and processes. We have materially improved our market and operational risk capabilities, all very pertinent and timely in the light of global economic conditions. We remain vigilant to the reputational and regulatory risks associated with Anti-Money Laundering and we believe that the policies and standards that we have embedded in our business are among the most stringent and demanding in the region. The credit and non-credit or operational losses that we have sustained in 2007 and in previous years remain low by regional and international standards and we continue to promote and inculcate a culture of control and compliance at all levels in our enterprise.

The Board

Your Board of Directors and its various Committees meet quarterly to provide strategic oversight and guidance to the business as well as to monitor performance and compliance with our broad range of policies and procedures.

In carrying out these responsibilities the Board is focused on the creation of long-term shareholder value and the growth of our franchise in accordance with a defined appetite for risk.

Our People

We continue to invest in our most important and critical resource , our people. This investment is primarily skewed towards maintaining enlightened and far-sighted industrial relations practices, steady and consistent investment in training and developing our people's skills in areas of core banking competence as well as ancillary support functions.

We expend great efforts in explaining and living the primary value of being first for employees, a value which includes competitive compensation packages, training our people for peak performance and effective leadership of our business, insisting on best standards of behaviour and service both internally among our people and externally with our customers and stakeholders.

Chairman's Report continued

The achievements of these five years prove that our people are dedicated and competent and among the best in the industry. They also suggest very strongly that our philosophy towards our people is inherently well founded and we will continue to promote, redefine and live this core value of being first for our people.

Appreciation

I wish to place on record my appreciation for the highly valued contributions of all our stakeholders – our customers, all our employees, our regulators and host governments and of course our shareholders who provide the capital that makes our business possible.

I would also like to thank our Directors for their most important contribution. I would also like to thank Ms Teresa Butler for her many years on the Parent and Bahamas subsidiary Boards and wish her success and happiness on her return to public service. As we embark upon the second half of our first decade, I rededicate all our efforts and energies to living our core values of being first for those who matter most – customers, employees our communities and our shareholders.

Michael Mansoor
Executive Chairman

“The achievements of these five years prove that our people are dedicated and competent and among the best in the industry ... we will continue to promote, redefine and live this core value of being first for our people.”

– Chairman Michael Mansoor

Group Chief Executive Officer's Report

Our first year of ownership by CIBC has produced another extremely strong year's performance with profits crossing the $200 million threshold for the first time. Net Income After Tax (NIAT) and minority interest at US$255.7 million was a 60.7% increase over our 2006 result. A one-off gain on the restructuring of VISA contributed $52.4 million to this total. Nevertheless, excluding this one-off gain, underlying NIAT of $203.3 million still represented a strong 28% gain on 2006's results. Given the dislocation in world credit markets as the sub-prime crisis broke, I view this as an especially robust year's result.

Group Financial Performance

Profit growth was again driven by loan growth, combined with tight control of costs and risk. Loan balances increased by 8% and passed the $6 billion mark for the first time. Fee and commission income growth was also strong at 10%.

Deposit balances increased by 1%. Our Bahamas, Jamaica and Trinidad businesses have all suffered from tight liquidity in local currency in 2007 and wholesale funding was launched successfully in all three jurisdictions during the year. Growing our deposit balances to match lending growth remains a focus. Costs were tightly controlled, rising only 2%. Changes in our policy on health benefits, in particular retirement health benefits, made a significant contribution with the IAS 19 release of US$18.1 million to the P&L. This was offset by a change in accounting policy on software depreciation, increasing depreciation cost by $6.4 million.

Cost Income ratio (excluding the VISA gain) as a result was 54.4%, and is now within sight of our objective of 50%. The "jaws" between Revenue growth and Costs growth remains a key focus and was again in positive territory at 10% excluding the VISA gain.

Provisions for credit losses picked up to $17.0 million (2006 - $10.3 million) 28bps of Loan book (2006 – 18bps). The increase reflects a worsening economic environment but generally our loan book remains very conservatively positioned. With the above, Earnings per Share (EPS) improved by 28% excluding the VISA gain (24% in 2006).

Business Units and Strategy

Eleven of the 12 SBUs had record years. The exception this year was Retail where rising deposit costs in Barbados and The Bahamas, coupled with competitive conditions restraining loan pricing, led to a squeeze on margins. These pressures are alleviating and we expect Retail to return to profitable growth in 2008. The Group is currently renewing its five-year strategy and we are thinking deeply and widely about "where next" for our businesses.

Control

2007 has been a very major year for our Control agenda. We have switched over to the CIBC Governance structure, with control being operated primarily through the revised Board. The switchover has been smooth.

CIBC ownership also brought the need to comply with the provisions of "SOX", and significant and successful effort was focused on delivering compliance by the year end. I believe that the rigour and discipline of "SOX" has further benefited our control processes and will do so going forward.

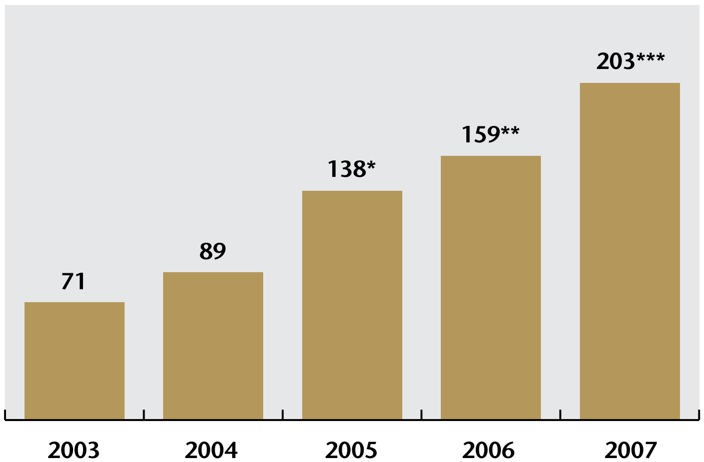
Similarly, our new parent brought a transition of Auditors with a successful transition to Ernst & Young.

More generally we have continued to upgrade our control processes with major investments in Internal Audit, Compliance, Market Risk and Operational Risk during the year. As the economic environment turns downward we expect these investments to pay particular dividends.

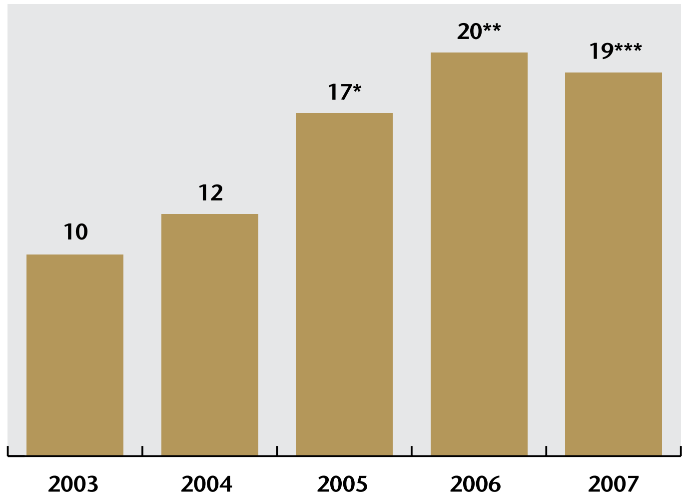
Customer

We challenged ourselves and our customers in 2007 with three major IT platform conversions for our Cards business, our Treasury business and our Wealth business. The inevitable disruption did impact customer service and I thank our customers for their understanding, and indeed our staff for bravely voyaging into new territory. The Helpful Partner Programme has delivered a set of universal standards for how we serve our customers. Our focus is now on embedding this new culture.

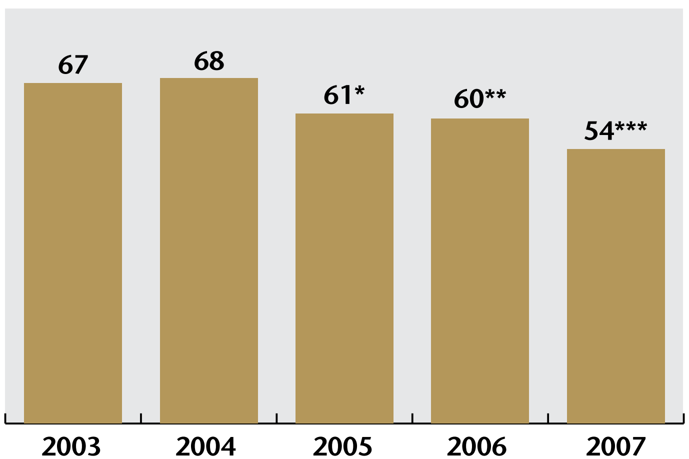
Net Income Attribute to Equity Holders of The Parent – US$M



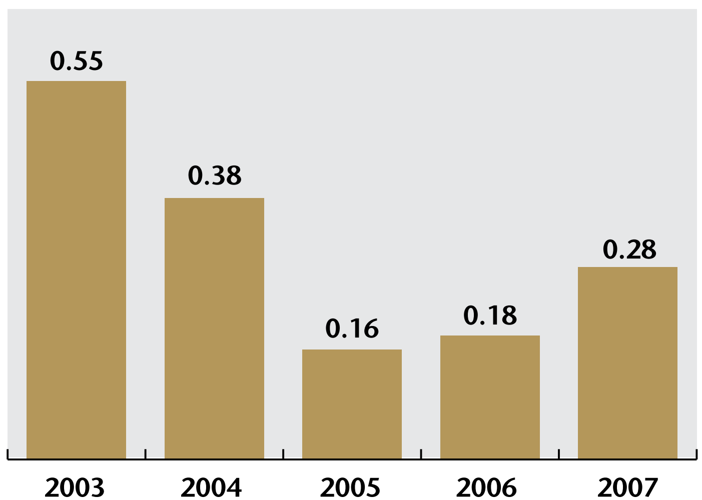
Return on Tangible Equity – Per Cent



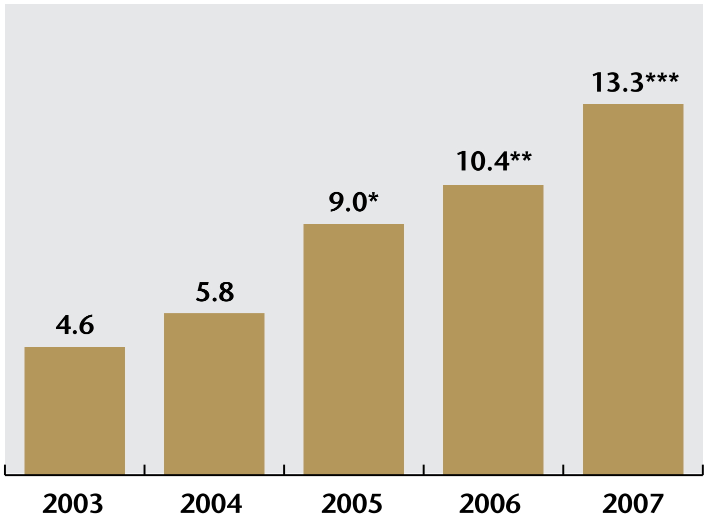
Cost to Income Ratio – Per Cent



Loan Loss Expenses to Loan Ratio – Per Cent



Earnings per Share – US Cent



* Normalised for the gain on sale of Republic Bank shares and restated to reflect the retrospective impact of IAS 18.
** The 2006 numbers have been restated.
*** Normalised to exclude gain on VISA transaction.

People

Again, our investments in our people focused on learning and development with our Training investment reaching a record $3 million. The Wharton mini-MBA for senior management has completed its first "Cohort" with rave reviews. For new starters, we launched our "FirstStart" training programme. We have invested significantly in 2007 in upgrading our buildings for the benefit of staff and customers, the highlight being the launch of our new Barbados Business Centre, a US$10 million investment in a state-of-the-art "greenfield" Technology and Operations Centre housing some 450 staff.

Community Partnership

Increased profits and our "1% of net income before taxes and minority interests" commitment brought a US$2.0 million investment in the activities of our community foundation "Comtrust" in 2007. The Trust's investments are covered in the separate Corporate Responsibility Annual Report but it is clear the Trust's flagship programmes of "Unsung Heroes" and "Adopt-a-Cause" go from strength to strength.

The Executive Leadership Team and I enjoyed playing our own small part as we "Adopted a Cause" at Teen Challenge Barbados.

Conclusion

2007 was another exceedingly strong year for FirstCaribbean. A record seven "Best Bank" awards won from the likes of *The Banker* and *Global Finance* is independent testament to that achievement.

As we bring 2007 to a close we also bring our first five years as FirstCaribbean to a close. The chart on the previous page captures our track record. A tripling in profits and Return on Equity increasing from 10% to 20% are the highlights. It's been a great five years and I again thank our staff and customers for making it so.

Going forward, the environment looks less rosy with the US economy slowing significantly and US interest rates falling. Nevertheless, I believe that with the investments we've made, our conservative approach to risk, and above all the quality and commitment of our 3,500 people, we are well positioned to weather any impending storm.

Charles Pink
Chief Executive Officer

Bahamas Managing Director's Report

Commentary on overall Group results

We have capped off our fifth year of operations in a very rewarding fashion by winning two awards this year from world-renowned institutions. For the second consecutive year we have won *The Banker* Award for The Bahamas issued by the *Financial Times* and for the first time we won the *Euromoney* Bank of the Year Award for The Bahamas. We are indeed indebted to our staff and customers for positioning us for these very prestigious recognitions.

Service Improvement and Expansion

In our ongoing commitment to meet the service needs of our customers we further restructured some of our support and customer-servicing units and expanded our relationship management service offering to a wider group of customers. In 2007 our strategy of improving operational efficiency and customer convenience included increased automation and further streamlining of processes and procedures.

We continued our efforts to provide our customers with products and services that meet their business and personal banking requirements. Enhancement and expansion of our product and service offerings – including payment and transaction processing, treasury products, wire payments, payroll services as well as insurance and card-related products – will continue in 2008. Seeking out opportunities to expand and enhance our service offerings and delivery channels to meet the needs of our customers will be a priority in the upcoming year.

We broke ground this year for an additional branch outlet in the Grace Bay area of Providenciales in Turks & Caicos. We expect to provide service from this additional outlet during 2008. 2007 also witnessed the continued expansion of our service delivery channels through the expansion of our ABM network in New Providence – a Drive Thru facility was installed at our Mall at Marathon Branch and a second machine was installed at our Harbour Bay Branch. We also expect to relocate our Paradise Island Branch during 2008 and continue the provision of banking services to our customers on the island.

Financial Performance

Surpassing last year's record-breaking profit performance was a major feat in the face of continuing tightness in Bahamian dollar liquidity causing a squeeze on margins, activities in the international markets, including lowering of interest rates and yields on placings and securities, as well as some prudent provisioning. Net income improved by $9.1 million to $109.86 million. Total assets of the Bank were $4.7 billion, representing growth of $245 million over last fiscal year-end. Earnings per share was 91.4 cents, some 7.6 cents better than 2006.

This strong performance in the face of external challenges resulted from the commitment and hard work of our staff and the continuing support of our customers. For this we are truly grateful.

Community Partnership

Our partnership with the community continued in 2007. We again actively supported numerous charitable institutions and activities. Youth were again a major beneficiary of our partnership programme. Our support to the youth included assisting in funding the Governor General Youth Award Programme as well as a number of summer school programmes and activities in the Bahamas. We additionally provided scholarships for Bahamas Primary Student of the Year Programme, Junior Achievers Programme as well as to facilitate attendance at the Bahamas Technical & Training Institute. Financial support was also provided to The Royal Bahamas Police Force Dependents' Trust to assist with providing tuition assistance for children of slain police officers.

Funding was also provided to purchase computers for the C.I. Gibson Secondary School and support to the Boys Brigade for their building programme. We continue to be a primary sponsor of the College of the Bahamas President Scholars Programme and our participation in the programme includes providing scholarships and mentoring of the awardees as well as on-the-job training. We are very proud of our involvement with these future leaders of the Bahamas.

In 2007 we once again provided support for athletics through sponsorship of two junior baseball teams, a football team, a volleyball team as well as track and field. We also provided financial support to a number of the national teams, including the Carifta Swim Team and the Bahamas Special Olympics Team, allowing them to compete internationally. Cultural development was also a benefactor of our support through junkanoo sponsorship and the local craft industry.

Our staff was also engaged in community partnership through our Adopt-a-Cause Programme. Their activities included engagements at a number of schools – including the Sandilands, Gambier Primary, Palmdale Primary, St Vincent de Paul, and the Marsh Harbour Primary. Our Corporate team adopted the children's ward of the Princess Margaret Hospital and painted and decorated the facilities as well as coordinated the purchase of an Isolette and a mobile aspirator.

Bahamas Managing Director's Report

Through our Unsung Heroes Programme we brought to the fore the wonderful work being done by three very special humanitarians in The Bahamas and one in the Turks & Caicos. The Bahamas 2007 Unsung Heroes winners were Mrs. Agatha Beckles, Mr. Sam Williams and Mr. Ronald Campbell. In Turks & Caicos the winner was Mrs. Gloria Cox.

