FIRSTCARIBBEAN INTERNATIONAL BANK (BAHAMAS) LIMITED ANNUAL REPORT 2008

BAHAMAS ANNUAL REPORT 2008

FORWARD. UNITED. TOGETHER.

FIRSTCARIBBEAN INTERNATIONAL BANK

GET THERE. TOGETHER.

Vision

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

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

Contents

FORWARD. UNITED. TOGETHER.

At FirstCaribbean, our seventh year of operation finds us and our partners continuing to reap the rewards of our strong governance framework which has empowered us to move forward and address whatever challenges may lie ahead. Accountability, efficiency and transparency have strengthened our position as a resilient, regionally integrated financial entity with Caribbean connections and an international pedigree.

FIRSTCARIBBEAN
INTERNATIONAL BANK
GET THERE. TOGETHER.

Notice of Meeting

Annual Meeting

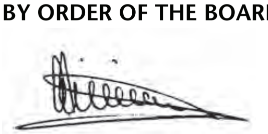
Notice is hereby given that the Fourteenth Annual General Meeting of FirstCaribbean International Bank (Bahamas) Limited will be held at 6:00 p.m. on Thursday, May 28, 2009 at the British Colonial Hilton, Governor's Room A, Number One Bay Street, Nassau, The Bahamas for the following purposes:

1. To receive and consider the minutes of the last Annual General Meeting held on June 27, 2008.
2. To receive and consider the Chairman's review.
3. To receive accounts for the year ended October 31, 2008 and the report of the Directors and Auditors thereon.
4. To elect the following Directors:

    i. Sharon Brown
    ii. Terence R. Hilts
    iii. Joseph W. P. Krukowski
    iv. Michael Mansoor
    v. Willie Moss
    vi. G. Diane Stewart

5. To appoint Auditors of the Company and authorise the Directors to fix their remuneration.
6. Ratification of dividends for fiscal 2008.
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
May 5, 2009

Record Date

Holders of FirstCaribbean International Bank (Bahamas) Limited ordinary shares of record at the close of business on May 5, 2009 are entitled to vote at the meeting.

Financial Statements

The Company's audited financial statements for the year ended October 31, 2008 are included in the Company's 2008 annual report, which is enclosed as a part of the proxy soliciting material.

Proxies

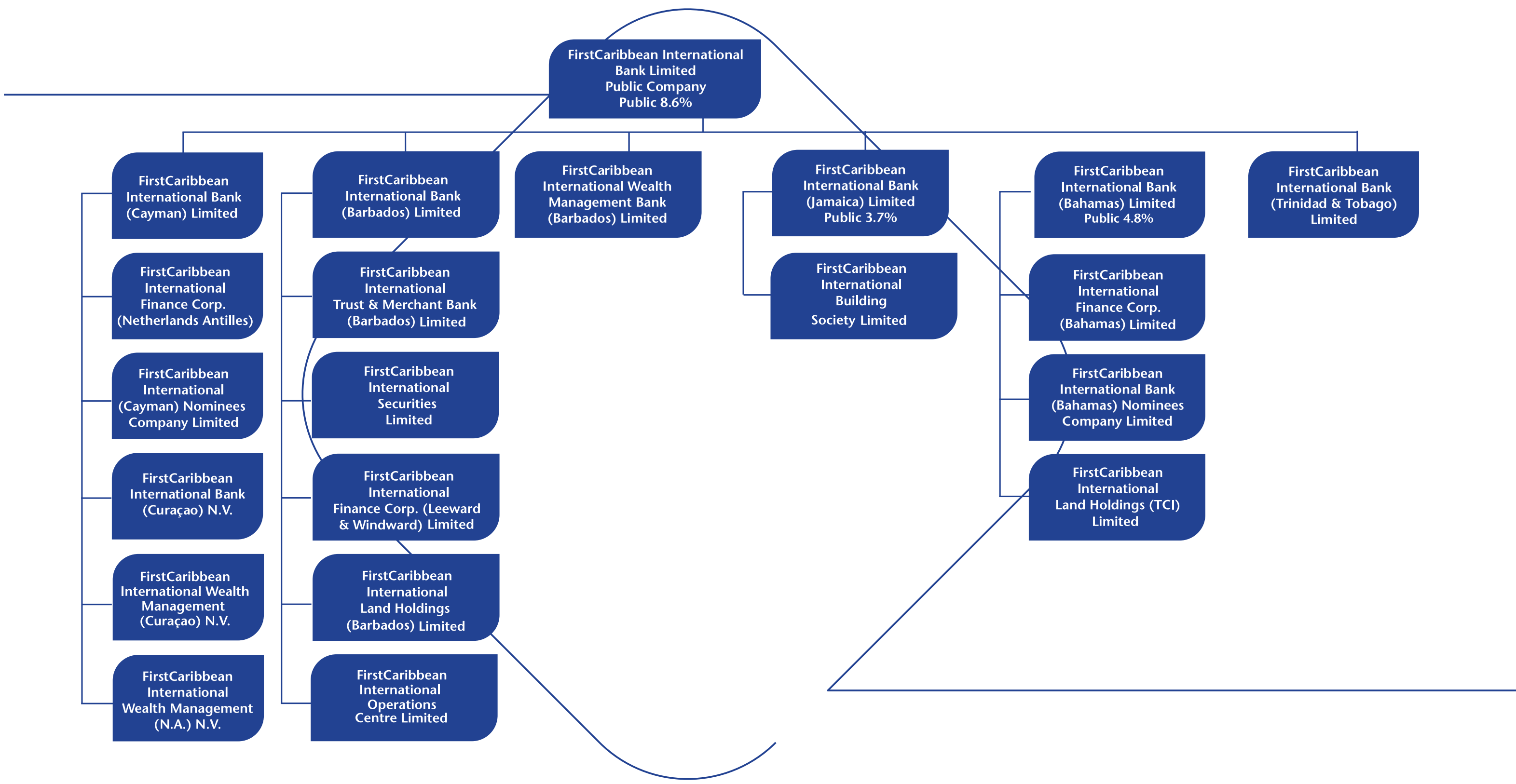
Shareholders of the Company entitled to attend and vote at the Meeting are entitled to appoint one or more proxies to attend and, in a poll, vote instead of them. A proxy need not be a shareholder of the Company. Any instrument appointing a proxy must be received at the offices of CIBC Trust (Bahamas) 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 cents ($0.20) per common share was paid on July 4, 2008. A final dividend of twenty cents ($0.20) per common share for the fiscal 2008 was approved by the Directors on December 19, 2008 and paid to shareholders on January 9, 2009. Total dividends paid for fiscal 2008 were forty cents ($0.40).