Mrs. Agatha Beckles is a retiree out of Freeport who volunteers at the home for the aged and the local hospital, dedicating countless hours and personal resources for the caring for the young and old. From her limited pension income she also provides breakfast for the less fortunate children in Freeport.

Our second winner was Mr. Sam Williams, who works tirelessly to raise awareness and improve the living conditions of the less fortunate, the disabled and socially disadvantaged in our community. He is the initiator of many projects which help both the youth and senior citizens of the Bahamas. From his own pocket Mr. Williams has repaired roofs, hung doors, and painted. He also provides hot meals and personal care packages to those in need. Environmentally conscious, socially aware and passionate about helping others, this is what he lives every day to do.

Our third winner this year is Mr. Ronald Campbell, a member of the Royal Bahamas Police Force, who uses his musical talent to reach and influence many from all walks of life. Mr. Campbell's ambition is to use music to provide an alternative to violence and crime by instilling the qualities of discipline and positive self-worth in young people. Anyone with a desire can join the band; he will find the instrument, even if it means buying it out of his own pocket. For the past 25 years he has consistently been involved with marching band, sacrificing his time and service to give young people the musical key to unlock their potential, thus providing them with a lifelong gift.

Mrs. Gloria Cox, a teacher by profession, has influenced the lives of many throughout the islands of the Turks & Caicos. She gives tirelessly of her time and talent in guiding the youth. Recognising the need for expansion of the educational facilities in Providenciales, Mrs. Cox was instrumental in the creation of the Clement Howell High School.

Our People

We extend congratulations to our three Regional Player of the Year Series Award Winners – Leila Dillet, Erica Johnson and Mayko Alce – for their very exceptional performance. Additionally, congratulations go out to Gaye Dean, Hezlyn Pratt, Vanda Miller, Carolyn Demeritte, Andrea Smith and Immaculata Hamilton – our CEO Award Winners for Excellent Customer Service in recognition of their innovative work in improving efficiency in one of our Operations units.

We welcome to our Senior Management Team Mrs. Anna DeGregory, our Retail Banking Director, and Mrs. Renee Moore, Head of Treasury, Sales & Trading.

Future Outlook

The openness of both the Bahamas and Turks & Caicos economies requires a continued monitoring of factors in the international markets and thus we keep them on our very close radar to ensure timely and appropriate actioning. The pipeline of investment activity in the Bahamas and Turks & Caicos in train and under discussion should provide on going opportunities for our Bank. We are committed to meeting the product and service needs of our customers and expect roll-out of further initiatives toward this end in the coming year. The expansion of our footprint in the Turks & Caicos should augur well for our customers in Providenciales.

Appreciation

It is through the resilience, loyalty and support of our customers and staff that we were able in the face of a number of challenges to deliver the positive results we did in 2007. These include the international recognition received through the winning of the *Euromoney* and *The Banker* Awards. I thank our customers and staff wholeheartedly for their continued support and commitment. To our Shareholders, we are truly appreciative of your continued confidence and support. I would also wish to recognise and thank our Board of Directors, who have again this year provided excellent contribution through guidance and counsel to the growth and development of the Bank. A special thank you must be given to Ms. Teresa Butler, who left the Board this year after five years of service to take a position in the public sector. She made an excellent contribution during her tenure and we wish her well.

Sharon E. Brown
Managing Director – The Bahamas and Turks & Caicos Islands

Directors' Report

Teresa S. Williams

DIRECTORS

During the year Teresa Butler resigned as Director of the Company effective June 29, 2007.

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

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

DIRECTORS' INTEREST

As at October 31, 2007, particulars of Directors' shareholdings in the issued capital of the Company are as follows:

COMMON SHARES OF NO PAR VALUE

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

FINANCIAL RESULTS AND DIVIDENDS

The Directors report that the Company's net income for the year ended October 31, 2007 amounted to $109.860 million. All statutory requirements for the year ended October 31, 2007 have been fulfilled.

An interim dividend of twenty-two cents ($0.22) per common share was paid on July 6, 2007. A final dividend of twenty-five cents ($.25) per common share for the fiscal year 2007 was approved by the Directors on December 17, 2007 and paid to shareholders on January 7, 2008. Total dividends paid for fiscal 2007 were forty-seven cents ($0.47).

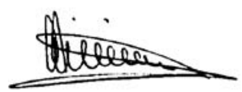
SHARE CAPITAL

Substantial Interest as at October 31, 2007*
Common Shares of B$0.10 par value

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

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

BY ORDER OF THE BOARD



Teresa S. Williams
Corporate Secretary
June 4, 2008

Strategic Business Units

Business Unit Managers

RETAIL BUSINESS UNIT MANAGERS

Cherise Archer
Manager, JFK Branch

Walton Bain
Manager, Sandy Port Branch

Paul Bartlett
Manager, Harbour Bay Branch

Audrey Colebrooke
Manager, Marathon Mall Branch

Joann Dames
Manager, Bay Street Branch

Lawrence Daxon
Manager, Paradise Island Branch

Sherwin Hilton
Manager, Thompson Boulevard Branch

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

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

Sharon Lockhart
Manager, Governor's Harbour, Eleuthera

Byron Miller
Manager, Shirley Street Branch

Jackie Reckley
Manager, Palmdale Branch

Elsie Seymour
Manager, Card Services

Candice Williams
Insurance Manager, FirstCaribbean International Finance Corporation (Bahamas) Ltd

Hollie Levy
Acting Manager, Turks & Caicos Islands

Gezel Farrington
Associate Sales Director, The Bahamas and Turks & Caicos Islands

CONSUMER FINANCE SALES LEADERS

Marvin Adderley
Inger Johnson
Marvin Major

HOME FINANCE SALES LEADERS

Robert Cox
Rochelle Wilkinson

CORPORATE AND CAPITAL MARKETS BANKING MANAGEMENT

Larry Bowleg
Senior Corporate Manager

Earl Beneby
Head of Credit and Quality Services

Kevera Turnquest
Head of Corporate Banking, Freeport, Grand Bahama

Sherma Hercules
Country Manager, Turks & Caicos Islands and Head of Corporate Banking

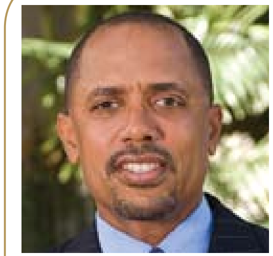
Catherine Gibson
Associate Director, Capital Markets

Retail Banking

Commentary on overall Group results

R. K. Phillips
Managing Director, Retail Banking

Retail Banking



A year of Challenge and Opportunity

This has been a very challenging fiscal year for the Retail Banking Strategic Business Unit during which we made significant changes to our business model and faced unfavourable competitive conditions in three of our major markets which impacted loan growth and interest margins.

Financial Performance

In summary, Retail Banking contributed net income before tax of $48 million against a 2007 plan of $56 million and a prior year contribution of $60 million. Performance against 2007 plan was primarily impacted by significant under plan performance in our revenue in Bahamas and Jamaica and Barbados business units resulting from weak loan volume growth and rising deposit costs. In addition to these factors our performance against prior year was also impacted by changes in the accounting for depreciation, employee bonuses, and advertising and promotion.

On the balance sheet side we concluded the transfer of loan balances of $225 million and deposit balances of $688 million to the Wealth Management Strategic Business Unit to achieve the consolidation of our international and domestic wealth businesses. When normalised for this transfer, overall loan volumes grew by $117 million or 6% over 2006 and deposit balances remained stable.

Customer Experience

The majority of our Retail customers continue to express satisfaction with our services. Overall customer satisfaction increased marginally from 69% in January to 72% in July 2007. Satisfaction with branch services dipped by 2%, from 69% to 67% over the same period. Loyalty to FirstCaribbean by Retail customers, however, remained high at 78%. During 2007 we introduced Helpful Partner as our major internal and external customer service initiative. 76% of Retail customers expressed satisfaction when surveyed against the Helpful Partner standards. We will embed distinct business units Helpful Partner standards in 2008 and will expect that this together with the planned reorganisation of our branches will drive further improvements in customer service.

Our People

The training and development of our people remains a priority for Retail Banking. Our focus in 2007 was on continuing to equip our people to deliver improved customer experience and on sales effectiveness. The more than 1,300 retail staff from our 16 countries were critical to our performance in 2007. They continued to deliver excellent service and to sell products to our many existing and new customers despite the constraints faced this year.

Looking Ahead

During 2007 we completed the implementation of stronger geographic management roles to improve the efficiency, control, service delivery and financial performance of our branch network. We are committed to making our branches places where customers can have an exciting and enjoyable experience while having their needs met by our professional staff. We expect this to pay dividends in 2008 as we strive to gain increased share of wallet from our large pool of existing customers built up by significant market share growth in most countries over the last four years. Most of these customers currently use only one of our products. We are also continuing to strengthen our insurance capability to expand the penetration of our existing customer base.

In addition to the above, we have already begun to experience some alleviation in the negative factors which impacted us in 2007 and we expect to see a return to profitable growth in 2008.

Capital Markets

Commentary on overall Group results

Ian Chinapoo
Managing Director
Capital Markets

Capital Markets

Growing from Strength to Strength

In 2006/2007, Capital Markets continued to build on the solid foundation established in our prior three years and enjoyed a banner year, featuring the near doubling of team size, achievement of significant milestones and international accolades for our efforts.

Building Our Team

This year we followed through with our plan to build out key areas of our business, namely Structured Finance, Primary Distribution and Transaction Management, all of which are crucial elements to our continued development and success. Overall, the team is now nearly double its size from the end of last fiscal and this strategy has already started to pay big dividends.

Performance Milestones

We ended the year marginally above our planned operating profit. In our third full year of operations, our revenues grew by 13% over prior year and we achieved a cost to income ratio of 35.2%. The coming year holds significant promise as we end 2007 with a pipeline of US$2.37 billion in aggregate value. We are incredibly excited that, during this year, we crossed the US$1 billion mark in financings for Caribbean Corporates and Sovereigns since we commenced operations four years ago. Prominent among these is the US$375 million financing of the International Waterfront Project in Port of Spain, Trinidad, which closed in February 2007. This pioneering and competitively-priced deal was the largest non-energy sector fundraising for any Trinidadian entity and the first direct offering of Trinidad & Tobago paper into the United States Private Placement (USPP) market. To add to our delight, the bridge financing for this transaction was awarded *The Banker* magazine's "Deal of the Year Trinidad & Tobago" in early 2007. The award, issued by *The Banker* magazine and the Financial Times Group, is the first to be received by FirstCaribbean and is also one of the first ever awarded in the Caribbean region. We made further inroads in the Northern Caribbean, leading significant corporate fundraisings and closing our first transaction in the Cayman Islands.

We would like to take this opportunity to thank the other units within the Bank who have contributed to our performance through their continued support and guidance.

Our Focus for the Future

As we look ahead to the coming year, innovation and relationship-building will be our main areas of focus. The building out of our Structured Finance, Primary Distribution and Transaction Management areas of the business will allow senior country personnel to refocus on executing these strategies. We are confident that our enthusiastic and energetic team can deliver on these areas whilst setting and adhering to distinctive standards in performance, customer service, teamwork and controls.

Corporate Banking

Commentary on overall Group results

Horace Cobham
Managing Director
Corporate Banking

Corporate Banking

Another Successful Year

2007 proved to be another successful year for the Corporate Strategic Business Unit as we continue to build on the solid foundation over the past three years set around our customers, our employees and tailored financial solutions and service.

Our excellent results have again underscored the diversity of our operations as we serve and support our customers in their business activities throughout FirstCaribbean's footprint. We saw one of our newest businesses, Trinidad, perform exceptionally well with over 115% business volume growth over last year. Improved results were also registered in the Jamaica, Cayman Barbados and the OECS markets in the face of intense competition. Overall, our sales force of dedicated relationship managers, industry specialists and Small Business officers have kept focused on business opportunities and have helped us to retain our market position in all our key markets.

Financials

Corporate loans grew by 15.5% year over year to $3.6 billion, fuelled by the disbursement of over $1 billion in loan facilities for the third consecutive year. Deposits continue to be a growth priority for the business and this year we realised 5.6% growth, moving the portfolio to $2.9 billion. Profit and loss performance has also been strong in 2007. Total revenues increased by 10% to $247.7 million, with the primary contributor, net interest income, increasing by 13%. Operating expenses continued to be tightly controlled, with strong productivity metrics being achieved.

These strong financial results have been achieved without diluting our risk acceptance criteria. Underlying asset and portfolio quality remain well within the Bank's established risk parameters and well diversified loan portfolio has allowed us to manage our country and industry risks successfully, as we pursued opportunities across the region. Additionally, as the Bank moves into a Sarbanes Oxley era, the Corporate SBU is actively ensuring the correct governance and control structures are in place to achieve full compliance by the first quarter of 2008.

Customer Service

During 2007, Corporate has worked to deepen our understanding of our customers through better research, segmentation and tailoring products and services to meet their needs. Broadening the way we interface with customers through multiple channels has been another area of focus for us, as we respond to customer requests for more self-service options and technological solutions. In this regard, our Internet Banking platform, facilitating straight-through processing of incoming and outgoing wires in most markets, has been seen as an excellent option by our customers.

People

Our 280 staff members across the region played an integral role in the success of the Corporate SBU in 2007. Their work effort, dedication and commitment have resulted in our customers rewarding us with more of their business, and most importantly, their trust. In 2007, we continued with our accreditation programmes under our sales and service mandate. On the risk side, in addition to credit training, we have rolled out Anti-Money Laundering and Know Your Customer courses to equip our people to better manage in the current environment. We remain committed to providing our people with the right tools, training and leadership to serve our clients better. To our staff, I say thank you for your dedication and finding new, innovative ways towards being first for our customers.

Outlook

As we enter 2008, there are expectations for a weaker global economic environment, characterised by high oil prices, slowdown in business and consumer activity and lower interest rates. The region's dependence on foreign direct investment, capital flows and tourism will heighten the potential for impact on our regional business. However, the Corporate SBU is confident that we can leverage the Bank's excellent balance sheet strength, our deep customer knowledge and service excellence to post another good performance in 2008.

Service excellence is integral to our value proposition to customers. We are committed to continually enhancing service levels through all our channels and contact points.

We stand committed to delivering the best customer experience possible, one that is tailored, efficient and solution oriented. Thank you to our customers for your business and we look forward to continuing our partnership in 2008.

Wealth Management

Commentary on overall Group results

Jan-Arne Farstad
Managing Director
Wealth Management

Wealth Management

Another Banner Year

The Bank's Wealth Management team produced another banner year in 2007. Total deposits amounted to $4.7 billion (an increase of 19% from last year), loans increased to $535 million (up 118%) and additional Assets under Management or Administration reached $1.5 billion (up 25%). Wealth Management's contribution to the Bank's operating profit reached 25% (up from 21%).

At the beginning of the year domestic and international Wealth Management was combined under one roof. Domestic clients with balances of $100,000 or more and/or borrowings of $350,000 or more were transferred from Retail to Wealth Management in the course of the year. These clients are now served by dedicated relationship managers and professional support staff to ensure that personalised service and advice is provided to this valued group of our clients. Domestic clients are now enjoying the same access to best-in-class products, services and advice that previously only were available to our international clientele. When adjusted for the internal client transfers from Retail, loans grew by 27% and deposits by 1%.

Our seven Wealth Management Centres located in The Bahamas, Barbados, the British Virgin Islands, Curacao, the Cayman Islands, Jamaica and Turks & Caicos Islands were upgraded to improve service levels. Each of these Wealth Management Centres is now organised in four teams of professionals who specialise in advisory, transactional, lending and compliance management. Each of these teams reports to a Wealth Management Director, who ensures that the four areas cooperate seamlessly to serve our Wealth Management clients. Some 225 professionals serve our Wealth Management clients across these islands. All seven Wealth Management Centres performed well with financial results ahead of 2006.

We made good progress during the year in our specialty areas, such as banking services for Captive Insurers and Fund Managers. Our Investment Management practice was substantially improved by the addition of a number of highly qualified investment advisors. Our International mortgage offering again grew very substantially. Several enhancements to our Internet Banking platform were made that have increased the ease with which our clients can manage their monies.

Our Curacao bank (acquired from ABN AMRO in 2006) now serves as centralised hub for execution of investment solutions for clients across all seven Wealth Management Centres and has performed exceptionally well despite going through a complete system conversion in 2007 from ABN AMRO's system platform to a new state-of-the-art wealth management platform of its own. We thank our clients for their patience during this conversion process which is now thankfully behind us. The financial performance of Curacao has been exceptionally good, in particular when considering this disruption.

We believe the combination of domestic and international Wealth Management provides good growth opportunities as we seek to be trusted advisors to our clients who reward us with a larger "share of their wallet" based on sound financial advice, best available open architecture investment products and the professionalism of our highly rated relationship managers.