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

Ownership Structure



Branch Network

Main Branches and Centres

ABACO ISLAND

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

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

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

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

ELEUTHERA ISLAND

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

GRAND BAHAMA ISLAND

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

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

NEW PROVIDENCE ISLAND

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

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

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

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

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

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

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

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

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

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

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

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

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

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

FirstCaribbean Insurance Agency (Bahamas) Limited
Shirley & Charlotte Streets
Nassau
PO Box N-8350
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
Chariman,
FirstCaribbean International Bank

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

Country Management Committee

Seated, l-r are: **Teresa Williams,** Senior Manager, Managing Director's Office; **Sharon Brown,** Managing Director; and **Annamaria DeGregory,** Retail Banking Director.
Standing, l-r are: **Basil Longley,** Manager, Regional Technical Support; **Siobhan Lloyd**, Head of Human Resources; **Renee Moore,** Treasurer; **Peter Horton**, Corporate Banking Director; **Catherine Gibson,** Associate Director, Capital Markets; **Darron Cash**, Chief Financial Officer; **Dolly Young**, Legal Counsel; **Andrew McFall,** Senior Manager, Receivables Management; and **Deverne Bethel**, Acting Operations Network Manager.

Directors, Senior Management and Advisors

Board of Directors

Michael Mansoor – Chairman
Sharon Brown
Terence R. Hilts
Joseph W. P. Krukowski
Willie Moss
G. Diane Stewart

Corporate Secretary

Teresa S. Williams

Senior Management

Sharon Brown
Managing Director

Deverne Bethel
Acting Operations Network Manager

Darron B. Cash
Chief Financial Officer

Annamaria DeGregory
Retail Banking and Personal Wealth Director

Catherine Gibson
Associate Director, Capital Markets

Peter Horton
Corporate Banking Director

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

Teresa 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 & Governance Committee

David Williamson - Chairman
Richard Venn
Christopher Bovell
G. Diane Stewart
Sir Allan Fields
Sir Fred Gollop
David Ritch
Paula Rajkumarsingh
Michael Mansoor

Auditors

Ernst & Young

Legal Advisors

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

Registrar and Transfer Agents

CIBC Trust Company (Bahamas) Limited

Directors' Report

Teresa S. Williams

DIRECTORS

During the year Jan-Arne Farstad left the Company and effectively resigned as a Director effective October 16, 2008.

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. Terence R. Hilts
iii. Joseph W. P. Krukowski
iv. Michael Mansoor
v. Willie Moss
vi. G. Diane Stewart

FINANCIAL RESULTS AND DIVIDENDS

The Directors report that the Company's net income for the year ended October 31, 2008 amounted to $83,904. All statutory requirements for the year ended October 31, 2008 have been fulfilled.

An interim dividend of twenty cents ($0.20) per common share was paid on July 4, 2008. A final dividend of twenty cents ($0.20) per common share for the fiscal 2008 was approved by the Directors on December 19, 2008 and paid to shareholders on January 9, 2009. Total dividends paid for fiscal 2008 were forty cents ($0.40).

SHARE CAPITAL

Substantial Interest as at October 31, 2008*
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
May 5, 2009

Chairman's Report

Michael Mansoor

"We believe that our approach to client servicing and the Bank's deep-seated culture of performance and risk management will serve us in good stead in 2009."

I am pleased to report that in 2008, your bank delivered acceptable results and achieved a satisfactory rate of shareholder return.

Net income for the Bahamas Operating Company was $83.9 million. When compared to the net income of $109.8 million for 2007, adjusted for one-time items in both years and considered against the backdrop of local economic and global factors, it reflects a strong and resilient core financial performance.

My last year's report alluded to the likely impact of the sub prime phenomenon, which morphed into a global financial crisis during 2008. Both The Bahamas and the Turks and Caicos Islands have been impacted by these worsening conditions with declines reflected in tourist arrivals, remittances and public and private capital expenditure.

It is within this context that the 2008 results are considered to be satisfactory.

Economic Decline

Clearly, the developments in 2008 have been singular and historically extraordinary, which makes forecasting macroeconomic conditions that may prevail in 2009 very difficult. However, we believe that the Bank is benefiting from our strong and prudent risk management control and compliance policies, on which I have reported in previous years.

Slackening local and global consumer demand and reductions in capital and recurrent expenditure are impacting both our individual and corporate clientele. Nevertheless, your Bank will continue to use its best efforts to deliver first class advisory and banking services that support and foster long-term successful client relationships.

We believe that our approach to client servicing and the Bank's deep-seated culture of performance and risk management will serve us in good stead in 2009.

We shall continue to enhance our risk management processes in 2009. As we have done in the past, we will continue to be ever vigilant, protecting the Bank against reputational and regulatory risks.

Our People
Our people continue to be our most precious and valuable resource. The challenges in 2008 and beyond are more acute and it is clear that professionalism, skill and competence will be the defining determinants of success in 2009.

I am certain that our people are equal to these new demands and we can report that we have continued to invest significantly in delivering comprehensive technical training and leadership programmes. This investment will pay dividends in the emerging circumstances.

The Board
I am happy to report that the Board of Directors met quarterly to monitor performances and provide strategic leadership and guidance. The Board's focus, in all instances, was on establishing accountability for the creation of shareholders' value and adherence to strong governance principles.

Mr. Charles Pink, Chief Executive Officer of FirstCaribbean since its formation in 2002, resigned during 2008. Mr. Pink led the Bank through the integration phase from 2002 to 2004 and made significant contributions to the development of the Bank during his tenure. Mr. Jan-Arne Farstad, the Managing Director for our regional Wealth Management business, also left the Bank, and resigned from the Board in October. We thank them for their valuable contributions and wish them every success in their new endeavours.

We also had the good fortune to welcome Mr. A. John D. Orr as our new Chief Executive Officer on September 1, 2008. Mr. Orr has a deep and rich background in investment and retail banking, and in addition to several years of experience in capital markets, corporate development at CIBC, he has managed two significant North American retail banking organisations. Mr. Orr was able to hit the ground running, having been a non-executive director since 2006.

Appreciation
I wish to place on record my appreciation for the sterling contribution of all of our directors, managers and staff during the year.

I also thank all our valued stakeholders, our customers, our regulators and host governments and our shareholders for their crucial support.

Your Board remains focused on the strategic oversight of the Group, the creation of shareholder value, a culture of robust compliance and control, and the provision of the best level of customer service.

All of us at the Bank are totally committed to achieving our 2009 objectives and rededicate ourselves to being first for customers, employees and shareholders.

Michael Mansoor
Chairman

CEO's Report

John D. Orr

"This year, the Bank's continued investment in staff's learning and development focused on leadership development, core banking training and personal development. Employee satisfaction this year was up in The Bahamas by 20 per cent over the prior year."

Our Bahamas and Turks & Caicos core financial performance this year was strong with some of our business units exceeding expectations. In the economic environment which prevailed, the loan portfolio achieved commendable growth, and prudent management of our Bank resulted in operating expenses being well controlled compared to the prior year on a normalised basis. The Bank's balance sheet remains strongly capitalised with ratios well in excess of statutory requirements.