Treasury, Sales & Trading

Commentary on overall Group results

Pradip Chhadva
Managing Director
Treasury, Sales & Trading

Treasury, Sales & Trading

Transformation and Investment

I am pleased to be writing my first annual report since joining FirstCaribbean in early 2007. I was very excited by the possibilities offered by this role prior to joining the Bank, and I subsequently have real confidence that we have delivered the required transformational change to enable real success.

We have expanded our name from Treasury to Treasury Sales & Trading. The name change represents our transformation from a support function to a new Strategic Business Unit; and indeed if we are to succeed as an SBU it is essential that we are both customer-focused and a prudent risk-taker in local markets.

I take this opportunity to highlight the key transformational changes:

Regional Treasuries

Regional Treasury centres have been set up and populated in Trinidad, Bahamas, Curaçao, Jamaica, and Barbados. We've had real success in recruiting highly qualified candidates for Trinidad, Bahamas and Barbados; whilst promoting strong internal talent for the Jamaica and Curaçao positions.

The creation of regional Treasuries represents a sharp change of focus from a purely centralised model to a model in which we have high-level sales capability on the ground and in close proximity to our clients.

The regional Treasury managers have responsibility for generating stronger relationships with customers and regulators, delivering optimal solutions for balance sheet management and further identifying opportunities for FX & Securities trading in local markets.

Barbados represents a key guide to the future success of this model. Recruitment has enabled us to significantly grow our small and medium business client base in Barbados – the net result is significant revenue growth. It's a success story which will be replicated across the Caribbean.

Corporate Treasury

This department was created this year with the hiring of a senior Corporate Treasurer.

Corporate Treasury has responsibility for establishing standard policies and procedures for the liquidity, interest rate risk and capital management across the Bank.

In this context and within a short space of time we have:

i. Established local Assets and Liability Committees in the different countries in addition to the Group Alco
ii. Designed a new transfer pricing policy that will reflect the marginal cost of funding
iii. Optimised liquidity management with the implementation of target ratios and the concept of Core Deposits

The full implementation of the Transfer Pricing policy, Capital Hedge and a comprehensive Liquidity Policy (to the highest international standards) will follow. Corporate Treasury in the simplest terms ensures best practice and compliance for TS&T.

Sales and Structuring

The major focus of Sales and Structuring has been in developing a systematic marketing approach towards customers and the build of strong relationships with other SBUs in order to increase the cross-sell activity and overall customer profitability.

To enable these aims we have:

-Mapped Bank's top tier customers with relevant information about risk profile, business activity and product knowledge
-Set up a formal marketing dealing procedure to better serve our customer base (meeting call, follow up, survey and workshops)
-Introduced, in the Budget 2008 process, "the double count of

revenues" concept to give incentive all Relationship managers in cross-sell Bank's products
-As far as product diversification is concerned, we have actively marketed exposure management products to qualified customers.

We further initiated relationships with CIBC WM in the Structured Products Arena – organising the first joint customer meetings in the region to introduce CIBC WM's capability in structured investment solutions.

Trading

The Trading function is an absolutely key driver of revenues both for TS&T and for the Bank. We can summarise the key highlights for Trading as follows:

1) Independent management of tradable hard currency Caribbean assets (CBP): this portfolio has delivered significant out-performance over the last 12 months in comparison with both external benchmarks and internal targets.
2) Implementation and execution of structural hedge strategy: we have actively built a true rolling structural hedge programme (picking up yield by buying AA- banks rather than Treasuries). The post-structural interest rate position has been neutralised.
3) Implementation of outsource strategy (as determined by Board Committees): the subprime crisis and associated wider credit crunch resulted in higher volatility and below plan returns for the outsource strategies. We have in fact reduced exposures as we shift focus from outsource to in-house strategies (focus on CBP and local market opportunities).

In conclusion, I am proud of the performance of the function to date and further to be associated with the changes that we have delivered over a relatively short time frame.

As you can see from the above, the TS&T function has undergone real and radical change. I am now certain that we have the strong foundations, the correct structures and most importantly the right people in place to ensure future success.

Our ambition is to be viewed as the cutting-edge and leading TS&T service provider in the region – we are on the way.

“Through our Unsung Heroes Programme we brought to the fore the wonderful work being done by three very special humanitarians in the Bahamas and one in the Turks & Caicos.”

– Sharon E. Brown, Bahamas Managing Director

Human Resources/Marketing

Commentary on overall Group results

Peter Hall
Managing Director
Human Resources/Marketing

Human Resources/Marketing

Get There. Together. Our People. Our Brand.

FirstCaribbean is five years old this year. Built on the heritage platforms of two international banks, our brand continues to be a formidable part of the financial landscape in most of our current footprint. Even where our market share is lower than the competition, our brand is like our organisation's value acronym CRICKET. It's a long game and everybody knows we are in it.

Our financial performance continues to be a league table leader against any measure and our profits this year hit over US$200 million. At the core of this has been the team at FirstCaribbean which has displayed a continuing commitment and capacity for change and challenge. Supported by a continued focus on our leadership development activities, our basic banking sales, credit and risk training agendas, we are slowly building a capability that is already differentiating us in the market. This differentiation was given a further dimension this year with the first phase implementation of our customer experience standards, which are about giving life and meaning in a universal and consistent way to what our customer experience will feel like.

Integrating this with a focus on recruitment, critical process re-engineering and measurement is creating a single momentum and connectivity between our employee experience and our customer experience. Operating as we do in a fierce market with competition for scarce people resources and business, our brand continues to be well positioned and is market leading in terms of the employee proposition.

Our organisation's change agenda, which witnessed numerous developments in our technology platform environment and upgrades in our Cards, Treasury and Wealth businesses, have all been successfully delivered by teams making significant contributions and demonstrating commitment and loyalty of which we are truly proud. To our Curaçao, Cards, Change Management, Operations and Technology teams we owe this year a special thank you.

Our union partnership this year has been tested and found to be capable and innovative. Indeed we have leveraged this year in a developmental way the partnership principles to enable successful closure to our collective agreement arrangements in the Bahamas, where our first five-year settlement has been achieved. We recognise that we exercised a different level of engagement and note the role of the leaders in the union partnership in this process.

Our presence in the market was further felt this year through the release of our Universal "jingle", which won our agency an award. "FirstCaribbean. Get There. Together." is now a "hum" in the market. Our Wealth Management team was also this year supported by fresh collateral that is energising our team and impacting our clients.

Despite challenges associated with technology changes, our customer service ratings continue to hold their own in the market and will over the next three quarters show demonstrable positive change.

Our Internet platform continues to grow as a channel of choice, and upgrades in the coming year will further enhance this as a preferred service domain. With the added Internet channel for our Curaçao business, we are truly the No. 1 business in the region for basic online banking services.

Our communication and public relations presence internally and externally witnessed a number of firsts this year, including our campaign which proudly shared the numerous awards achieved by the Bank from the financial services community. FirstCaribbean Unsung Heroes flagship recognition and social responsibility commitment, unearthed more treasures this year. These are being shared across the Caribbean.

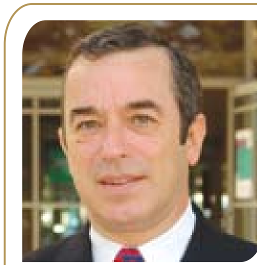
We approach the new financial year with continued focus for growth, but also with caution, noting that economic conditions in the US market have changed. This will require continued focus on leadership excellence, precise marketing execution and a careful attention to costs.

We would like to take this opportunity to thank the team leaders, who continue to help us make things happen. They are Beatrix Carrington, David Small, Debra Johnson, Neil Brennan, Jacqueline Floro-Forde, Vivian Hinds, Kerry Higgs, Henry Reid, Geoffrey King, Monique Straughan, Dawne Williams, Siobhan Lloyd and Carolyn Lewis.

Juan M. Corral
Managing Director
Operations and Technology

Operations and Technology

Commentary on overall Group results



During this period we have been able to further progress our ambitious agenda to improve productivity and efficiency, reduce processing cost, increase quality of service to internal and external customers, automate manual transactions, integrating new activities and countries and implementing the portfolio of projects that improve our products, infrastructure and governance.

Curaçao, Treasury and Other Projects

In this period we have been able to successfully convert all systems utilised previously by our Curaçao franchise to a new fully integrated banking platform (Flexcube) that will provide our operations in that country with the launching pad for growth, not only in their established Wealth Management operation, but also into Corporate Banking for the country as well as other Dutch Caribbean jurisdictions. The new platform deploys all existing products and processes and adds material benefits in terms of integration, reporting, time-to-market and our expansion ambitions.

We also took this as an opportunity to deploy an end-to-end state-of-the-art integrated system for Treasury Sales and Trading across the region. This platform will allow the Bank to efficiently manage funding and liquidity, foreign exchange, securities trading and positioning, derivatives and many other Treasury product families that will be gradually deployed and offered to our different customer segments with the most up-to-date risk monitoring and reporting.

We also were able to implement check imaging for the Barbados franchise and after careful planning we are now committed to replicate the same in Bahamas, Jamaica and Cayman. This implementation resulted in efficiencies, elimination of manual processes, increased customer satisfaction and material improvement in our speed in responding to customer needs.

We upgraded all of our Automated Bank Machines (ABMs) to include encryption (improved security), handling of multiple currencies and multiple languages for those countries that require it, and improvements to the look and feel of screens and processing service.

Organisation, Staff Recruiting and Development

During this year we also reorganised the structure to augment our banking expertise with the hiring of a senior banker who is now in charge of Operations for the region, as well as changed the organisation and leadership for our Technology area and created the Shared Services unit that consolidates many important enablers for the business. We continued to recruit the best bankers we find with experience in the new practices and processes that are being deployed.

We have also invested a material amount of resources (financial and human) to work with our Learning and Development colleagues and design a training curriculum that is banking-specific and fit-for-purpose to enhance the capabilities of our entire management structure. We are on the road to create excellent bankers who will be the best in the region.

Focus on Cost Management

We continue to focus on cost management and have materially contributed to the improvement of our cost to revenue ratio through:

- Processing higher volumes with a smaller structure
- Automation initiatives to reduce manual processing and paper
- Continuous negotiations and vendor development initiatives
- Faster and more streamlined implementation of projects.

Overall, this fiscal has been one of tremendous success and progress on the road to building a great Bank, the best in the Caribbean region!

Martin Griffiths
Chief Risk Officer

Risk Management

Commentary on overall Group results

Risk Management Ethos

Risk-taking is inherent in banking and FirstCaribbean assumes a variety of risks in its ordinary business activities. These include credit risk, market risk, compliance risk and operational risk. The Board and Management view the Bank as having a prudent risk profile, with a prudent approach to lending. FirstCaribbean has a limited appetite for market risk and has implemented detailed procedures to manage both Compliance and Operational risk. Risk and Control is firmly embedded in our corporate culture as a core competence and it 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 practice, drawing on international and regional expertise. 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, Risk & Controls, and Operational Risk.

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. Representatives from the risk teams meet regularly 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, the 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 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 to risk tolerance and to allow these to play their proper role in determining and delivering on the strategy of the Bank.

Credit Risk

Credit risk is the risk a customer or counterparty will be unable or unwilling to meet in a commitment that it has entered into, and the pledged security does not cover the customer's liabilities in the event of a default. The credit risks in FirstCaribbean arise primarily from lending activities to customers but also occur with bonds, guarantees, and securities.

Credit risk is managed and controlled on the basis of established credit processes and within a framework of credit policy and delegated authorities based on skill, experience and, with Corporate clients, by risk grade. Credit grading, scoring and monitoring systems accommodate the early identification and management of deterioration in loan quality. The credit management process is underpinned by an independent system of credit review by Credit Conformance teams. Delinquent facilities are subject to separate and additional oversight by our Receivables Management teams. Classification is automated and operates strictly in line with regulatory and accounting standards. Credit provisions are independently calculated in accordance with International Financial Reporting Standards for statutory reporting, and in accordance with the Financial Institutions Act to meet regulatory requirements by the central Risk & Control team, and is regularly reviewed by the Bank's auditors.

The Board determines the credit authority for the Credit Committee and approves the Group's key credit policies.

Market Risk

Market risk is the measurement of potential loss arising from adverse movements in interest rates, foreign exchange rates, equity and commodity prices. It arises in trading activities as well as in the natural course of wholesale and retail business, for example in the advancing of fixed rate loans to customers.

The principal aims of FirstCaribbean's market risk management activities are to limit the adverse impact of interest rate and exchange rate movements on profitability and shareholder value and to enhance earnings within defined limits. There is no single risk measure that captures all aspects of market risk. FirstCaribbean uses several risk measures including Value at Risk ('VaR'), sensitivity measures and stress testing. Market risks are managed by setting limits based upon the specific markets and products that FirstCaribbean are engaged as well as the amount of the Group's capital that can be put at risk.

These measurement methodologies utilise international best practice. There is a centralised, dedicated risk management team charged with the responsibility to ensure that the risk measurement methodologies used are appropriate for the risks being taken and that appropriate measurement, monitoring and control procedures are in place.

The Risk & Conduct Review Committee reviews market risk strategy and overall limits. It approves key policies and oversees the measurement, monitoring and control regime.

Compliance Risk

The Compliance team within the Risk function is tasked with identifying the compliance obligations in each Country where the bank operates and provides advice and guidance to the business line on compliance risks. Primary responsibility for compliance lies with territorial line management. Compliance risks are associated with failures to comply with laws, regulations, rules, and the codes of ethics and conduct applicable to our business activities. Such failures can give rise to legal or regulatory sanctions, material financial loss, or a loss of reputation to the bank.

Compliance supports management in the development of appropriate policies and procedures to ensure compliance with all legislation and internal our own code of conduct and ethics. The function regularly makes Compliance visits to assess conformance with group standards.

The Compliance function assesses and monitors the compliance risks faced by our businesses, and independently reports to the Audit & Governance Committee on the compliance framework operating across the Group, and on line management's attention to compliance issues.

Operational Risk

FirstCaribbean defines operational risk as the exposure to loss from failed or inadequate internal processes, people and systems or from external events. It is the risk of direct or indirect loss, or damaged reputation, due to deficiencies or errors in the Group's internal operations which may be attributable to fraud, human error, processes or technology failure, or due to external events.

Operational risks are inherent in all activities within the bank, including in outsourced activities and in all interaction with external parties. Strong internal control and quality management, consisting of a fraud framework, leadership and trained staff, is the key to successful operational risk management. Each strategic business unit is primarily responsible for managing their own operational risks. Risk management develops and maintains the framework for identifying, monitoring and controlling operational risks and supports the business in implementing the framework and raising awareness of operational risks. The team sets policy, monitors compliance and promotes best practice.

An element of FirstCaribbean's operational risk management framework is ongoing monitoring through self-assessment of control deficiencies and weaknesses, the tracking of incidents and loss events to ensure that, once identified, control deficiencies are communicated and remedied across the Group. FirstCaribbean has adopted the Sarbanes-Oxley Act in as far its business activities are material to CIBC and this has led to a material overhaul of the bank's control deficiency approach in 2007.

Operational risk management activities across the Group are reported regularly to the Audit & Governance Committee.

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 in 2008. 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 requirements but additionally to better manage our risk adjusted returns to our shareholders.

We would like to encourage the ongoing dialogue with our regulators. We would welcome an approach that would lead to implementation at the same time across all our largest markets. We would like to recommend region wide reporting formats and limited use of national discretion exceptions. This approach would make the implementation easier for all stakeholders and make it easier for regulators to assess risks in banks across the region.

Management's Discussion and Analysis

Of Operating Results and Financial Condition for the Fiscal Year Ended October 31, 2007

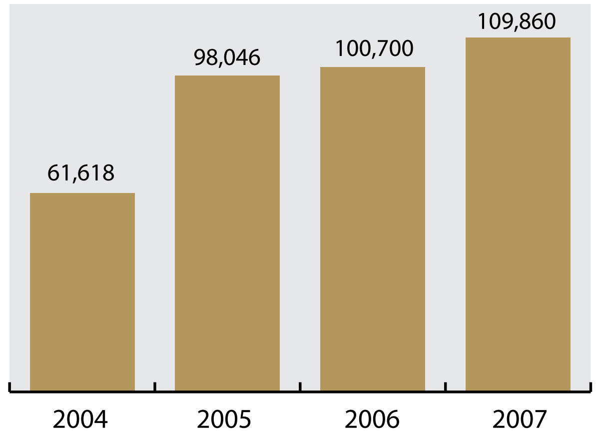
Financial Highlights B$(000)	2007	2006 (Restated)
Net income	109,860	100,700
Earnings per share (cents)	91.4	83.8
Total assets	4,668,455	4,423,961
Total equity	643,332	596,738
Return on assets	2.4%	2.6%
Return on tangible equity	25.2%	25.3%
Ratio of operating expenses to revenues	31.8%	38.3%
Dividends per share (cents)	47	55
Dividend pay-out ratio	51%	66%
Dividends times covered	1.94	1.52

* Based on four quarters rolling averages

Overview

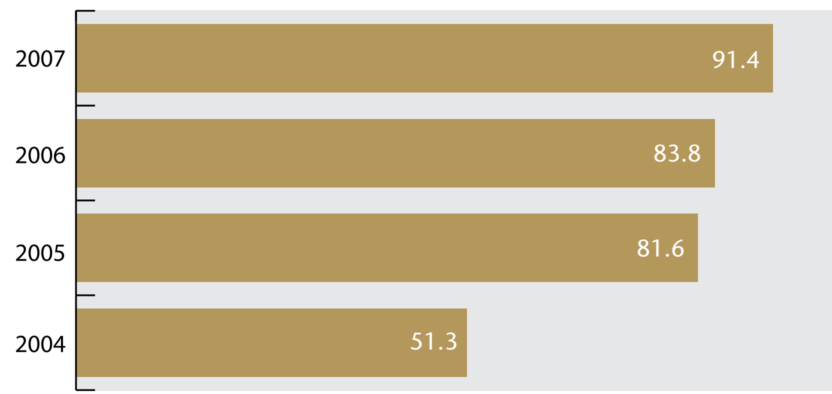
FirstCaribbean International Bank (Bahamas) Limited recorded another strong financial year. Net income grew to $109.9 million, an increase of $9.1 million, or 9.1% over the restated amount for last year. Total assets grew by $244 million, an increase of 5.5%. Return on equity remained steady at 25.2%, while return on assets dipped slightly, reflecting the strong asset growth combined with the steady, superior earnings.