As a testament to the strength of the Bank, FirstCaribbean Bahamas won the "Best Bank Award" for the third consecutive year from the Financial Times Banker. Being an international Bank, however, we were not immune to the turmoil in the global financial services markets that impacted our investment portfolio.

Financial Performance

Net income for the FirstCaribbean International Bank Group was $175.3 million, with The Bahamas contribution being $83.9 million. Prior year Group income was higher, largely due to a one-time gain of $52.4 million from the VISA restructuring and the IAS19 release of $18 million.

The outsourced investment portfolio was negatively impacted by widening spreads that resulted from the global credit crisis, with market values in the trading book decreasing by $18 million.

The Bank was unable to claim hedge accounting for certain interest rate hedges in the first quarter of the year. The impact was a one-time loss of $12 million on a Group basis.

The Group also recorded losses of $3.5 million on the disposal of VISA shares.

Our core franchise remains strong with growth in loan volumes and prudent expense management resulting in an improved efficiency ratio.

Customer

With the recent systems integrations completed and our Helpful Partner programme embedded, our staff now truly live our universal service standards. Consequently, 2008 saw an improvement in FirstCaribbean's customer satisfaction ratings. In 2008, we relocated our Paradise Island Branch, expanded our

ABM network in Providenciales, Turks & Caicos Islands, and are readying our Grace Bay, Turks & Caicos Branch for opening in 2009. We also enhanced our Web presence with a redesigned www.firstcaribbeanbank.com and made technical enhancements to our Internet Banking platform.

Risk and Control

The Bank upgraded three key elements of our control environment in 2008. Firstly, with the deteriorating economic climate, we identified problem situations early and worked closely with customers for speedy remediation. Secondly, the Bank adopted improved Market Risk metrics to strengthen strategic investment decision-making and to cushion the impact of the turmoil in the global financial markets. Thirdly, we strengthened our Treasury function to enhance liquidity management across our operating currencies. The failure of some of the largest international banks in 2008 has stressed the importance of liquidity management and I am pleased to report that our Bank remains well capitalised with ratios well in excess of statutory requirements.

People

To continuously improve customer service, we must invest in our staff on an ongoing basis. This year, the Bank's continued investment in staff's learning and development focused on leadership development, core banking training and personal development. Employee satisfaction this year was up in The Bahamas by 20 per cent over the prior year.

Community Partnership

This year, we again invested one per cent of our pre-tax profits in the FirstCaribbean Community Trust, the Bank's foundation for charitable causes. This $2 million investment continues to support our cornerstone Unsung Heroes and Adopt-a-Cause programmes. These programmes have gained increasing recognition and continue to have a significant impact at the community level.

Strategy

In 2008, the Group completed the review of its strategy, which resulted in several organisational changes. To enhance client value, we reorganised to form two business lines: 1) Corporate Investment Banking to serve our government and corporate clients, and 2) Retail & Wealth to serve our personal clients. This move brings like parts of the business under focused leadership. Moving forward, we will continue to seek opportunities to diversify our income stream, strengthen the management of our multicurrency balance sheet and focus on productivity and control to enhance service quality to clients. We will take full advantage of having CIBC as a majority shareholder.

Summary

Our core business is strong as indicated by growth in key profit drivers. This has been endorsed again by The Bahamas capturing the "Best Bank" award from The Banker. The 2009 outlook is for continued challenges and the economic climate could worsen. With our conservative policies and our commitment to delivering exceptional client value, the Bank is well positioned for the future.

John D. Orr
Chief Executive Officer

Bahamas Managing Director's Report

Sharon Brown

"Factors in the global market continue to impact our economies, however, we believe that our strategies are solid, our staff committed and our customers loyal, helping us to weather the many challenges."

We ended 2008 with another significant win – The Banker Award for The Bahamas issued by the world-renowned *Financial Times* – making it three years in a row that the Bank has won this prestigious award. This win is a testament to our resilience and fiscal prudence in a turbulent global economic climate that has directly impacted The Bahamas and the Turks & Caicos Islands. Now in our sixth year of operations, the Bank continues to embed its Helpful Partner Universal Standards in our staff, resulting in improved customer service and more satisfied customers, integral ingredients for such prestigious recognition.

Financial Performance

Our 2008 financial performance was adversely impacted by financial accounting changes as well as international market turbulence and global and local economic economic slowdown. These challenges were fortunately tempered by continued strong core business performance. At the end of fiscal 2008, Net Income stood at $83.9 million or 69.8 cents per share, with the Bank's Total Assets at $4.14 billion. Loans and Advances to customers grew by $123 million, as quality opportunities were found in the midst of uncertainty and in keeping with economic and financial prudence increased provisions were taken. These results are commendable given the challenges imposed by a weakening global financial environment, which directly impacted the economies of The Bahamas and the Turks & Caicos Islands.

I am truly grateful for the commitment and dedication of our staff in increasing value for our customers and shareholders.

Service Improvement and Expansion

Our commitment to becoming "First for our Customers" continues to drive our product and service improvements and options, as well as our internal structuring.

Our Telephone and Internet Banking services have been expanded to include more service features and payment options, providing enhanced convenience for both our business and personal customers. Additionally, we have a newly established team of Transaction Banking professionals to facilitate transaction processing efficiencies for our customers and assist them in navigating our product and service offerings.

2008 saw the relocation of our Paradise Island Branch to the Paradise Island Shopping Plaza, enabling us to continue to provide banking services to our personal and business customers on the island.

We expanded our ABM network in the Turks & Caicos Islands with the addition of a new machine at the Kishco Supermarket in Providenciales. Despite setbacks experienced during 2008, including two Hurricanes that devastated some islands of The Bahamas and Turks & Caicos, we are on track to opening an additional branch in the upscale Grace Bay area of Providenciales during Q2 of 2009.

Community Partnership

Our community partnerships remained strong in 2008 as we continued to provide support to our youth and the less fortunate in our community. We've rejoined Junior Achievement Bahamas as a sponsor of the Junior Achievement Company – Illusions, and our Adopt-a-Cause programmes continue to encourage and foster staff volunteerism, teamwork and camaraderie. Our partnership with the College of The Bahamas continues, as a major sponsor of the President Scholars Programme providing financial support to the students as well as on the job work experience.

Nominations for our flagship Unsung Heroes Programme doubled in 2008, and unearthed three humanitarians in the Bahamas in the persons of Evelyn Major, Stephen Murray and Thomas Cleare. From a community relation's perspective, we have adopted and continue to maintain the Oakes Field Roundabout while we work to complete our revamping of Dignity Park, Dignity Gardens, making it a relaxing oasis for the families of that community.

Our People

Our people continue to shine and deliver excellent performance, especially our three Regional Helpful Partner Player of the Series Award Winners – Sherma Hercules, Turks & Caicos Islands; and Edwin Morley and Carla Hamilton, The Bahamas. We also congratulate our record numbers of Helpful Partner Pro Performers who continue to adorn our "Walls of Fame" throughout the Bank. With our Helpful Partner fully embedded, our staff recorded a 20% higher satisfaction level than in 2007.

A greater emphasis was placed on promoting work-life balance amongst our staff as the Bank hosted seminars designed for personal financial planning; blood drives, well-attended fun/run/walk and other activities that promote healthy lifestyles. This trend will continue into 2009 as we seek to encourage holistic health.

It is a pleasure to welcome Mr. Darron Cash as Chief Financial Officer and Mrs. Dolly Young as Legal Counsel, to our Senior Management Team. Thanks and gratitude for their valued service is extended to John Vadiveloo, Head of Operations and Dennis Govan, Director Wealth Management who departed the Bank this year.

Future Outlook

Our business continues to go through changes as we position ourselves to create the Caribbean's number one financial services institution, first for our customers, employees, the community and our shareholders. These strategic changes are designed to enhance our offering to our customers, providing them with products and services designed to meet their unique banking needs. Factors in the global market continue to impact our economies, however, we believe that our strategies are solid, our staff committed and our customers loyal, helping us to weather the many challenges.

Appreciation

I once again extend gratitude and thanks to our valued staff and customers for their continuing support and loyalty. Our commendable financial results and winning of "Bank of the Year" Award for the third consecutive year are true testaments to your outstanding efforts. We are also appreciative of our many shareholders who continue to express their confidence in the Bank, and thank our Board of Directors whose guidance and stewardship helped us through 2008. Mr. Jan-Arne Farstad left the Bank and the Board this past year and a special thanks to him for his services.

To all of our very valued stakeholders – Staff, Board, Customers and Shareholder – we will require and are most grateful for your continued support in 2009.

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

Management's Discussion and Analysis

of Financial Condition and Results of Operations For the Fiscal Year Ended October 31, 2008

Financial Highlights B$(000)	2008	2007
Net Income	83,904	109,860
Earnings per share (cents)	69.8	91.4
Total assets	4,137.990	4,668,455
Total equity	645,812	643,332
Return on assets*	1.9%	2.4%
Return on tangible equity*	18.2%	25.2%
Ratio of operating expenses to revenues	37.5%	31.8%
Dividends per share (cents)	45	47
Dividend pay-out ratio	64%	51%
Dividends times covered	1.55	1.94

*Based on four quarters rolling averages

Overview

For the year ended October 31, 2008, FirstCaribbean International Bank (Bahamas) Limited completed a successful, though challenging year marked by financial accounting and market disruptions in the first quarter, and capped off with three-quarters of strong financial performance that drew heavily on the Bank's dominant competitive position and the strengh of its core banking services.

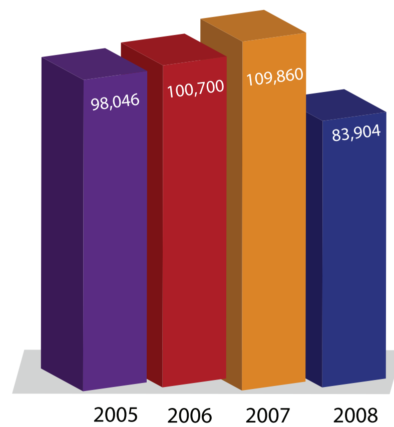
In fiscal 2008, the turmoil in global financial markets and the dramatic slowdown of economic activity in the US economy had a significant and direct impact on the Bahamian economy. Corporate business activity slowed from the previous year's robust pace, due to global recessionary pressures. Financial institututions with assets denominated in US dollars were particularly impacted, as many investors became increasingly pessimistic about equity investments and joined the flight to safety in low-interest US Government securities.

Net income for the year ended October 31, 2008 was $83.9 million, or 69.8 cents per share, compared to $109.9 million, or 91.4 cents per share, for the previous fiscal year. This result reflects continued growth in net interest income, combined with a decrease in non-interest income – driven mainly by the turbulence in the US securities markets – and by increases in the provision for possible loan loss impairment.

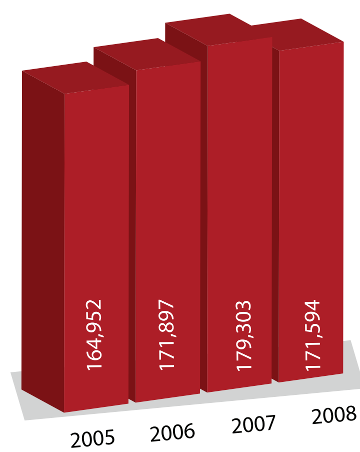
As discussed in Note 2.12 (2), the Bank was unable to claim hedge accounting for selected interest rate hedges during fiscal 2007 and through the first quarter of fiscal 2008. However, from February 1, 2008, the Bank effectively used hedge accounting as part of its overall risk management strategy.

The Bank's total assets decreased from $4.7 billion to $4.1 billion. This decrease of $530 million, or 11.4%, was due primarily to reductions in the outsourced investment portfolios. This movement was partially offset by a $123 million increase in loans.

Net Income ($ thousands)



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, banks and other borrowings. NII for the year increased $8.4 million, or 6%, from $147.2 million last year to $155.6 million in 2008. Total interest income was $263.6 million, a decrease of $25.0 million, or 9%, while interest expenses fell by $33.4, or 23.6%, from last year resulting from downward movements in international interest rates. Total interest income includes income from financial assets at fair value through profit or loss and investment securities. The decrease in interest from financial assets, investment securities, and loans and advances, account for three-quarters of the year-over-year decrease.

Total interest expense decreased by $33.4 million, or 24%. Excluding movements in bank deposits, the change reflects the $364 million year-over-year decrease in individual, business and government deposits. That decrease was offset by a $152 million increase in bank deposits. The decrease in interest costs also reflects the liquidation of principal and interest obligations under repurchase agreements totalling $278.0 million. Current year interest costs for other borrowed funds were $3.6 million, compared to $19.3 million in the previous year.

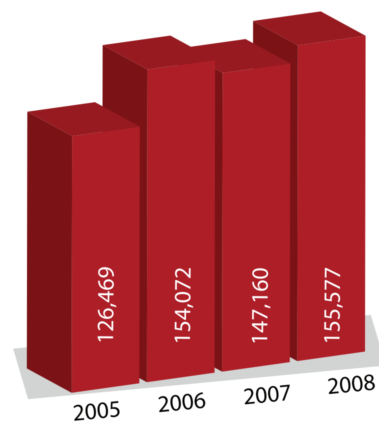
Interest to banks and customers decreased $19.3 million, or 15.6%, from the prior year, reflecting a decrease of $216 million in customer deposits, from $3.7 billion in fiscal 2007 to $3.4 billion in the current year. Additionally, the effective rate on deposits decreased from 3.4% in fiscal 2007 to 2.8% in fiscal 2008.