Net Income
($ thousands)



Earnings per share increased to 91.4 cents from last year's restated amount of 83.8 cents, an increase of 9.1%.

Earnings Per Share



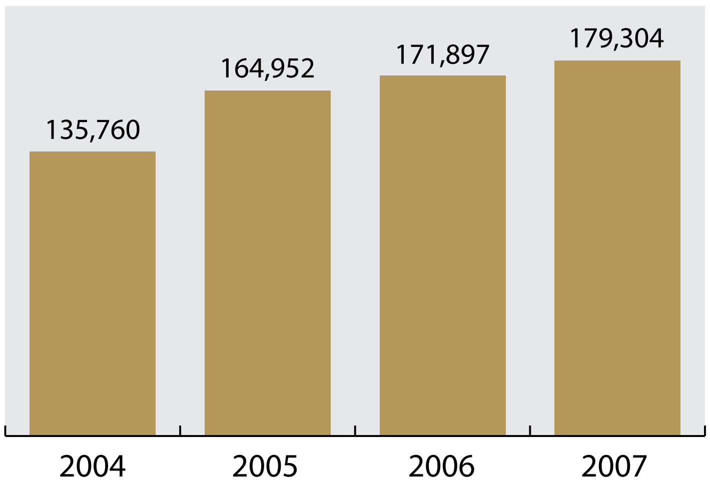
Management's Discussion and Analysis

Of Operating Results and Financial Condition for the Fiscal Year Ended October 31, 2007

Restatement of Financial Statements

The financial statements reflect the restatement of 2006 comparative numbers (and 2005 where applicable) to reflect the following: 1. The impact of the change in accounting policy from trade date to settlement date accounting for all purchases and sales of financial assets through profit and loss; 2. A change in the Bank's hedge accounting treatment; and 3. A change in accounting treatment and classification of certain fee income deemed to be a part of the effective interest rate of the underlying financial instruments – primarily loans – from operating income to interest income.

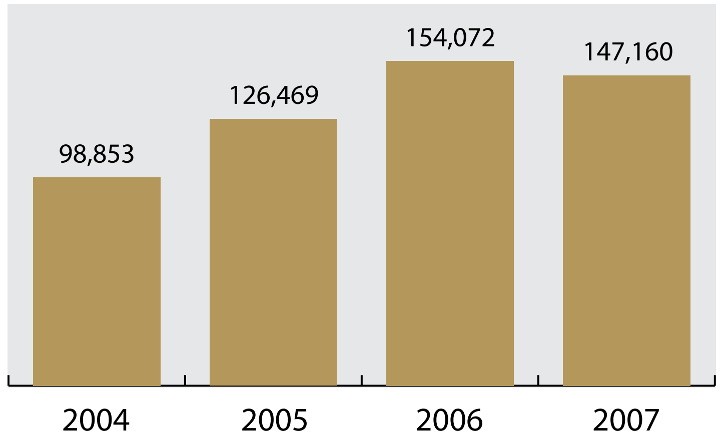
Total Revenue
($ thousands)



Net Interest Income and Margin

Net interest income (NII) represents interest earned on loans, securities and deposits with other banks, less interest paid on deposits from customers and banks and other borrowings. NII for the year decreased $6.9 million, or 5%, from $154 million last year to $147 million in 2007. Total interest income was $288.6 million, an increase of $43.1 million, or 17.6%, over last year. As discussed in Note 19 to the financial statements, interest and similar income is generated primarily from loans and advances and investment securities, which accounted for over 82% of total interest income in both reporting years. Interest income from loans and advances to customers increased $12.4 million, or 6.7%. Interest income from investment securities increased $30.7 million, or 196%. Interest income from the trading portfolios increased by $3.4 million, or 14.9%.

Net Interest income
($ thousands)



Total interest expense increased by $50.0 million or 55% primarily due to a combination of increased deposit volumes and rates. Interest expense from customer and bank deposits increased by $31.1 million as customer deposits grew by $157.5 million, or 4.5%, over last year.

The net interest margin, which refers to the interest spread earned by the Bank on total assets and total liabilities, decreased to 3.2% for the year.

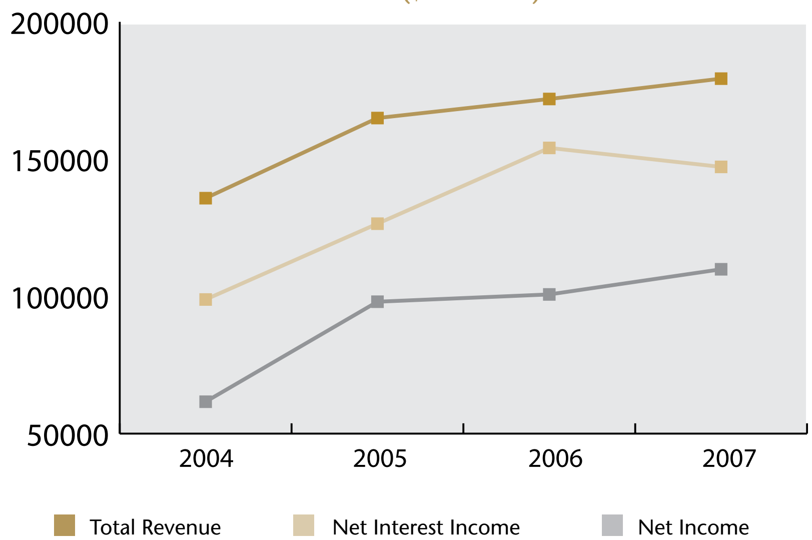
	2004	2005	2006	2007
Net interest margin	3.8%	3.8%	4.0%	3.2%

Other Operating Income

Other operating income consists of all revenues not classified as interest income. Revenues in this category increased $14.3 million, or 80% over the previous year. Driving the improved result was the significant improvement in financial performance of interest rate instruments. The losses for the current year were $5.5 million, compared to $13.7 million recorded for the previous year. Similarly, gains from investment securities were $4.5 million in fiscal 2007 compared to a loss of $0.180 million in the prior year. The improvement in operating income reflects a change in the Bank's strategy to shift from interest-bearing assets to other types of investments such as mutual funds (outsourced portfolios), where financial performance is reflected in other operating income as opposed to NII. This shift in strategy explains the uneven rate of change in interest expenses relative to that of total interest income.

Gains on foreign exchange transactions were $13.0 million, versus $13.2 million in the previous year.

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

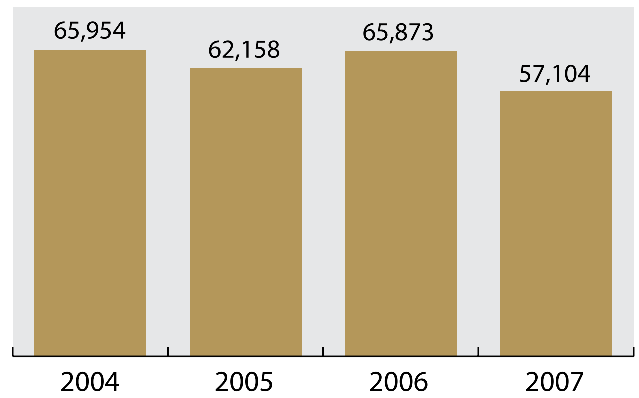


Operating Expenses

Operating expenses for this fiscal year were $57.1 million, a decrease of $8.8 million, or 13%, from the previous year. The primary drivers were staff costs, occupancy and maintenance and other operating expenses. Staff costs had a net decrease of $8.3 million from the prior year, due mainly to a significant reduction in "other post retirement benefits". The company realised an $8.7 million curtailment gain that had the effect of reducing the overall benefit costs. This gain was offset by higher pension costs mandated by International Accounting Standard (IAS) 19—Pension Accruals.

Occupancy and maintenance expenses increased $1.3 million over last year.

Operating Expenses
($ thousands)



The Bank's efficiency ratio is the ratio of operating expenses to total revenues. This statistic improved from 38.3% in fiscal 2006 to 31.8% in fiscal 2007. Excluding the impact of the one-off curtailment gain, the efficiency ratio was 36.7%, still exhibiting an improvement over the previous fiscal year.

	2004	2005	2006	2007
Efficiency Ratio	48.6%	37.7%	38.3%	31.8%

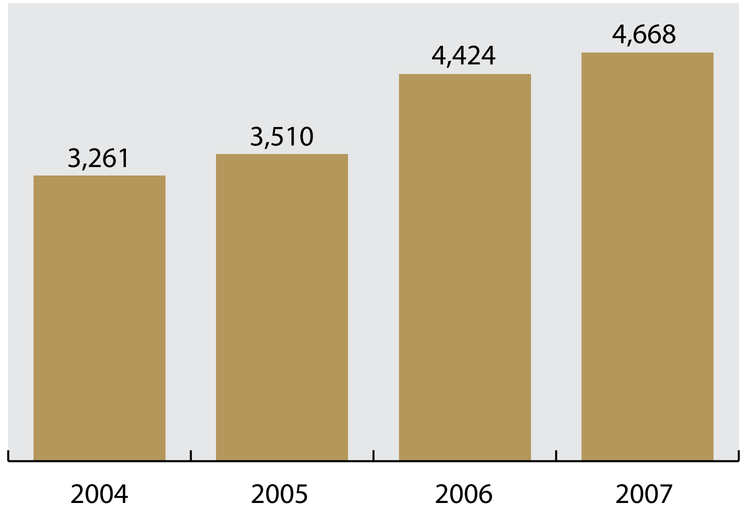
Management's Discussion and Analysis

Of Operating Results and Financial Condition for the Fiscal Year Ended October 31, 2007

Summary Balance Sheet

B$(000)	2007	2006 (Restated)
Assets		
Cash and due from banks	**269,434**	**366,960**
Securities	1,685,468	1,358,846
Loans	2,415,975	2,425,951
Other assets	297,578	272,204
	4,668,455	4,423,961
Liabilities and equity		
Deposits	3,661,406	3.503,903
Other liabilities	363,717	323,320
Equity	643,332	596,738
	4,668,455	4,423,961

Total Assets
($ millions)



Total assets were $4,668 million, an increase of $244 million or 5.5% over last year. This increase was primarily due to the increase in securities, which increased $355 million, or 24%. During the year, the bank expanded its options for investment of surplus U.S. dollars with the addition of a second outsourced portfolio.

Total loans at year-end were in line with the previous year-end position. While total mortgages increased by 8%, business loans declined at a comparable rate, signifying a drop in the volume of business activity.

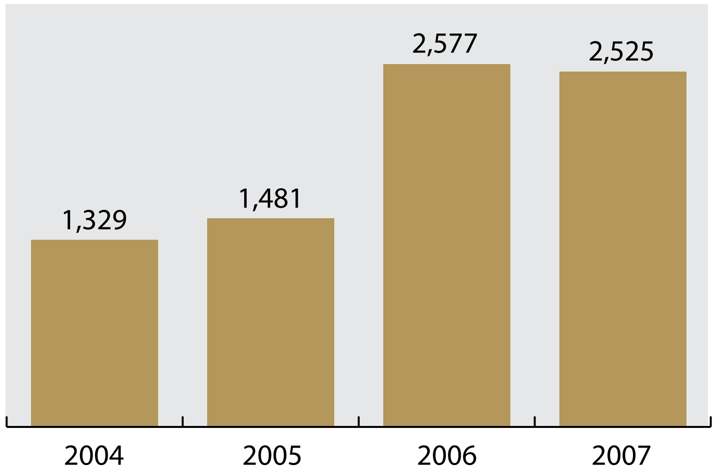
Due from Banks

Cash and due from banks declined by a total of $98 million, or 27%, to a balance of $269 million at October 31, 2007, reflecting an increase in financing activities.

Securities

Total securities increased by $326 million or 24% to $1,685 million at October 31, 2007. The Bank holds both an investment as well as a trading portfolio of securities. Trading securities are securities that are acquired for the purpose of generating a profit from short-term-fluctuations in price or dealer's margin. Financial assets held for trading are represented in the financial statements as "Financial assets at fair value through profit or loss" and consist of corporate bonds, asset backed securities and other investments. The trading securities increased by $144 million, or 22%, during the year to a balance of $790 million (excluding accrued interest) at October 31, 2007.

Income Producing US Dollar
($ million)

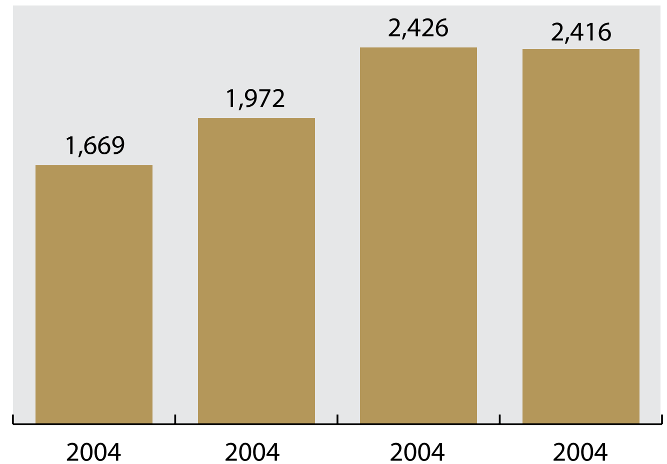


The investment securities are securities that the Bank intends to hold for an indefinite period of time. These investments are not intended to be traded, but may be sold in response to liquidity requirements or other changes in market conditions. Such investments represent debt securities, including bonds issued by governments or their related agencies, as well as corporate bonds. The B$ investment securities form a part of the liquid assets requirement prescribed by the Central Bank of The Bahamas. The investment securities portfolio increased by $187 million to $880 million (excluding accrued interest) at October 31, 2007 as additional available for sale securities were purchased. Included in investment securities are Government bonds with a par value of $280 million that are pledged pursuant to repurchase agreements and for which a corresponding liability is included as other borrowings.

Loans

At $2,464 million, gross loans and advances to customers (excluding accrued interest) remained fairly consistent with the previous year-end position of $2,477 million. Total loans net of the allowance for loan losses and excluding accrued interest and loan fee deferrals, was $2,403 million at the end of this fiscal year compared to $2,411 million last year, a decline of $8 million. Of this change, $6 million is attributable to the government securities purchased under agreement to resell which are classified in the loans portfolio for accounting purposes.

Income Producing US Dollar
($ million)



As noted, the performance of loans and advances to customers — comprising mortgages, personal loans and business loans — was mixed. On a gross basis, mortgages grew by 8%, while personal and business loans decreased by 4% and 7% respectively.

Total provision for loan losses decreased by $5.2 million to $41.7 million, with a total charge of $12.3 million to the statement of income for the year, compared to a charge of $5.3 million last year. In keeping with the bank's conservative approach, provisions for specific credit risk increased $14.3 million while the general provision for inherent risk decreased $2.0 million. Non-performing loans increased by $24 million to $158 million at year-end.

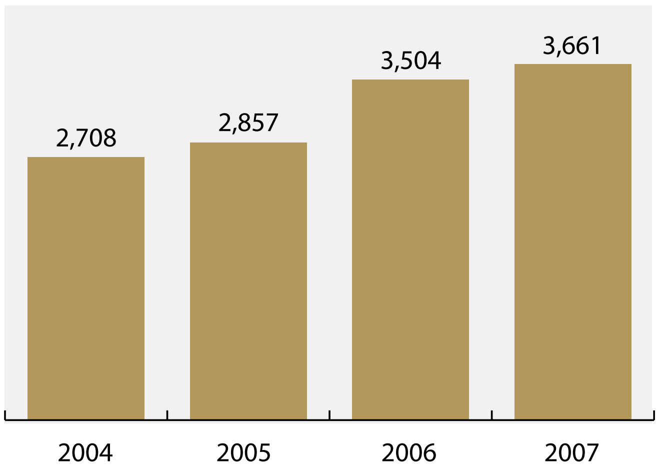
The ratio of the total provision to total loans decreased from 2.0% to 1.8% at October 31, 2007. The ratio of specific provision to non-performing loans also decreased from 32.0% to 22.9%.