While total deposits decreased on a net basis, Bahamian dollar deposits increased by $387.9 million. US Dollar deposits decreased by $658.3 million year-over-year, reflective of recessionary conditions in international markets.

	2005	2006	2007	2008
Net interest margin	3.8%	4.0%	3.2%	3.5%

The net interest margin increased to 3.5% from 3.2% last year. This change reflects the combined impact of an increase in net interest income and lower average total assets. As discussed previously, the increased NII was driven by lower interest costs, while the decrease in average total assets resulted primarily from the reduction in securities.

Net Interest Income ($ thousands)

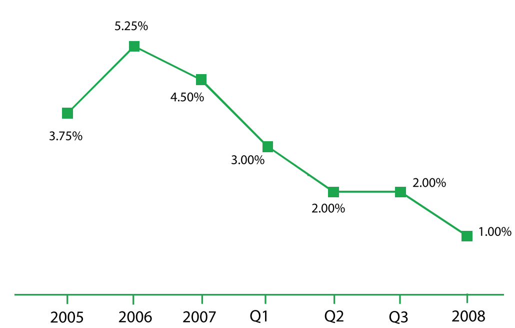


Other Operating Income

Other operating income consists of all revenues not classified as interest income. Total revenues in this category decreased $16.1 million, or 50.2%, from the previous year. Net trading income from foreign exchange transactions increased $12.9 million, or 99%. Translation losses increased to $12.9 million from a gain of $0.1 million in the previous year. As with other international banks, losses from interest rate instruments also increased markedly, from $5.6 million in the previous year to $20.1 million in fiscal 2008. As noted previously, these changes reflect the weakened performance of the Bank's trading investment portfolio and hedging relationships which were severely impacted by the effect of the US economic downturn on market values, interest rates and credit spreads.

The accompanying table reflects movement in the US Fed Funds rate from 2005 through October 31, 2008. Efforts by the US Federal Reserve to stimulate that nation's economy led to an unprecedented period of rate cuts. In general, the impact on equities was not favourable.

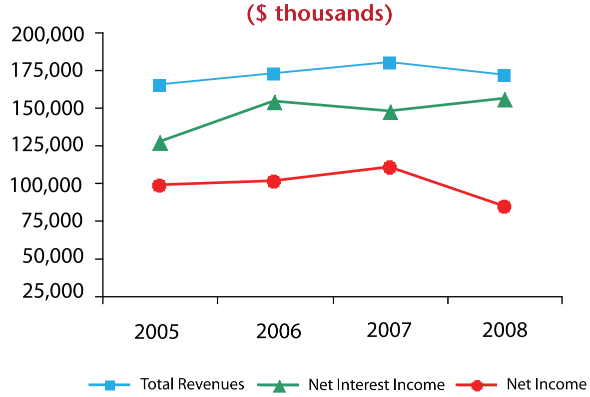
US Fed Funds Rate



Gains from investment securities were $2.1 million, down from $4.5 million last year. Fees and commission income increased $1.7 million to $18.2 million, a 10.5% increase year-over-year.

The increase in fee income substantially reflects an increase in proactive measures to capture a greater portion of existing fees that were not being charged on current/recurring business activities. Deposit services, which account for 52% of the total fees, increased $0.688 million, or 7.9%. Credit service fees increased $1.0 million, or 67.9%. Card service fees, which account for 30% of total fees and commission, decreased 6% from the previous year, reflecting, in part, the slow down in consumer activities.

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



Operating expenses

Operating expenses increased $7.2 million, or 12.7% over the previous year, with staff costs being the primary driver. Staff costs increased $9.2 million, or 33.3%, over the prior year due mainly to accounting for retirement benefits (discussed in Note 11 to the financials statements). In the previous year, the Bank recorded an isolated one-off curtailment gain totalling $8.2 million. Excluding the one-off fiscal 2007 gain, staff costs for the year would have been $36.0 million, and the year-over-year change would have been an increase of $1.0 million, or 2.9%. Similarly, the total operating expenses would have decreased by $0.964 million from the prior year, or 1.5%.

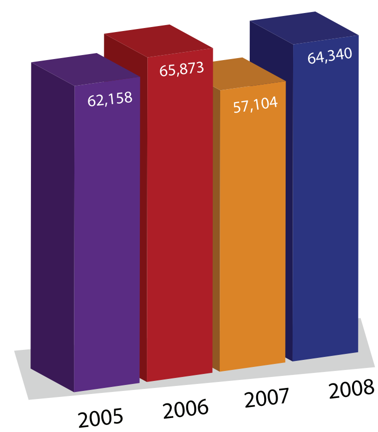
Remuneration expenses remained well contained. The net increase was 1.1%, and primarily reflects contracted increases. Pension costs, excluding other post-retirement benefits, increased approximately $1.0 million over the prior year. Other staff costs were flat.

Occupancy and maintenance expenses decreased $2.5 million, or 31.4%, year-over-year. The change reflects a reduction in IT contract maintenance costs. Other operating expenses increased $1.3 million, or 9.0%, primarily due to an increase in professional fees.

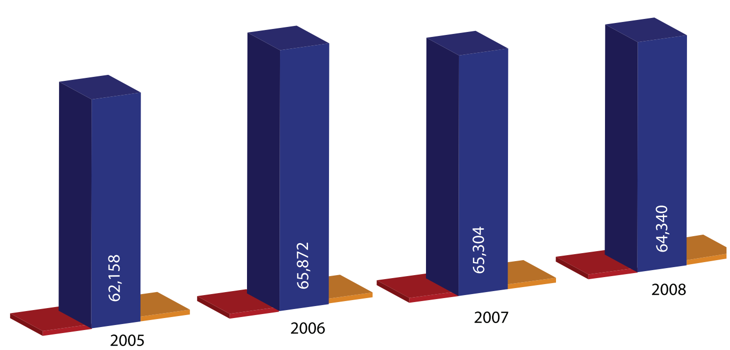
	2005	2006	2007	2008
Efficiency ratio	37.7%	38.3%	31.8%	37.5%

The efficiency ratio – operating expenses as a percentage of total revenues – increased to 37.5% in fiscal 2008 from 31.8% in fiscal 2007. Excluding the effect of the curtailment gain in fiscal 2007, the efficiency ratio would be 36.4% and the year-over-year change for fiscal 2008 would be a modest 3.0% increase.

Operating Expenses ($ thousands)



Operating Expenses-Adjusted for Fiscal 2007 One-Off Pension Adjustment ($ thousands)



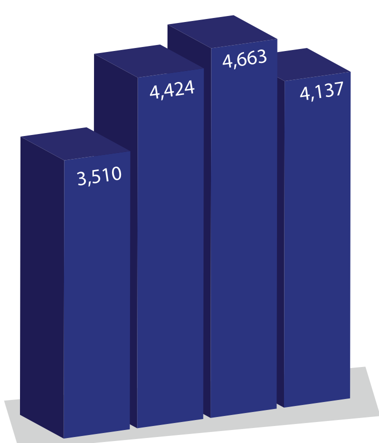
Management's Discussion and Analysis

Summary Balance Sheet

B$(000)	2008	2007
Assets		
Cash and due from banks	259,951	299,993
Securities	1,081,872	1,685,468
Loans	2,539,072	2,415,975
Other assets	257,095	267,019
	4,137,990	4,668,455
Liabilities and equity		
Deposits	3,445,010	3,661,406
Other liabilities	47,168	363,717
Equity	645,812	643,332
	4,137,990	4,668,455

Total assets were $4.138 billion, a decrease of $531 million, or 11.4% over last year. The reduction is reflected primarily in securities, with loans and advances increasing. The new investment strategy of reducing exposure from the outsourced investment portfolios took shape in fiscal 2008. Meanwhile, the loan portfolio grew, despite the looming economic slowdown. Total liabilities decreased $533 million from prior year, reflecting shifts in customer deposits and liquidation of debt.

Total Assets ($ millions)



Due From Banks

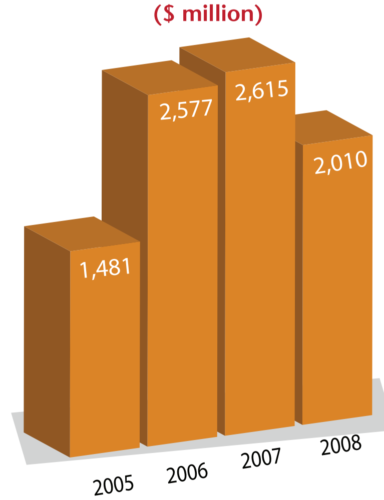
Cash balances were $260.0 million at year-end, compared to $300.0 million last year. Placements with other bank decreased $19.8 million, and account for the $3.1 million decrease in interest income on cash and short-term funds. In view of its strong reserve position, the Bank reduced its non-interest bearing balances with the Central Bank to $69.5 million from $82.3 million, a 15.6% decrease.

Securities

Total securities of $1.082 billion is represented by trading securities – formally described as financial assets at fair value through profit or loss and totalling $304.9 million at year-end – and investment securities of $776.9 million. Total securities decreased $603.6 million, or 35.8%, from the previous year, due mainly to a $487.4 million, or 61.5%, decrease in trading securities.

During fiscal 2008, financial assets at fair value through profit or loss comprised corporate and government bonds, asset-backed securities and an investment fund. During the year, the Bank disposed of its holdings in an international investment fund valued at $395 million at year-end 2007. This investment fund was one of two outsourced portfolios held. Excluding accrued interest, the market value of the trading portfolio (the second outsourced investment) decreased $91.9 million, or 23.2% in fiscal 2008. The Bank evaluates its holding in the remaining

Income Producing US Dollar Assets ($ million)



Management's Discussion and Analysis

outsourced portfolio on a routine basis, in accordance with its established risk management guidelines.

Investment securities decreased $116 million, or 13.0%, from the prior year, due primarily to net disposals of $89.0 million. Losses on the portfolio due to changes in fair values totalled $34.1 million, compared to $6.8 million in the previous year. Of this amount, $27.3 million was recorded in equity.

Loans

Net loans and advances to customers increased $123.1 million, or 5.1%, over the previous year. Productive loans increased $108.1 million, or 4.7%. Gross loans and advances – before provision, accrued interest and deferred fees, – increased $145.9 million, or 6%, over the prior year. Business and government loans grew by $164 million, or 16.8%, underscoring the Bank's significant presence in the commercial lending sector. Business and government loans account for 43.5% of the gross portfolio.

Mortgages and personal loans account for 44.3% and 12.2% of the portfolio, respectively. Total loans include securities purchased under agreements to resell totalling $6.4 million (2007 - $46.2 million).

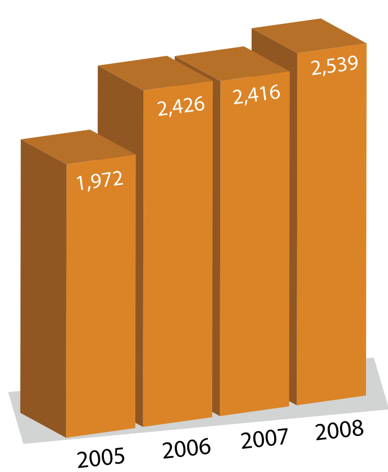
	2005	2006	2007	2008
Total provisions to total loans	2.1%	2.0%	1.8%	2.6%
Specific provisions to non-performing loans	34.6%	32.0%	24.3%	29.0%

Impaired loans increased $37.9 million from $163.0 million to $200.9 million, a 23.2% jump. The change was primarily due to increased classification of business loans and was driven primarily by prevailing economic factors. Similarly, provision for impairment increased $23.1 million. Provisions for business and government loans increased $15.2 million, and accounts for two-thirds of the increase in provisions.

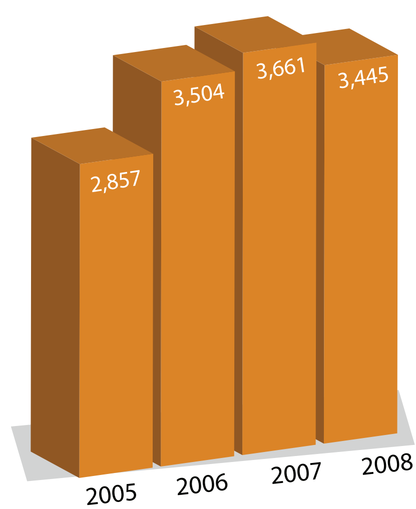
Deposits

Customer deposits – net of accrued interest – decreased $212 million, or 5.8% from the previous year, primarily driven by international deposit movements. While bank deposits increased $152 million, or 23.6%, individual and business and government deposits decreased 9.5% and 14.1%, respectively.

Total Loans ($ million)



Total Deposits ($ million)

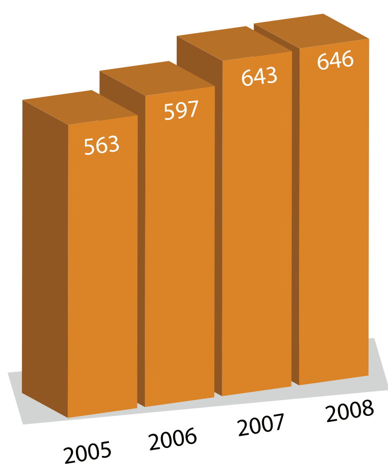


Other Liabilities
Other borrowed funds totalling $278.2 million in fiscal 2007 were liquidated fully during the year. As discussed in Note 16, the Bank entered into new repurchase agreements in the first quarter of fiscal 2009.