	2004	2005	2006	2007
Total provisions to total loans	2.7%	2.1%	2.0%	1.8%
Specific provisions to non-performing loans	35.4%	34.6%	32.0%	22.9%

Deposits

Customer and bank deposits increased by $154 million, or 4% from last year-end, to $3,638 million (excluding accrued interest) at the end of this fiscal year.

Total Deposits
($ million)



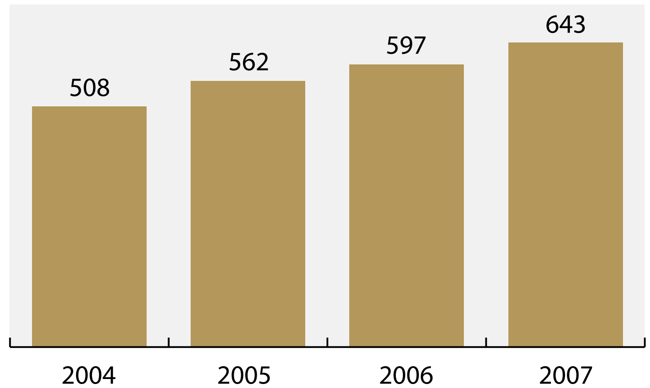
The growth in customer and bank deposits was primarily attributable to an increase in fixed deposits, which increased by $144 million (6%) over last year as fixed deposits from banks increased by $108 million to $642 million. Total deposits from banks were $644 million.

The other attributing factor to the increase in customer and bank deposits was a $12 million increase in demand deposits by business and governments.

Debt Securities in Issue

As discussed in Note 14, on November 3, 2006, the Bank issued $20 million in redeemable floating rate bonds with maturity of November 3, 2011.

Equity
($ million)



Equity & Capital Ratio

The return on equity for this fiscal year is 25.2%, a slight fall from the previous year's result of 25.3% (after restatement).

The Bank continues to maintain a strong capital base and capital ratios well above the regulatory requirements. Tier I capital generally includes share capital and retained earnings less goodwill. Tier II capital principally comprises hybrid capital instruments and general reserves. At October 31, 2007, the Tier I capital ratio and the total capital ratio of the Bank (that is the ratio of capital to the risk adjusted assets) were 14.81% and 15.08% respectively, both exhibiting improvements over the previous year-end.

The return on assets for this fiscal year was 2.4%, down slightly from the previous year's return on assets of 2.6%. As with the previous year, the increase reflects growth in net income combined with growth in average total assets. Net income increased 9.1%, while the average total assets increased 21%, resulting in a lower return on assets.

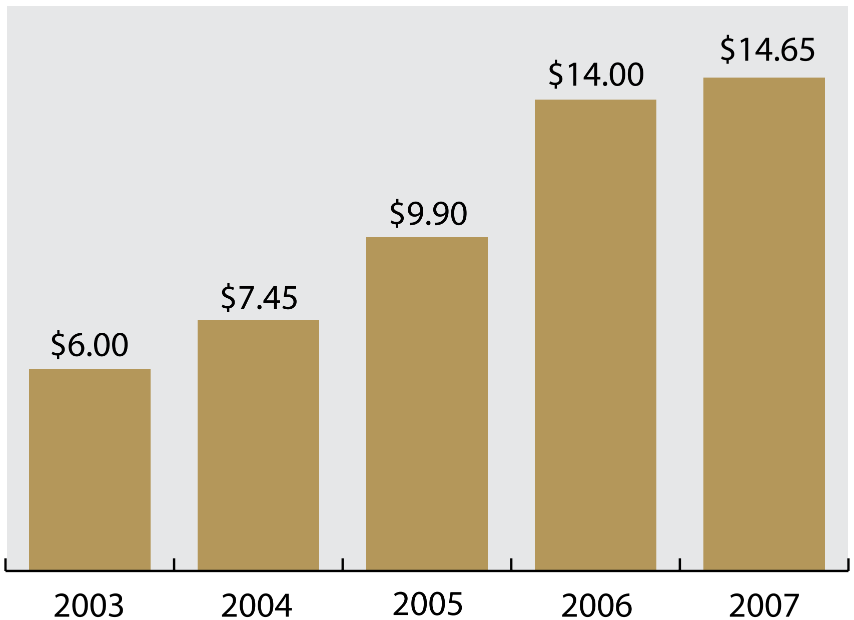
Management's Discussion and Analysis

Of Operating Results and Financial Condition for the Fiscal Year Ended October 31, 2007

Share Prices

Shareholder value continues to improve as the market value of the ordinary shares in the Bank has continued to increase. At October 31, 2007 the market price was $14.65, representing a market price growth of $0.65, or 4.6%, from October 31, 2006.

Share Price



"2007 was another exceedingly strong year for FirstCaribbean. A record seven 'Best Bank' awards won from the likes of *The Banker* and *Global Finance* is independent testament to that achievement."

– CEO Charles Pink

Financial Statements 2007

ERNST & YOUNG

■ Chartered Accountants
One Montague Place
Third Floor
East Bay Street
P.O. Box N-3231
Nassau, Bahamas

■ Phone: (242) 502-6000
Fax: (242) 502-6090
www.ey.com

Independent Auditors' Report

To the Shareholders of
FirstCaribbean International Bank (Bahamas) Limited

We have audited the accompanying financial statements of FirstCaribbean International Bank (Bahamas) Limited ("the Bank") which comprise the consolidated balance sheet as of October 31, 2007 and the consolidated statements of income, changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

The consolidated financial statements of the Bank as at October 31, 2006 were audited by other auditors whose report dated December 15, 2006 expressed an unqualified opinion. We also audited the adjustments described in Note 29 that were applied to restate the 2006 consolidated financial statements. In our opinion, such adjustments are appropriate and have been properly applied.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Bank as of October 31, 2007, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

April 14, 2008

Ernst + Young

Consolidated Balance Sheet

As of October 31, 2007
(expressed in thousands of Bahamian dollars)

	Notes	2007 $	2006 $ (Restated)
ASSETS			
Cash and balances with central bank	3	**116,808**	69,143
Due from banks	4	**152,626**	297,817
Derivative financial instruments	5	**36,713**	1,983
Financial assets at fair value through profit or loss	6	**792,307**	652,281
Other assets	7	**32,662**	39,611
Investment securities	8	**893,161**	706,565
Loans and advances to customers	9	**2,415,975**	2,425,951
Property and equipment	10	**26,954**	29,209
Retirement benefit assets	11	**13,502**	13,654
Goodwill	12	**187,747**	187,747
Total assets		**4,668,455**	**4,423,961**
LIABILITIES			
Customer deposits	13	**3,661,406**	3,503,903
Derivative financial instruments	5	**30,974**	12,424
Debt securities in issue	14	**20,620**	—
Other borrowed funds	15	**278,171**	281,344
Other liabilities	16	**30,138**	17,944
Retirement benefit obligations	11	**3,814**	11,608
Total liabilities		**4,025,123**	3,827,223
EQUITY			
Share capital and reserves	18	**436,297**	436,030
Retained earnings		**207,035**	160,708
Total equity		**643,332**	596,738
Total liabilities and equity		**4,668,455**	4,423,961

Approved by the Board of Directors on April 14, 2008 and signed on its behalf by:

Michael Mansoor
Chairman

Sharon Brown
Managing Director

See accompanying notes. See Auditors' Report Page 56.

Consolidated Statement of Income

For the year ended October 31, 2007
(expressed in thousands of Bahamian dollars)

	Notes	2007 $	2006 $ (Restated)
Interest and similar income		**288,601**	245,479
Interest and similar expense		**141,441**	91,407
Net interest income	19	**147,160**	154,072
Other operating income	20	**32,143**	17,825
Total operating income		**179,303**	171,897
Operating expenses	21	**57,104**	65,873
Loan loss impairment	9	**12,339**	5,324
Total operating expenses		**69,443**	71,197
Net income for the year		**109,860**	100,700
Earnings per share			
(expressed in cents per share)			
– basic	22	**91.4**	83.8
– diluted	22	**91.4**	83.8

See accompanying notes.
See Auditors' Report Page 56.

Consolidated Statement of Changes in Equity

For the year ended October 31, 2007
(expressed in thousands of Bahamian dollars)

	Notes	Share capital $	Reserves $	Retained earnings $	Total equity $
Balance at October 31, 2005 as previously reported		477,230	(59,949)	143,958	561,239
Prior period adjustment	2	—	—	830	830
Balance at October 31, 2005 as restated		477,230	(59,949)	144,788	562,069
Net income for the year, as previously reported		—	—	110,672	110,672
Prior period adjustment	2, 29	—	—	(9,972)	(9,972)
Net income for the year, as restated		—	—	100,700	100,700
Dividends	23	—	—	(66,119)	(66,119)
Transfer to statutory reserve fund – Turks & Caicos Islands	18	—	4,000	(4,000)	—
Transfer to statutory loan loss reserve – Bahamas	18	—	14,661	(14,661)	—
Revaluation reserve – available-for-sale investment securities	18	—	905	—	905
Revaluation reserve – cash flow hedges	18	—	(817)	—	(817)
Balance at October 31, 2006		477,230	(41,200)	160,708	596,738
Net income for the year		—	—	109,860	109,860
Dividends	23	—	—	(56,499)	(56,499)
Transfer to statutory reserve fund – Turks & Caicos Islands	18	—	5,200	(5,200)	—
Transfer to statutory loan loss reserve – Bahamas	18	—	1,834	(1,834)	—
Revaluation reserve – available-for-sale investment securities	18	—	(6,767)	—	(6,767)
Balance at October 31, 2007		477,230	(40,933)	207,035	643,332

See accompanying notes.
See Auditors' Report Page 56.

Consolidated Statement of Cash Flows

For the year ended October 31, 2007
(expressed in thousands of Bahamian dollars)

	Notes	2007 $	2006 $ (Restated)
Cash flows from operating activities			
Net income		**109,860**	100,700
Provision for loan loss impairment	9	**12,339**	5,324
Depreciation of property and equipment	10	**4,351**	3,536
Loss on disposal/write-off of property and equipment	21	**8**	31
Net gains on sale and redemption of investment securities	20	**(4,455)**	(180)
Interest income on investment securities		**(46,396)**	(15,668)
Interest expense on other borrowed funds	19	**19,336**	652
Unrealised losses (gains) on investment securities	8, 18	**(3,189)**	1,679
Cash flows from net income before changes in operating assets and liabilities		**91,854**	96,074
Changes in operating assets and liabilities:			
– net decrease (increase) in due from banks greater than 90 days		**133,647**	(144,107)
– net decrease (increase) in mandatory reserves with The Central Bank		**(10,060)**	6,341
– net increase in financial assets at fair value through profit or loss		**(140,026)**	(509,298)
– net increase in loans and advances to customers		**(2,363)**	(477,762)
– net decrease (increase) in other assets		**(27,629)**	(80,459)
– net increase in customer deposits		**157,503**	647,166
– net increase in other liabilities		**22,950**	208,655
Net cash from (used in) operating activities		**225,876**	(253,390)

	Notes	2007 $	2006 $ (Restated)
Cash flows from investing activities			
Purchases of property and equipment	10	**(2,104)**	(1,972)
Proceeds from sale of property and equipment	10	**—**	960
Purchases of investment securities	8	**(426,680)**	(543,124)
Interest paid on other borrowed funds		**(14,741)**	—
Interest income received on investment securities		**46,449**	4,489
Proceeds from sale and redemption of investment securities	8	**240,908**	16,437
Net cash used in investing activities		**(156,168)**	(523,210)
Cash flows from financing activities			
Proceeds from (settlement of) other borrowed funds	14	**(7,148)**	280,692
Proceeds from issuance of debt securities		**20,000**	—
Dividends paid		**(56,499)**	(66,119)
Net cash (used in) from financing activities		**(43,647)**	214,573
Net increase (decrease) in cash and cash equivalents		**26,061**	(562,027)
Cash and cash equivalents, beginning of year	3	**180,084**	742,111
Cash and cash equivalents, end of year (Note 3)		**206,145**	180,084

See accompanying notes.
See Auditors' Report Page 56.

Notes to the Consolidated Financial Statements

October 31, 2007
(expressed in thousands of Bahamian dollars)

1. General information

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

The Bank is a subsidiary of FirstCaribbean International Bank Limited, formerly CIBC West Indies Holdings Limited (the "Parent" or "FCIB"), a company incorporated in Barbados. The Parent is owned by CIBC. From October 11, 2002, the major shareholders of FirstCaribbean International Bank (Bahamas) Limited were jointly CIBC and Barclays Bank PLC, ("Barclays"), a company incorporated in England. On December 22, 2006, CIBC acquired Barclays' interest in the Bank and now owns 91.4% of the shares of FirstCaribbean International Bank Limited.

The registered office of the Bank is located at the FirstCaribbean Financial Centre, 2nd Floor, Shirley Street, Nassau, Bahamas.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

2.1 Basis of presentation

The consolidated financial statements have been prepared on a historical cost basis, except for available-for-sale investments, derivative financial instruments and financial assets and financial liabilities held at fair value through profit or loss, that have been measured at fair value. The carrying values of recognised assets and liabilities that are hedged items in fair value hedges, and otherwise carried at cost, are adjusted to record changes in fair value attributable to the risks that are being hedged. The consolidated financial statements are presented in Bahamian dollars, and all values are rounded to the nearest thousand dollars, except when otherwise indicated.

Statement of compliance

The consolidated financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (IFRS).

Basis of consolidation

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

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

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

See Auditors' Report Page 56.

2. Summary of significant accounting policies (continued)

2.2 Significant accounting judgments and estimates

In the process of applying the Bank's accounting policies, management has used its judgments and made estimates in determining the amounts recognised in the financial statements. The most significant use of judgments and estimates are as follows:

Impairment losses on loans and advances

The Bank reviews its loan portfolios to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the consolidated statement of income, the Bank makes judgements as to whether there is any objective evidence 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.

Retirement benefit obligations

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

Loan fee recognition estimate

The Bank's current processes and information technology systems do not support the proper accounting treatment for loan fee income and the related direct costs associated with a particular lending arrangement, adjustments to the effective interest rate and the deferred fee income. As a consequence, management has to estimate the effect of this treatment.

2.3 Change in accounting policies

The accounting policies adopted are consistent with those used in the previous financial year except as follows:

During the year, a review of the Bank's hedge accounting revealed that existing hedge documentation was not appropriate. Consequently, all hedges existing as of that date were disqualified from having met the criteria for hedge accounting. The effect of this was that upon disqualification, the hedges are treated as if the disqualification existed from inception of the hedges. On disallowance of the use of hedge accounting, the fair values of the loans and the bonds were reversed and the bonds that were available for sale were marked to market through equity.

This change has been applied retrospectively in accordance with IAS 39 Financial Instruments: Recognition and Measurement and consequently the October 31, 2006 comparative financials have been restated to reflect this change. The impact on the financial statements as at October 31, 2006 was to reduce net income attributable to the equity holders of the Bank by $9,972 and total assets by $8,668. Reserves were increased by $474, and opening retained earnings increased by $830 (see Note 29 (i)).

As of November 1, 2006, the bank changed its accounting policy on the recognition of all purchases and sales of financial assets at fair value through profit or loss and available for sale that require delivery within the time frame established by regulation or market convention ('regular way' purchases and sales) from trade date (which is the date that the Bank commits to purchase or sell an asset) to settlement date (which is the date that an asset is delivered to or by the Bank). This change has been applied retrospectively in accordance with IAS-8 Accounting Policies, Changes in Accounting Estimates and Errors and consequently the October 31, 2006 comparative financials have been restated to reflect this policy change (see Note 29 (ii)).

See Auditors' Report Page 56.

2. Summary of significant accounting policies (continued)

2.3 Change in accounting policies (continued)

As of November 1, 2005, loan origination fees relating to loans that have a high probability of being drawn down, are to be deferred (together with related direct costs) and recognised as an adjustment to the effective interest yield on the loan in accordance with IAS 18 Revenue. This accounting treatment was not applied in the past as previous estimations indicated the adjustment to be immaterial. For the year ended October 31, 2006, management has estimated the impact using the last four years' historical data along with certain key assumptions about the maturity profile of the loan portfolio prior to 2004 and the level of fees booked prior to 2002.

2.4 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.

2.5 Foreign currency translation

The consolidated financial statements are presented in Bahamian dollars, which is the Bank's functional and presentational currency.

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

2.6 Financial instruments

Initial recognition and subsequent measurement

Date of recognition

Purchase or sale of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace are recognised on the settlement date, i.e. the date that an asset is delivered to or by the Bank. Derivatives are recognised on a settlement date basis.