As discussed in Note 15 to the financial statements, the Bank exercised the call option on the $20.0 million in redeemable floating rate notes issued in fiscal 2007.

Other liabilities decreased $20.0 million, due primarily to a reduction in accounts payable and accruals, which decreased $15.9 million.

Equity ($ million)



Share Capital and Reserves
The Bank continues to maintain a strong capital base and capital ratios well above the regulatory requirements. At October 31, 2008, the Tier I capital ratio and the total capital ratio of the Bank, were 16.71% (2007 – 14.24%) and 16.31% (2007 – 14.85%), respectively, both exhibiting improvements over the previous year-end positions.

Total reserves increased $22.5 million, or 54.8%, primarily due to a $27.3 million increase in the revaluation reserve for available for sale securities. As discussed in Notes 8 and 18 to the financial statements, the cumulative amount recognised in reserves reflects the net loss on available for sale (AFS) securities due to changes in fair values. Losses incurred for the current year were $27.3 million, compared to $6.8 million in the previous year.

The return on tangible equity for this fiscal year was 18.2%, down from 25.2% in the previous year. The change was directly tied to the reduction in non-interest income, which – as discussed – was adversely impacted by the volatility in the US securities markets.

Strategic Business Units

Business Unit Managers

Linda Rolle
Manager, JFK Branch

Walton Bain
Manager, Sandy Port Branch

Erica Rolle
Manager, Harbour Bay Branch

Audrey Colebrooke
Senior Manager, Marathon Mall Branch

Joann Dames
Manager, Bay Street Branch

Lawrence Daxon
Manager, Paradise Island Branch

Jackie Reckley
Manager, Thompson Boulevard Branch

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

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

Sharon Lockhart
Manager, Governor's Harbour, Eleuthera

Byron Miller
Senior Manager, Shirley Street Branch

Paul Bartlett
Senior Manager, Palmdale Branch

Elsie Seymour
Manager, Card Services

Candice Williams
Insurance Manager, FirstCaribbean Insurance Agency (Bahamas) Limited

Joy Callender
Senior Manager, Turks and Caicos Islands

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

RETAIL SALES MANAGERS

Marvin Adderley, Freeport, Grand Bahama
Inger Johnson
Marvin Major
Rochelle Wilkinson

CORPORATE AND CAPITAL MARKETS BANKING MANAGEMENT

Peter Horton
Corporate Banking Director

Kevera Turnquest
Head of Corporate Banking, Freeport, Grand Bahama

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

Catherine Gibson
Associate Director, Capital Markets

Corporate Investment Banking

> "Corporate Investment Banking will continue to exercise tight cost control to maintain its contribution to the Bank's expense management strategy."

A Challenging but Successful Year

The financial contagion, with roots in the US sub-prime market, has severely impacted the global financial markets. The subsequent slowdown in economic and investment activities has taken hold more rapidly than we imagined. In spite of this, Corporate Investment Banking put in a credible performance; one that is testimony to the sound business principles and risk policies that are the hallmarks of our Group, as well as the professionalism and innovation of our people.

In addition to driving our core Corporate Banking business, we began to leverage more effectively the Investment Banking side of our operations. During 2008, FirstCaribbean gained the distinction of being the first Caribbean-based bank to successfully place a 144A/Reg S transaction directly into the US market, co-leading with another financial institution on a US$100 million 30-year financing for the Government of The Bahamas. Our reputation was further enhanced with the conclusion of a landmark financing agreement with the Turks & Caicos Islands Hospitals Public Private Partnership project.

Financial Performance

In 2008, Corporate Investment Banking saw the loan book grow in The Bahamas and Turks & Caicos Islands, despite significant economic challenges. This has spurred us to continue to partner with our customers in these islands to help them advance and realise on business opportunities.

Net Interest Income for the year reflected the impact of tightening spreads. However, our efforts to grow non-interest income have begun to bear some fruit with a marked growth in fee-based income. Corporate Investment Banking will continue to exercise tight cost control to maintain its contribution to the Bank's expense management strategy.

Customer

To better align our organisation's structure with our strategy, we took significant steps to reposition FirstCaribbean as a truly customer-focused organisation. Through the creation of a single Corporate Investment Banking Unit, we have reduced the complexity of our business, giving our customers multi-level access to our services. Through combining all the lines of businesses that serve our corporate, institutional and sovereign clients, we have also enhanced our ability to nimbly respond to changes.

Despite strong performance in some areas of customer satisfaction, we will continue to work on improving our service quality and growing the portfolio of products we offer to our customers through investments in technology and continuous training. We will also further enhance our FirstCaribbean experience by providing customised offerings tailored to our clients' needs through multiple delivery channels and increased focus on segmented solution delivery.

People
Our staff members in The Bahamas and Turks & Caicos Islands continue to be engaged, committed and passionate about the business, and through them we produced solid results in 2008.

In addition to greater customer focus, the newly created Corporate Investment Banking Unit has also generated opportunities for staff career development. As we continuously journey toward being the employer of choice, those at the helm of Corporate Investment Banking remain committed to investing in staff training, enabling them to better align their career objectives with FirstCaribbean goals and objectives.

Furthermore, by facilitating greater collaboration and sharing of knowledge, we will see productivity and innovation agility improve.

Outlook
2009 will be challenging year for all. The global recession is deepening; and the economy is feeling the significant impact of the world economic downturn, especially the tourism sector. However, some of the economic burden on The Bahamas and Turks & Caicos Islands could be eased due to the reduced oil and gas prices and the Government's articulated commitment to stimulus spending.

As we look ahead, Corporate Investment Banking remains committed to our customers and employees. Our goal is to build on our 2008 performance by increasing the depth of our customer relationships and the strength of our brand. We will leverage our financial strength – defined by the A- Stable credit rating from S&P – the competence of our staff, our regional platform and footprint, and our international strength, including our parent CIBC, to provide tailored, competitive value-adding solutions to our customers.

Retail Banking & Personal Wealth Management

"Financially, in an environment of prevailing economic conditions and reduced credit demand, our business achieved commendable results. Expenses were again well managed."

2008 has been a very exciting and challenging year for Retail. During this period, we made a strategic change in our organisation's structure and brought our Retail Banking and Personal Wealth Management businesses in The Bahamas under one umbrella. This combined Retail and Personal Wealth business now sets the foundation for significant improvements for our customers, including a focused, holistic and seamless customer service experience, providing more opportunities for increased share of wallet.