Initial recognition of financial instruments

The classification of financial instruments at initial recognition depends on the purpose for which the financial instruments were acquired and their characteristics. All financial instruments are measured initially at their fair value plus, in the case of financial assets and financial liabilities not at fair value through profit or loss, any directly attributable incremental cost of acquisition or issue.

The Bank classifies its financial assets into the following categories:

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

(i) Financial assets or financial liabilities designated at fair value through profit or loss

Financial assets and financial liabilities classified in this category are designated by management on initial recognition when the following criteria are met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis; or
- The assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance revaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or

See Auditors' Report Page 56.

2. Summary of significant accounting policies (continued)

2.6 Financial instruments (continued)

(i) Financial assets or financial liabilities designated at fair value through profit or loss (continued)

- The financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded. 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.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the balance sheet at fair value. Changes in fair value are recorded in income. Interest earned or incurred is accrued in interest income or expense, respectively, according to the terms of the contract, while dividend income is recorded in other operating income when the right to the payment has been established.

Included in this classification are loans and advances to customers that are economically hedged by credit derivatives that do not qualify for hedge accounting as well as structured notes that are managed on a fair value basis.

Financial assets or financial liabilities held for trading

These assets are recorded in the balance sheet at fair value. 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.

Derivatives recorded at fair value through profit or loss

Derivatives include interest rate swaps and futures, credit default swaps, cross currency swaps, forward foreign exchange contracts and options on interest rates, foreign currencies and equities. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of derivatives held for trading are included in 'net trading income' (see Note 20).

Derivatives embedded in other financial instruments, such as the conversion option in an acquired convertible bond, are treated as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contract, and the host contract is not itself held for trading or designated at fair value through profit or loss. The embedded derivatives separated from the host are carried at fair value in the trading portfolio with changes in fair value recognised in the consolidated statement of income.

(ii) Loans and advances to customers

Loans and advances to customers are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as 'financial assets held for trading', designated as 'financial investment available-for-sale', or 'Financial assets designated at fair value through profit or loss'. After initial measurement, loans and advances are measured at amortised cost, less allowance for impairment.

(iii) Held-to-maturity investments

Held-to-maturity financial investments are those which carry fixed or determinable payments and have fixed maturities and which the Bank has the intention and ability to hold to maturity. After initial measurement, held-to-maturity financial investments are subsequently measured at amortised cost using the effective interest rate method, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortisation is included in 'Interest and similar income' in the consolidated statement of income. The losses arising from impairment of such investments are recognised in the consolidated statement of income.

See Auditors' Report Page 56.

2. Summary of significant accounting policies (continued)

2.6 Financial instruments (continued)

(iv) Available-for-sale financial investments

Available-for-sale financial investments are those which are designated as such or do not qualify to be classified as designated as fair value through profit or loss, held-to-maturity or loans and advances. They include equity instruments, investments in mutual funds and money market and other debt instruments.

After initial measurement, available-for-sale investments are subsequently measured at fair value. Unrealised gains and losses are recognised directly in equity in the 'available-for-sale reserve'. When the security is disposed of, the cumulative gain or loss previously recognised in equity is recognised in the consolidated statement of income in 'Other operating income' or 'Other operating expenses'. Where the Bank holds more than one investment in the same security they are deemed to be disposed of on a first-in first-out basis. Interest earned whilst holding available-for-sale investments are recognised in the consolidated statement of income as 'Other operating income' when the right of the payment has been established. The losses arising from impairment of such investments are recognised in the consolidated statement of income.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive the cash flows from the financial assets have expired or where the Bank has transferred substantially all risks and rewards of ownership. When the Bank has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Bank's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee of the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Bank could be required to repay.

Unquoted equity instruments for which fair values cannot be measured reliably are recognised at cost less impairment. Dividend income is recognised when the right to receive payment is established.

2.7 Derecognition of financial assets and financial liabilities

(i) Financial assets

A financial asset (or where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- The rights to receive cash flows from the asset have expired; or
- The Bank has transferred its rights to receive cash flows from the asset or has
- Assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through arrangement'; and
- Either (a) the Bank has transferred substantially all the risks and rewards of the asset, or (b) the Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Bank has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Bank's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to pay.

When continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Bank's continuing involvement is the amount of the transferred asset that the Bank may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Bank's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

See Auditors' Report Page 56.

2. Summary of significant accounting policies (continued)

2.7 Derecognition of financial assets and financial liabilities (continued)

(ii) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the consolidated statement of income.

2.8 Repurchase and reverse repurchase agreements

Securities sold under agreements to repurchase at a specified future date ('repos') are not derecognised from the balance sheet. The corresponding cash received, including accrued interest, is recognised on the balance sheet as a 'Cash collateral on securities lent and repurchase agreements', reflecting its economic substance as a loan to the Bank and are reflected in other borrowed funds (see Note 15). The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of the agreement using the effective interest rate method. Where the transferee has the right to sell or pledge the asset, the asset is recorded on the balance sheet as 'Financial assets held for trading pledged as collateral'.

Conversely, securities purchased under agreements to resell at a specified future date ('reverse repos') are not recognised on the balance sheet. The corresponding cash paid, including accrued interest, is recognised on the balance sheet as a 'Cash collateral on securities borrowed and reverse repurchase agreements' and are reflected in loans and advances to customers (see Note 9). The difference between the purchase and resale prices is treated as interest income and is accrued over the life of the agreement using the effective interest rate method.

2.9 Impairment of financial assets

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

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

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

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

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

See Auditors' Report Page 56.

2. Summary of significant accounting policies (continued)

2.10 Impairment of non-financial assets

The Bank assesses at each reporting date or more frequently if events or changes in circumstances indicate that the carrying value may be impaired, whether there is an indication that a non-financial asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Bank makes an estimate of the asset's recoverable amount. Where the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the asset (or cash-generating unit) is considered impaired and is written down to its recoverable amount.

For assets, excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. Impairment losses relating to Goodwill cannot be reversed for subsequent increases in its recoverable amount in future periods.

2.11 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.

2.12 Derivative financial instruments and hedge accounting

The Bank makes use of derivative instruments to manage exposure to interest rate, foreign currency and credit risks, including exposures arising from forecast transactions. In order to manage particular risks, the Bank applies hedge accounting for transactions that meet the specified criteria.

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

i) At inception of the hedge relationship, the Bank formally documents the relationship between the hedged item and the hedging instrument, including the nature of the risk, the objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship;

ii) Also at the inception of the hedge relationship, a formal assessment is undertaken to ensure the hedging instrument is expected to be highly effective in offsetting the designated risk in the hedged item. Hedges are formally assessed each quarter. A hedge is regarded as highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated are expected to offset in a range of 80% to 125%. For situations where that hedged item is a forecast transaction, the Bank assesses whether the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect the consolidated statement of income. The hedge 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.

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

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

(1) Fair value hedges

Changes in the fair value 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 consolidated statement of income in 'Net trading income', along with the corresponding change in fair value of the hedged asset or liability that is attributable to that specific hedged risk.

If the hedging instrument expires or is sold, terminated or exercised, or where the hedge no longer meets the criteria for hedge accounting, the hedge relationship is terminated.

See Auditors' Report Page 56.

2. Summary of significant accounting policies (continued)

2.12 Derivative financial instruments and hedge accounting (continued)

(1) Fair value hedges (continued)

For hedged items recorded at amortised cost, using the effective interest rate method, the difference between the carrying value of the hedged item on termination and the face value is amortised over the remaining term of the original hedge. If the hedged item is derecognised, the unamortised fair value adjustment is recognised immediately in the consolidated statement of income.

(2) Cash flow hedges

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

Amounts accumulated in equity are recycled to the consolidated statement of income in the periods in which the hedged item will affect the consolidated statement of income (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 consolidated statement of income. 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 consolidated statement of income.

2.13 Recognition of income and expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Interest and similar income and expense

Interest income and expense are recognised in the consolidated statement of income 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.

(ii) Fee and commission income

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Commission and fees arising from origination, negotiating, or participating in the negotiation of a transaction for a third party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-apportionate basis. Asset management fees related to investment funds are recognised ratably over the period the service is provided. The same principle is applied for wealth management, financial planning and custody services that are continuously provided over an extended period of time.

See Auditors' Report Page 56.

2. Summary of significant accounting policies (continued)

2.14 Goodwill

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

2.15 Property and equipment

Land and buildings comprise mainly branches and offices. All property and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Changes in the expected useful life are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates.

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

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

The annual rates used are:

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

See Auditors' Report Page 56.

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

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are recognised in 'other operating income' or 'other operating expenses' within the consolidated statement of income.

2.16 Leases

Operating lease payments are recognised as an expense on a straight-line basis over the lease term and included in 'other operating expenses'.

2.17 Provisions

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

2.18 Retirement benefit obligations

i) Pension obligations

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

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

2. Summary of significant accounting policies (continued)

2.18 Retirement benefit obligations (continued)

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

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

For the defined contribution section of the plan, the Bank makes contributions to a private trustee-administered fund. Once the contributions have been paid, the Bank has no further payment obligations. The regular contributions constitute net periodic costs for the year in which they are due and as such are included in staff costs. The Bank's contributions in respect of the defined contribution section of the plan are charged to the consolidated statement of income in the year to which they relate.

(ii) Other post retirement obligations

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

2.19 Borrowings

Borrowings are recognised initially at fair value and are subsequently stated at amortised cost, and any difference between net proceeds and the redemption value is recognised in the consolidated statement of income over the period of the borrowings, using the effective interest yield method.

2.20 Share capital and dividends

(i) Share issue costs

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

(ii) Dividends on ordinary shares

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

2.21 Earnings per share

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

2.22 Fiduciary activities

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

2.23 Income taxes

The Bank is not subject to income taxes in The Bahamas and the Turks and Caicos Islands.

See Auditors' Report Page 56.

2. Summary of significant accounting policies (continued)

2.24 Future changes in accounting policies

New standards, interpretations and amendments to published standards relevant to the Bank that are not yet effective
Certain new standards, interpretations and amendments to existing standards have been published that are mandatory for the Bank's accounting periods beginning on or after November 1, 2007 or later periods but which the Bank has not early adopted, as follows:

- IAS 1, (Revised) Presentation of Financial Statements (effective from annual periods beginning on or after January 1, 2009). IAS 1 (Revised) will require the disclosure of all non-owner changes in equity either in one statement of comprehensive income or in two statements (a separate consolidated statement of income and a statement of comprehensive income), will require additional disclosures about an entity's capital and will change the titles of financial statements.

- IAS 23 (Revised), Borrowing Costs (effective from annual periods beginning on or after January 1, 2009). IAS 23 will remove the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. An entity will therefore now be required to capitalise borrowing costs as part of the cost of such assets. The capitalisation of borrowing costs relating to assets measured at fair value is not however required by IAS 23.

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

- IFRS 8, Operating Segments (effective from annual periods beginning on or after January 1, 2009). IFRS 8 will replace IAS 14 Segments Reporting and increases the level of disclosure required and extends the scope to include entities that meet certain requirements.

- IFRIC 11, IFRS 2: Group and Treasury Share Transactions (effective from annual periods beginning on or after March 1, 2007). IFRIC 11 will provide guidance on applying IFRS 2 in three circumstances.

- IFRIC 12, Service Concession Arrangements (effective from annual periods beginning on or after January 1, 2008). IFRIC 12 gives guidance on the accounting by operators for public-to-private service concession arrangement, and sets out general principles on recognising and measuring the obligations and related rights in such arrangements. The Bank expects that adoption of this interpretation will have no impact on its financial statements when implemented in 2008.

- IFRIC 13, Customer Loyalty Programmes (effective from annual periods beginning on or after July 1, 2008). IFRIC 13 specifically seeks to explain how entities should account for their obligations to provide free or discounted goods and services ('awards') to customers who redeem award credits.

- IFRIC 14, The Limit on a defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective from annual periods beginning on or after January 1, 2008). IFRIC 14 addresses the interaction between minimum funding requirements and the limit placed by paragraph 58 of IAS 19 on the measurement of the defined benefit asset or liability.

The Bank does not anticipate any material impact on the results of its operations from the implementation of these new standards when they become effective. Additional disclosures related to the Bank's management of risks and its capital will be required to comply with IFRS 7 and IAS 1 in 2008.

See Auditors' Report Page 56.

(expressed in thousands of Bahamian dollars)

3. Cash and balances with central bank

	2007 $	2006 $
Cash	**34,472**	24,543
Deposits with The Central Bank — non-interest bearing	**82,336**	44,600
Cash and balances with central bank	**116,808**	69,143
Less: Mandatory reserve deposits with The Central Bank	**(53,269)**	(43,209)
Included in cash and cash equivalents as per below	**63,539**	25,934

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

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

Cash and cash equivalents

	2007 $	2006 $
Cash and balances with The Central Bank as per above	**63,539**	25,934
Due from banks, included in cash and cash equivalents (Note 4)	**142,606**	154,150
	206,145	180,084

4. Due from banks

	2007 $	2006 $ (Restated)
Due from banks	**151,796**	295,514
Add: Accrued interest receivable	**830**	2,303
	152,626	297,817

Due from banks comprises deposit placements and include amounts placed with other FirstCaribbean Bank entities of $ nil (2006 – $86) and deposit placements with CIBC and Barclays entities of $217,008 (2006 – $230,778). The effective yield on deposit placements during the year was 4.6% (2006 – 3.3%).

5. Derivative financial instruments

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

	Contract/ Notional Amount $	Fair Values Assets $	Liabilities $
October 31, 2007			
Interest rate swaps	354,578	33,223	(28,812)
Currency forwards	102,276	3,490	—
Short sales	321,585	—	(2,162)
		36,713	(30,974)
October 31, 2006			
Interest rate swaps	654,154	1,983	(12,414)
Currency forwards	102,276	—	(10)
		1,983	(12,424)

Currency forwards represent commitments to purchase foreign currency including undelivered spot transactions. The counterparty is Canadian Imperial Bank of Commerce-Toronto.

See Auditors' Report Page 56.

Notes to the Consolidated Financial Statements

October 31, 2007
(expressed in thousands of Bahamian dollars)

6. Financial assets at fair value through profit or loss

	2007 $	2006 $ (Restated)
Financial assets held for trading		
Government bonds	—	495
Corporate bonds	**14,904**	241,556
Asset-backed securities	**380,667**	404,132
Other securities – investment fund	**394,902**	—
	790,473	646,183
Add: Interest receivable	**1,834**	6,098
Total Financial assets held for trading	**792,307**	652,281

The effective yield on the financial assets held for trading during the year was 3.5% (2006 – 5.7%).

7. Other assets

	2007 $	2006 $ (Restated)
Branch clearings	**13,593**	10,726
Suspense accounts	**2,070**	(1,999)
Other accounts receivable, including clearings	**16,056**	26,731
Prepayments and deferred items	**943**	1,153
Due from related party	—	3,000
	32,662	39,611

The amount due from related party at October 31, 2006 was due on demand from Barclays Bank PLC and is interest-free.

8. Investment securities

	2007 $	2006 $ (Restated)
Loans and advances to customers		
Issued or guaranteed by Governments		
– Debt securities	—	156,898
Available-for-sale securities		
Government bonds	475,208	402,850
Corporate bonds	404,552	133,363
Total available-for-sale securities	879,760	536,213
	879,760	693,111
Add: Interest receivable	13,401	13,454
Total investment securities	893,161	706,565

Debt securities issued or guaranteed by the Government of The Bahamas amounted to $132,574 (2006 – $136,700). Government bonds include US Treasury Notes of $271,837, all of which have been pledged in support of the repurchase agreements described in Note 15. The effective yield during the year on investment securities was 6.4% (2006 – 6.2%).

See Auditors' Report Page 56.

(expressed in thousands of Bahamian dollars)

8. Investment securities (continued)

The movement in investment securities may be summarised as follows:

	Loans and advances $	Available-for-sale $	Total $
Balance, beginning of year 2006	158,523	7,500	166,023
Additions	9,350	533,774	543,124
Disposals – sale and redemption	(10,975)	(4,982)	(15,957)
Loss from changes in fair value	—	(79)	(79)
Balance, end of year 2006	156,898	536,213	693,111
Transfer between classifications	(156,898)	156,898	—
Additions	—	426,680	426,680
Disposals – sale and redemption	—	(236,453)	(236,453)
Loss from changes in fair value (Note 18)	—	(6,767)	(6,767)
Gain from change in unamortised premium	—	3,189	3,189
Balance, end of year 2007	—	879,760	879,760

9. Loans and advances to customers

	2007 $	**2006 $ (Restated)**
Mortgages	**1,105,365**	1,025,949
Personal loans	**322,286**	333,866
Business loans	**991,025**	1,064,612
Government securities purchased under — resale agreements	**46,220**	52,185
	2,464,896	2,476,612
Add: Interest receivable	**12,578**	16,035
Less: Loan fee deferrals	**(19,760)**	(19,456)
Less: Provisions for impairment		
- Specific provisions for credit risk	**(36,177)**	(39,680)
- General provisions for inherent risk	**(5,562)**	(7,560)
	2,415,975	2,425,951

See Auditors' Report Page 56.

(expressed in thousands of Bahamian dollars)

9. Loans and advances to customers (continued)

Movement in provisions for impairment is as follows:

	Specific credit risk provision $	Inherent risk provision $
Balance, October 31, 2005	**(36,640)**	(6,377)
Doubtful debt expense	**(4,141)**	—
Net movement in inherent risk provisions	—	(1,183)
Recoveries of bad and doubtful debts	**(1,344)**	—
Bad debts written off	**2,445**	—
Balance, October 31, 2006	**(39,680)**	(7,560)
Doubtful debt expense	**(14,337)**	—
Net movement in inherent risk provisions	—	1,998
Recoveries of bad and doubtful debts	**(1,252)**	—
Bad debts written off	**19,092**	—
Balance, October 31, 2007	**(36,177)**	(5,562)

The average interest yield during the year on loans and advances was 8.3% (2006 — 8.4%). Impaired loans as at October 31, 2007 amounted to $157,785 (2006 — $123,630). Included in business loans are advances to FCIB Jamaica totalling $88,754, which are pledged in favour of that bank in support of loans granted to certain of its customers.

Loan loss impairment is calculated as follows:

	2007 $	2006 $
Doubtful debt expense	**14,337**	4,141
Net movement in inherent risk provisions	**(1,998)**	1,183
Loan loss impairment for the year	**12,339**	5,324

See Auditors' Report Page 56.

10. Property and equipment

	Land and buildings $	Equipment furniture and vehicles $	Leasehold improvements $	Total 2007 $
Cost				
Balance, November 1, 2006	18,535	32,386	12,051	62,972
Purchases	246	1,808	50	2,104
Disposals	—	(51)	—	(51)
Assets written off	—	(8)	—	(8)
Balance, October 31, 2007	18,781	34,135	12,101	65,017
Accumulated depreciation				
Balance, November 1, 2006	5,326	22,362	6,075	33,763
Depreciation (Note 21)	281	3,484	586	4,351
Disposals	—	(51)	—	(51)
Balance, October 31, 2007	5,607	25,795	6,661	38,063
Net book value, October 31, 2007	13,174	8,340	5,440	26,954

	Land and buildings $	Equipment furniture and vehicles $	Leasehold improvements $	Total 2006 $
Cost				
Balance, November 1, 2005	20,436	30,524	11,445	62,405
Purchases	450	1,438	84	1,972
Disposals	(1,214)	(191)	—	(1,405)
Transfers	(1,137)	615	522	—
Balance, October 31, 2006	18,535	32,386	12,051	62,972
Accumulated depreciation				
Balance, November 1, 2005	5,282	19,898	5,460	30,640
Depreciation (Note 21)	322	2,614	600	3,536
Disposals	(224)	(189)	—	(413)
Transfers	(54)	39	15	—
Balance, October 31, 2006	5,326	22,362	6,075	33,763
Net book value, October 31, 2006	13,209	10,024	5,976	29,209

(expressed in thousands of Bahamian dollars)

11. Retirement benefit assets and obligations

The Bank has an insured group health plan and a pension plan. The pension plan is a mixture of defined benefit and defined contribution schemes. The defined benefit sections of the scheme are non-contributory and allow for additional voluntary contributions. The insured health plan allows for retirees to continue receiving health benefits during retirement. Independent actuaries value the plan every three years. The most recent actuarial valuations of the plan assets and the present value of the defined benefit obligation were carried out as at November 1, 2004. At November 30, 2004, the valuation revealed a fund surplus of $20.0 million.

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

	Defined benefit pension plans		Post-retirement medical benefits	
	2007	2006	2007	2006
	$	$	$	$
Fair value of plan assets	**92,254**	83,149	**—**	—
Present value of funded obligations	**(68,189)**	(56,398)	**(3,582)**	(9,368)
	24,065	26,751	**(3,582)**	(9,368)
Unrecognised actuarial gain	**(10,563)**	(13,097)	**(232)**	(2,240)
Net asset/(liability)	**13,502**	13,654	**(3,814)**	(11,608)

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

The actuarial return on plan assets for the defined benefit sections of the pension plan is $10,680 (2006: $6,494).

The amounts recognised in the consolidated statement of income are as follows:

	Defined benefit pension plans		Post-retirement medical benefits	
	2007	2006	2007	2006
	$	$	$	$
Current service costs	**2,854**	2,873	**519**	526
Curtailment and settlement costs	**(324)**	(378)	**(8,860)**	(52)
Expected return on plan assets	**(6,177)**	(6,158)	**—**	—
Interest cost	**3,800**	3,598	**639**	639
Total amount included in staff costs	**153**	(65)	**(7,702)**	1,113

See Auditors' Report Page 56.

11. Retirement benefit assets and obligations (continued)

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

	Defined benefit pension plans		Post-retirement medical benefits	
	2007	2006	2007	2006
	$	$	$	$
Balance, beginning of year	**13,654**	13,597	**(11,608)**	(10,600)
Charge for the year	**(153)**	65	**7,702**	(1,113)
Contributions paid	**—**	(8)	**—**	—
Employer premiums for existing retirees	**—**	—	**92**	105
Foreign exchange translation gain	**1**	—	**—**	—
Balance, end of year	**13,502**	13,654	**(3,814)**	(11,608)

Changes in the present value of the defined benefit obligation are as follows:

	2007	2006
	$	$
Present value of funded obligations at beginning of year	**56,398**	50,440
Interest cost	**3,800**	3,598
Customer service cost	**2,854**	2,873
Benefits paid	**(1,575)**	(963)
Actuarial loss on obligation	**6,712**	450
Present value of funded obligation at end of year	**68,189**	56,398

Changes in fair value of the plan assets are as follows:

	2007	2006
	$	$
Fair value of plan assets at beginning of year	**83,149**	77,449
Expected return on plan assets	**6,177**	6,158
Benefits paid	**(1,575)**	(963)
Actuarial gain on plan assets	**4,503**	505
Fair value of plan assets at end of year	**92,254**	83,149

(expressed in thousands of Bahamian dollars)

11. Retirement benefit assets and obligations (continued)

The Bank expects to contribute $290 to its defined benefit pension plan in 2008.

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	2007	2006
Equity instruments	**64%**	64%
Debt instruments	**35%**	35%
Other assets	**1%**	1%

The overall expected rate of return on plan assets is determined based on market prices and conditions.

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

	Defined benefit Pension plans	
	2007	**2006**
Discount rate	**6.0%**	6.5%
Expected return on plan assets	**7.5%**	8.0%
Future salary increases	**4.5%**	4.5%
Future pension increases	**1.5%**	1.5%

	Post-retirement medical benefits	
	2007	**2006**
Discount rate	**6.3%**	6.5%
Premium escalation rate	**4.5%**	4.5%
Existing retiree age	**60**	64

See Auditors' Report Page 56.

11. Retirement benefit assets and obligations (continued)

The present value of the defined benefit obligation, the related current service cost and past service cost was measured using the Projected Unit Method.

Amounts for the current and previous year are as follows:

	2007 $	2006 $
Defined benefit obligation	**(68,189)**	(56,398)
Plan assets	**92,254**	83,149
Surplus	**24,065**	26,751
Experience adjustments on plan liabilities	**6,712**	450
Experience adjustments on plan assets	**4,503**	505

Impact of changes in medical premium escalation rate

The impact of a 1% change in the medical premium escalation assumption on the sum of the current service cost and on the present value of the obligation is shown in the table below.

Item	Change of –1% in medical premium escalation rate $	Current IAS 19 results $	Change of +1 in medical premium escalation rate $
Current Service Cost + Interest Cost	1,020	1,160	1,360
Present Value of Obligation	3,110	3,580	4,160

12. Goodwill

	2007 $	2006 $
Carrying amount, October 31	**187,747**	187,747

Based on the Bank's assessment of goodwill, there was no impairment charge for the year (2006-$nil).

(expressed in thousands of Bahamian dollars)

13. Customer deposits

	Payable on demand $	Payable after notice $	Payable at a fixed date $	2007 Total $	2006 Total $
Individuals	130,846	180,166	943,418	1,254,430	1,060,998
Business and governments	712,115	29,892	997,229	1,739,236	1,887,731
Banks	2,636	—	641,720	644,356	535,471
	845,597	210,058	2,582,367	3,638,022	3,484,200
Add: Interest payable	364	333	22,687	23,384	19,703
	845,961	210,391	2,605,054	3,661,406	3,503,903

Included in deposits from banks are deposits from other FirstCaribbean Bank entities of $600,452 (2006 — $484,877) and deposits from CIBC and Barclays Bank PLC entities of $13,463 (2006 — $12,757).

The effective rate of interest on deposits during the year was 3.4% (2006 – 3.8 %).

14. Debt securities in issue

	2007 $	2006 $
Notes payable	20,000	—
Add: Interest payable	620	—
	20,620	—

During the year, the Bank issued $20 million in redeemable floating rate notes, with interest payable at a rate of Bahamas Prime plus 0.75% per annum. The notes, which are unsecured, will mature on November 3, 2011, but may be redeemed at the option of the Bank.

15. Other borrowed funds

	2007 $	2006 $
Repurchase agreements	**273,544**	280,692
Add: Interest payable	**4,627**	652
	278,171	281,344

The Bank sold under repurchase agreements, investment securities having a fair value of $271,837 (2006: $279,337) and maturities between November 2007 and February 2008 (2006 — January 2007). The effective rate of interest on these borrowings during the year was 4.9% (2006 - 5.17%).

16. Other liabilities

	2007 $	2006 $ (Restated)
Accounts payable and accruals	**23,553**	15,156
Due to brokers	**4,835**	—
Payroll liabilities	**1,750**	592
Amount due to related parties	**—**	2,196
	30,138	17,944

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

17. Share capital

The Bank's authorised capital is $20 million, comprising 150 million ordinary shares with a par value of $0.10 each and 50 million preference shares also having a par value of $0.10 each. All issued shares are fully paid. At October 31, 2007 and 2006, the issued share capital was as follows:

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

See Auditors' Report Page 56.

(expressed in thousands of Bahamian dollars)

18. Share capital and reserves

	2007 $	2006 $ (Restated)
Share capital (Note 17)	**477,230**	477,230
Reserves		
Statutory reserve fund – Turks and Caicos Islands	**12,000**	6,800
Statutory loan loss reserve – Bahamas	**16,495**	14,661
Revaluation reserve – available for sale securities	**(5,862)**	905
Reverse acquisition reserve	**(63,566)**	(63,566)
Total reserves	**(40,933)**	(41,200)
Total share capital and reserves	**436,297**	436,030

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

The movements in reserves were as follows:

	2007 $	2006 $
Statutory reserve fund — Turks and Caicos Islands		
Balance, beginning of year	**6,800**	2,800
Transfers from retained earnings	**5,200**	4,000
Balance, end of year	**12,000**	6,800

In accordance with the Banking (Amendment) Ordinance 2002 of the TCI, the Bank is required to maintain a statutory reserve fund of not less than the amount of its assigned capital. Where it is less than the assigned capital, the Bank is required to annually transfer 25% of its net profit earned from its TCI operations to this fund. The Bank's practice is to make this transfer based on net profits of the preceding fiscal year. During the year the Bank transferred $5,200 (2006: $4,000) from retained earnings to the statutory reserve fund.

See Auditors' Report Page 56.

18. Share capital and reserves (continued)

	2007 $	2006 $ (Restated)
Revaluation reserve — available-for-sale investment securities		
Balance, beginning of year	**905**	—
Net gain (loss) from changes in fair value of available-for-sale investment securities (Note 8)	**(6,767)**	905
Balance, end of year	**(5,862)**	905

	2007 $	2006 $
Revaluation reserve — cash flow hedges		
Balance, beginning of year	—	817
Net loss from changes in fair value	—	(817)
Balance, end of year	—	—

(expressed in thousands of Bahamian dollars)

18. Share capital and reserves (continued)

	2007 $	2006 $
Statutory loan loss reserve — Bahamas		
Balance, beginning of year	**14,661**	—
Transfers from retained earnings	**1,834**	14,661
Balance, end of year	**16,495**	14,661

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

Reverse acquisition reserve

	2007 $	2006 $
Reverse acquisition reserve, beginning and end of year	**(63,566)**	(63,566)

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

19. Net interest income

	2007 $	2006 $ (Restated)
Interest and similar income		
Cash and short term funds	**16,180**	20,082
Financial assets at fair value through profit or loss	**26,412**	22,996
Investment securities	**46,396**	15,668
Loans and advances	**196,838**	184,408
Reverse repos and other	**2,775**	2,325
	288,601	245,479
Interest and similar expense		
Banks and customers	**123,803**	92,723
Other borrowed funds	**19,336**	652
Derivatives, net	**(1,698)**	(1,968)
	141,441	91,407
Net interest income	**147,160**	154,072

See Auditors' Report Page 56.

(expressed in thousands of Bahamian dollars)

20. Other operating income

	2007 $	2006 $ (Restated)
Fee and commission income	**16,485**	14,311
Net trading income – foreign exchange transaction gains less losses	**13,023**	13,181
– translation gains less losses	**843**	587
– interest rate instruments	**(5,623)**	(13,654)
Gains less losses from investment securities	**4,455**	(180)
Other income	**2,960**	3,580
	32,143	17,825

Analysis of fee and commission income:

	2007 $	2006 $ (Restated)
Fee and commission income		
Underwriting fees and commissions	**85**	19
Deposit services fees and commissions	**8,705**	8,202
Credit services fees and commissions	**1,507**	1,507
Card services fees and commissions	**5,848**	4,231
Other fees and commissions	**340**	352
	16,485	14,311

21. Operating expenses

	2007 $	2006 $
Staff costs	**27,768**	36,104
Occupancy and maintenance	**7,908**	6,581
Loss on sale of property and equipment	**—**	31
Depreciation (Note 10)	**4,351**	3,536
Operating lease rentals	**3,021**	3,792
Other operating expenses	**14,056**	15,829
	57,104	65,873

21. Operating expenses (continued)

Analysis of staff costs:

	2007 $	2006 $
Wages and salaries	**27,815**	27,593
Pension costs/(income):		
– defined benefit sections of the plan	**153**	(65)
– defined contribution section of the plan	**274**	211
Other post retirement benefits	**(7,702)**	1,013
Other staff related costs	**7,228**	7,352
	27,768	36,104

Analysis of other operating expenses:

	2007 $	2006 $
Professional fees	**410**	634
Advertising and marketing	**147**	125
Business development and travel	**1,199**	944
Communications	**1,776**	1,865
Other	**10,524**	12,261
	14,056	15,829

22. Earnings per share

Basic earnings per share

	2007 $	2006 $
Net income attributable to shareholders	**109,860**	100,700
Weighted average number of ordinary shares in issue	**120,216**	120,216
Basic earnings per share (expressed in cents per share)	**91.4**	83.8

The Bank has no dilutive securities.

See Auditors' Report Page 56.

(expressed in thousands of Bahamian dollars)

23. Dividends paid and proposed

	2007 $	2006 $
Declared and paid during the year		
First dividend $0.25 cents (2006-$0.30)	**30,054**	36,065
Final dividend $0.22 cents (2006-$0.25)	**26,445**	30,054
Total dividends declared and paid	**56,499**	66,119

At the Board of Directors meeting held on December 17, 2007, a final dividend of $0.25 per share amounting to $30,054 in respect of the 2007 net income was proposed and declared. The consolidated financial statements for the year ended October 31, 2007 do not reflect this resolution, which will be accounted for in equity as a distribution of retained earnings in the year ending October 31, 2008.

24. Related party transactions and balances

As discussed in Note 1, the Bank's Parent and major shareholder is FirstCaribbean International Bank Limited who owns 95.2% of the Bank's ordinary shares. From October 11, 2002, the Bank's major shareholders were jointly CIBC and Barclays. On December 22, 2006, CIBC acquired Barclays' interest in the Bank and now owns 91.4% of the shares of The Bank's Parent (FCIB). The remaining shares are widely held.

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

	Directors and key management personnel		Major shareholder and associated banks		Ultimate Shareholders	
	2007 $	2006 $	2007 $	2006 $	2007 $	2006 $
Balances:						
Due from banks	—	—	—	86	117,986	230,778
Loans and advances to customers	2,939	2,011	89,169	88,754	—	—
Deposit liabilities	4,152	5,869	600,452	484,877	13,905	12,757
Transactions:						
Interest income earned	87	151	5,484	4,117	8,028	15,956
Interest expense incurred	219	201	27,457	11,408	341	626
Other revenue – fee income (note (i))	—	—	—	—	—	1,099
Other expenses (note (ii))	—	—	2,300	2,300	38	50

See Auditors' Report Page 56.

24. Related party transactions and balances (continued)

i) The agreement with Barclays Bank PLC whereby the Bank received an annual payment from Barclays Bank PLC of $10,000 effective January 1, 2002, as an incentive for the Bank to retain its deposit placements with Barclays Capital expired on December 31, 2005.
ii) Expenses incurred in relation to banking and support services.

	2007 $	2006 $
Key management compensation		
Salaries and short term benefits	**1,960**	2,095

Directors' remuneration

A listing of the members of the Board of Directors is included within the Bank's Annual Report. In 2007, the total remuneration of the directors was $45 (2006 — $67).

25. Contingent liabilities and commitments

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

	2007 $	2006 $
Letters of credit	**47,728**	60,881
Loan commitments	**290,738**	358,191
Guarantees and indemnities	**25,124**	16,067
	363,590	435,139

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

(expressed in thousands of Bahamian dollars)

26. Future rental commitments under operating leases

As at October 31, 2007 the Bank held leases on buildings for extended periods. The future rental commitments under these leases are as follows:

	2007 $	2006 $
Not later than 1 year	**2,220**	2,695
Later than 1 year and not more than 5 years	**4,552**	6,104
Later than 5 years	**1,291**	2,428
	8,063	11,227

27. Business segments

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

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

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

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

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

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

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

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

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

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

See Auditors' Report Page 56.

(expressed in thousands of Bahamian dollars)

27. Business segments (continued)

	Retail Banking $	Corporate Banking $	International Wealth Mgt $	Capital Markets $	Treasury $	Other $	Eliminations $	Total $
October 31, 2007								
External revenues	102,428	108,737	15,603	7,136	86,683	157	—	320,744
Revenues from other segments	(9,876)	(8,288)	79,018	(4,495)	(56,359)	—	—	—
Total revenues	92,552	100,449	94,621	2,641	30,324	157	—	320,744
Net income for the year	**37,353**	**73,000**	**42,180**	**2,584**	**(31,518)**	**(13,739)**	—	**109,860**
Total assets	**1,060,298**	**1,248,973**	**204,514**	**33,124**	**1,859,810**	**261,808**	**(72)**	**4,668,455**
Total liabilities	**486,987**	**946,534**	**1,647,465**	—	**915,419**	**30,575**	**(1,857)**	**4,025,123**
Other segment items								
Capital expenditure	—	—	—	—	—	2,104	—	2,104
Depreciation	—	—	—	—	—	4,351	—	4,351
Loan loss impairment	—	—	—	—	—	12,339	—	12,339
October 31, 2006								
External revenues	93,181	94,537	13,069	10,487	50,775	1,255	—	263,304
Revenues from other segments	(4,141)	(7,502)	65,374	(7,681)	(46,050)	—	—	—
Total revenues	89,040	87,035	78,443	2,806	4,725	1,255	—	263,304
Net income for the year	**27,816**	**48,488**	**34,786**	**2,477**	**(6,781)**	**(6,086)**	—	**100,700**
Total assets	**1,241,828**	**1,054,552**	**1,314,637**	**11,257**	**503,258**	**313,970**	**(15,541)**	**4,423,961**
Total liabilities	**790,623**	**864,807**	**1,364,016**	—	**803,352**	**18,966**	**(14,541)**	**3,827,223**
Other segment items								
Capital expenditure	—	—	—	—	—	1,972	—	1,972
Depreciation	—	—	—	—	—	3,536	—	3,536
Loan loss impairment	—	—	—	—	—	5,324	—	5,324

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

See Auditors' Report Page 56.

28. Financial risk management

A. Strategy in using financial instruments

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

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

B. Credit risk

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

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

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

Derivatives

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

Master netting arrangements

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

Credit related commitments

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

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

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

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

See Auditors' Report Page 56.

(expressed in thousands of Bahamian dollars)

28. Financial risk management (continued)

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

	Total assets $	Total liabilities $	Credit commitments $	Capital expenditure $	Revenues $	Operating expenses $	Net income $
October 31, 2007							
Bahamas	4,059,396	3,476,528	304,725	1,411	287,196	191,593	85,433
Turks & Caicos Islands	609,059	548,595	58,865	693	33,548	6,952	24,427
	4,668,455	4,025,123	363,590	2,104	320,744	198,545	109,860
October 31, 2006 (Restated)							
Bahamas	3,863,652	3,316,886	332,371	1,265	226,566	141,596	79,835
Turks & Caicos Islands	560,309	510,337	102,768	707	36,738	15,684	20,865
	4,423,961	3,827,223	435,139	1,972	263,304	157,280	100,700

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

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

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

	2007 $	2007 %	2006 $ (Restated)	2006 % (Restated)
Bahamas	2,132,804	88	2,233,963	92
Turks & Caicos Islands	283,171	12	191,988	8
	2,415,975	100	2,425,951	100

See Auditors' Report Page 56.

(expressed in thousands of Bahamian dollars)

28. Financial risk management (continued)

D. Currency risk

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

Concentrations of assets, liabilities and credit commitments:

October 31, 2007	**BAH $**	**US $**	**Other $**	**Total $**
Assets				
Cash and balances with central bank	103,199	11,567	2,042	116,808
Due from banks	1,161	48,612	102,853	152,626
Derivative financial instruments	—	36,713	—	36,713
Financial assets at fair value through profit or loss	—	792,307	—	792,307
Other assets	10,287	20,879	1,496	32,662
Investment securities	133,974	720,623	38,564	893,161
Loans and advances to customers	1,440,983	974,992	—	2,415,975
Property and equipment	20,779	6,094	81	26,954
Retirement benefit assets	11,731	1,771	—	13,502
Goodwill	186,582	1,165	—	187,747
Total assets	1,908,696	2,614,723	145,036	4,668,455
Liabilities				
Customer deposits	1,348,011	2,064,913	248,482	3,661,406
Derivative financial instruments	—	20,940	10,034	30,974
Debt securities in issue	20,620	—	—	20,620
Other borrowed funds	—	278,171	—	278,171
Other liabilities	280	29,858	—	30,138
Retirement benefit obligations	3,717	—	97	3,814
Total liabilities	1,372,628	2,393,882	258,613	4,025,123
Net on balance sheet position	**536,068**	**220,841**	**(113,577)**	**643,332**
Credit commitments	**104,967**	**257,062**	**1,561**	**363,590**

See Auditors' Report Page 56.

Concentrations of assets, liabilities and credit commitments (continued)

	BAH $	**US $**	**Other $**	**Total $**
October 31, 2006 (Restated)				
Total assets	1,857,111	2,452,370	114,480	4,423,961
Total liabilities	1,336,948	2,274,672	215,603	3,827,223
Net on balance sheet position	**520,163**	**177,698**	**(101,123)**	**596,738**
Credit commitments	**174,841**	**258,395**	**1,903**	**435,139**

E. Cash flow and fair value interest rate risk

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

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

F. Liquidity risk

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

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

(expressed in thousands of Bahamian dollars)

28. Financial risk management (continued)

F. Liquidity risk (continued)

Maturities of assets and liabilities

October 31, 2007	**0-3 months $**	**3-12 months $**	**1-5 years $**	**Over 5 years $**	**Total $**
Assets					
Cash and balances with central bank	116,808	—	—	—	116,808
Due from banks	152,626	—	—	—	152,626
Derivative financial instruments	36,713	—	—	—	36,713
Financial assets at fair value through profit or loss	792,307	—	—	—	792,307
Other assets	32,662	—	—	—	32,662
Investment securities	102,310	108,915	459,387	222,549	893,161
Loans and advances to customers	243,785	260,733	397,769	1,513,688	2,415,975
Property and equipment	—	—	—	26,954	26,954
Retirement benefit asset	—	—	—	13,502	13,502
Goodwill	—	—	—	187,747	187,747
Total assets	1,477,211	369,648	857,156	1,964,440	4,668,455
Liabilities					
Customer deposits	3,116,341	497,720	47,092	253	3,661,406
Derivative financial instruments	30,974	—	—	—	30,974
Debt securities in issue	620	—	20,000	—	20,620
Other borrowed funds	186,933	91,238	—	—	278,171
Other liabilities	30,138	—	—	—	30,138
Retirement benefit obligations	—	—	—	3,814	3,814
Total liabilities	3,365,006	588,958	67,092	4,067	4,025,123
Net on balance sheet position	**(1,887,795)**	**(219,310)**	**790,064**	**1,960,373**	**643,332**
Credit commitments	**107,714**	**255,229**	**647**	**—**	**363,590**

See Auditors' Report Page 56.

October 31, 2006 (Restated)	**0-3 months $**	**3-12 months $**	**1-5 years $**	**Over 5 years $**	**Total $**
Total assets	1,442,081	441,335	1,007,379	1,533,166	4,423,961
Total liabilities	3,272,143	376,205	13,076	165,799	3,827,223
Net on balance sheet position	**(1,830,062)**	**65,130**	**994,303**	**1,367,367**	**596,738**
Credit commitments	**25,953**	**409,186**	**—**	**—**	**435,139**

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

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

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

(expressed in thousands of Bahamian dollars)

28. Financial risk management (continued)

G. Fair values of financial assets and liabilities

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

	Carrying value		Fair value	
	2007 Total $	**2006 Total $ (Restated)**	**2007 Total $**	**2006 Total $ (Restated)**
Financial Assets				
Due from banks	**152,626**	297,817	**152,626**	297,817
Loans and advances to customers	**2,415,975**	2,425,951	**2,381,257**	2,391,090
Investment securities – loans and advances	—	156,898	—	168,561
Financial liabilities				
Customer deposits	**3,661,406**	3,503,903	**3,654,230**	3,496,895
Other borrowed funds	**278,171**	281,344	**277,231**	281,240
Debt securities in issue	**20,620**	—	**19,493**	—

Due from banks

Due from 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 inflows. Expected cash flows are discounted at current market rates to determine fair value. The balances are net of specific and other provisions for impairment and their net carrying amounts reflect their fair values.

Investment securities

Fair value for investments designated as loans and advances is based on market prices or broker/dealer price quotations. Where this information is not available, fair value has been estimated using quoted market prices for securities with similar credit, maturity and yield characteristics. Where fair values still cannot be measured reliably, these securities are carried at cost less impairment. Available-for-sale securities are measured at fair value.

Customer deposits and other borrowed funds

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

29. Critical accounting estimates and judgements in applying accounting policies

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

See Auditors' Report Page 56.

(expressed in thousands of Bahamian dollars)

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

i) Disallowance of hedge effectiveness accounting

As discussed in Note 2, during the year, a review of the Bank's hedge accounting revealed that existing hedge documentation was not appropriate. Consequently, all hedges existing as of that date were disqualified from having met the criteria for hedge accounting. The effect is tabulated below.

	$'000
The effect on the consolidated statement of income for 2006 was as follows:	
Net income for the year as previously reported	110,672
Adjusted for:	
Decrease in operating income	(9,972)
Net income for the year as restated	100,700
Earnings per share in cents as previously reported	
– basic	92.1
Earnings per share in cents as restated	
– basic	83.8
The effect on the balance sheet for 2006 was as follows:	
Total equity as previously reported	605,406
Adjusted for:	
Increase in reserves	474
Decrease in retained earnings	(9,142)
Total equity as restated	596,738

ii) Settlement date accounting

Effective March 1, 2007, the Bank changed the date on which all purchases and sales of financial assets at fair value through 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 $157,000, other assets by $82,000 and other liabilities by $239,000.

iii) Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the balance sheet cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input for these models is taken from observable markets where possible, but where this is not possible, a degree of judgement is required in establishing fair values. The judgement includes considerations of liquidity and model inputs such as correlation and volatility for longer dated derivatives.

iv) Loan fee recognition estimate

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

In accordance with IAS 18 Revenue, loan origination fees relating to loans that have a high probability of being drawn down, are to be deferred (together with related direct costs) and recognised as an adjustment to the effective interest yield on the loan. As a result of this change, $19,456 has been reclassified between other liabilities and loans and advances.

30. Fiduciary activities

The Bank provides custody and trustee discretionary investment management services to third parties. Those assets that are held in a fiduciary capacity are not included in these financial statements. At the balance sheet date, the Bank had investment assets under administration on behalf of third parties amounting to $21 (2006 — $201).

31. Principal subsidiary undertakings

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

All subsidiaries are wholly owned.

See Auditors' Report Page 56.

FirstCaribbean International Bank (Bahamas) Limited Information Circular

We are providing these proxy materials in connection with the solicitation by the Board of Directors of FirstCaribbean International Bank (Bahamas) Limited, of proxies to be voted at the Company's 2007 Annual General Meeting of Shareholders and at any meeting following adjournment thereof.

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

You are cordially invited to attend the annual meeting on June 27th, 2008 beginning at 6:00 p.m. E.S.T. Shareholders will be admitted beginning at 5:30 p.m. E.S.T. The meeting will be held at the Sheraton Cable Beach Resort, Salon C, Cable Beach, Nassau, The Bahamas.

This financial year of FirstCaribbean International Bank (Bahamas) Limited began on November 1, 2006 and ended October 31, 2007. References in this proxy statement to the year 2007 or financial 2007 refer to the period as mentioned above.

We are mailing this proxy statement and accompanying forms of proxy and voting instructions to holders of the Company's ordinary shares on June 4, 2008, the record date for the meeting.

PROXIES AND VOTING PROCEDURES

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

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

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

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

SHAREHOLDERS ENTITLED TO VOTE

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

On June 4, 2008 there were 120,216,204 ordinary shares of par value $0.10 each outstanding. Each share is entitled to one vote on each matter properly brought before the meeting.

At close of business on June 4, 2008 FirstCaribbean International Bank Limited beneficially owned or controlled directly or indirectly 114,463,600 shares which represents 95.21% of the Company's issued ordinary shares.

QUORUM AND REQUIRED VOTE

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

ELECTION OF DIRECTORS

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

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

The Board of Directors held four (4) meetings in 2007.

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

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

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

COMPENSATION OF DIRECTORS

Each director, who is not an employee of FirstCaribbean International Bank (Bahamas) Limited is paid a fee of $2,500.00 per meeting for his or her services as a director. Directors are also entitled to reimbursement for reasonable travel and living expenses incurred by them in attending any Board of Directors or committee meetings.

No special remuneration was paid to any director during financial year 2007.

Name and Position	Principal Occupation	Director Since	Number of Shares Beneficially Owned or Controlled Directly or Indirectly
Michael Mansoor	Executive Chairman, FirstCaribbean International Bank	1999	Nil
Sharon Brown	Executive Director, Managing Director	2002	Nil
J. W. P. Krukowski	Chairman, Doctors Hospital Health System Ltd	1997	Nil
Terence Hilts	Retired Banker	1997	31,220
Willie Moss	Attorney-at-law	1998	Nil
G. Diane Stewart	Attorney-at-law	2002	Nil
Jan-Arne Farstad	Executive Director, Wealth Management	2004	Nil

FirstCaribbean International Bank (Bahamas) Limited Information Circular

SENIOR MANAGEMENT COMPENSATION

The senior management of the Company received aggregate compensation amounting to B$1,798,805 in the financial year 2007.

INDEBTEDNESS OF MANAGEMENT

There is a total indebtedness of approximately B$2,951,760 due to the Company from members of the senior management and directors. This represents loans and mortgages.

MANAGEMENT'S INTEREST IN TRANSACTIONS

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

SHARE OPTION PLAN

There is no share option plan.

SHAREHOLDER FEEDBACK AND COMMUNICATION

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

APPOINTMENT OF AUDITORS

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

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

OTHER BUSINESS

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

DIRECTORS' APPROVAL AND CERTIFICATE

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

Dated at the City of Nassau, New Providence Island in the Commonwealth of The Bahamas this June 4, 2008.

Michael Mansoor
Chairman

Teresa S. Williams
Corporate Secretary

Proxy Form

The undersigned __________________________ (please print) of________________________ (please print) being a shareholder of FirstCaribbean International Bank (Bahamas) Limited ("the Company") hereby appoints Mr. Michael M. Mansoor, or failing him, Sharon E. Brown, or instead or either of them, _____________________ or ____________________as proxy of the undersigned to attend and vote at the Annual General Meeting of Shareholders ("the meeting") of the Company to be held on 27th June, 2008 and at any adjournment thereof, notice of the meeting, together with the accompanying financial statements and the Information Circular having been received by the undersigned, and on behalf of the undersigned to vote as specifically directed below.

1. Specified in the accompanying Information Circular:

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

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

VOTE FOR ___ WITHHOLD FROM VOTING ___

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

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

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

Dated this .... day of ....A.D., 2008

Corporate Seal ....

Notes:

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

In order for this form of proxy or other appropriate forms of proxy to be valid, it must be signed and should be dated by the shareholder or the shareholder's attorney. The signature should be exactly the same as the name in which the shares are registered. The proxy must be sent by mail or hand delivered to the offices of CIBC Trust (Bahamas) Limited, Registrar and Transfer Agents, Goodman's Bay Corporate Centre, West Bay Street, no later than 48 hours before the time for holding the meeting. If this form of proxy is received undated but otherwise properly executed, it will for all purposes be deemed to be dated 25th June, 2008.

Design: Lonsdale Saatchi & Saatchi Advertising Ltd
Printing: Zenith Printing Services Ltd

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

FIRSTCARIBBEAN
INTERNATIONAL BANK

www.firstcaribbeanbank.com