We also restructured the Retail network at the Head Office level and introduced an Associate Director of Sales, a Business Development Manager, and a Business Support Manager to the business, three new positions that gave us an improved customer-centric focus and allowed greater synergies within the network. We also reorganised Retail's leadership by creating Senior Branch Manager and Senior Sales Manager roles, both with joint responsibility for clusters of branches and for driving each cluster's sales and service initiatives.

Financially, in an environment of prevailing economic conditions and reduced credit demand, our business achieved commendable results. Expenses were again well managed.

Customer Experience and Branch Expansion

During 2008, we successfully launched a new customer On-Boarding programme designed to enable the smooth transitioning of new clients to the Bank. This programme yielded extremely positive comments from employees and customers alike. In fact, we saw an improvement in our overall customer survey results. Notably, our customers are saying that they have seen significant improvements in the service they receive in-branch, which could account for the increased Customer Loyalty we are experiencing. Further improvements in our service delivery toward where we continuously exceed our customers' expectations will continue to be of primary focus.

In March 2008, we relocated our Paradise Island Branch to the Paradise Village Shopping Center. The new facilities offer a more contemporary banking space and enhanced customer service facilities, much to the benefit and liking of our customers on that island. We have also increased our footprint with the addition of a new Grace Bay branch in Providenciales, Turks & Caicos, and are on schedule to open in early 2009. We have also expanded our ATM network in Providenciales with a new offsite location in the Kishco Building.

Unfortunately, the 2008 hurricane season resulted in extensive damage to the islands of Grand Turk and South Caicos, including varying degrees of damage to both of our premises. We sincerely thank our customers and employees for their patience and support while we prepared the premises to resume operations. Our Hurricane Relief and Restore Loan Programme introduced shortly after the hurricanes was a direct result of the need to assist our customers in those islands with rebuilding in the aftermath.

Our People

FirstCaribbean continues to emphasise the importance of developing our people through the FCIB University leadership and technical training programmes. Again this year, a number of our staff participated in the programmes and many cross-trained throughout the branch network, helping us to continue to build on the strengths of our existing teams.

We also extend congratulations to six members of our Wealth Management Team – Ingrid Carey, Daphne Woods, Sharon Deveaux, Tonya Farah, Yvette Ferguson and Ianthe Moxey – who completed the Canadian Securities Institute's Personal Financial Planner (PFP) Programme.

Recognising the importance of keeping pace with the financial environment and aligning the skills of our sales team, in September, we launched a Credit Risk Accreditation Programme, in conjunction with the Canadian Institute of Bankers Association. To date, 68 of our team members are on their way toward completing the programme.

As our team members remain at the forefront of customer service excellence, again this year, a Retail team member – Mr. Edwin Morley – is one of the winners in the Regional Helpful Partner Player of the Series Award.

This year, our employee survey results reflected a marked improvement in overall employee satisfaction over fiscal 2007. This augurs well for what we are doing as a bank and encourages us to continue to partner with our employees to ensure that their satisfaction levels remain high, as we increasingly implement team-building activities in the upcoming year.

Outlook

2009 will undoubtedly present us with greater challenges. However, we will continue to focus on providing excellent service to our loyal customers, while keenly focusing on maintaining and growing our revenue streams and managing expenses. To my stellar team of professionals, I express my sincere appreciation for your efforts and remain confident that we will continue to deliver a superior level of service to our valued customers.

Our Employees

"Living our promise of being Employer of Choice, we take great care in ensuring that our employees feel valued, trusted and empowered within a sensible governance framework, to make the right decisions."

During fiscal 2008, FirstCaribbean Bahamas and Turks & Caicos proudly saw the second largest increase in employee satisfaction across the FirstCaribbean footprint. Coming in a year when we were severely tested by a challenging global economic environment that required innovation and an almost single-minded focus on economic results and customer loyalty, our Employee Voice results for October 2008 showed significant improvements over 2007 results, in two critical areas:

a) Satisfaction Index – This index improved by 20 per cent, indicating a marked positive change in our employees' pride, loyalty, endorsement, and emotional engagement with the company.
b) Engagement Index – This index improved by 13 per cent, which suggests that our employees' are more satisfied with the organisation, and are developing a stronger sense of belongingness, motivation, job satisfaction, fair treatment and personal growth.

We placed quite a bit of emphasis on staff engagement activities in 2008. Most notably, staff in The Bahamas and the Turks and Caicos Islands got the opportunity to speak their minds about the organisation at a series of Roundtable Discussions. This gave us an opportunity to gather continuous feedback and further improve our organisational effectiveness. This trend, coupled with several other morale and team-building activities, will be intensified in 2009.

Training and Development

During 2008, the Bank strongly demonstrated its commitment to its employees through a continued investment in leadership development, core banking training, and personal development programmes. Our Executive Development Programme, in partnership with Wharton Business School, continues and is positioned to make a difference in increasing the leadership strength of the organisation.

In 2008, we also rolled out our new Leadership Standards, designed to embed within the organisation's DNA the appropriate knowledge and behaviours expected of our leaders and aspiring leaders. More so, in response to changes to systems and processes in the control environment and to fill operational gaps, we've significantly increased our core banking training programmes.

Executive Chairman, Michael Mansoor, Edwin Morley, Jacqueline Boyce, Margaret (Peggie) Plamondon, Sherma Hercules, Enole Lawrence, Carla Hamilton, Gillian Charles-Gollop, Leslie McKenzie, Caryl Meighan and our Chief Executive Officer, John D. Orr.

FirstPartnership

2008 saw a progression toward more harmonious relations with the unions that represent a large portion of our staff. Our FirstPartnership agreement – which FirstCaribbean signed with 11 Trade Unions across the Caribbean – has facilitated this improvement in our relations. To further enhance our industrial relations environment, we rolled out an industrial relations framework that continues to help build employee trust, improve administrative rigour and build overall industrial relations capabilities in all our locations. The use of joint consultative committees comprising representatives from the union as well as the Bank has also served to create win-win solutions for all parties involved.

Positive Work Environment

Living our promise of being Employer of Choice, we take great care in ensuring that our employees feel valued, trusted and empowered within a sensible governance framework, to make the right decisions. In addition, we continue to demand that our staff live by the Code of Conduct. We took a closer look at our reward and recognition programme and rebranded it to reflect our Helpful Partner Universal Standards. Under this re-vamped brand, we were very pleased to recognise the following three employees from The Bahamas and Turks & Caicos Islands as "Helpful Partner Player of the Series Winners":

- Sherma Hercules – Country Manager – Turks & Caicos
- Edwin Morley – Consumer Finance Specialist – Bahamas
- Carla Hamilton – Administrative Coordinator – Bahamas

In 2009, we eagerly look forward to focusing our energies on further building a high performance team of Helpful Partners, whose excellent customer service-oriented DNAs give us the competitive advantage necessary to remain an industry leader in this dynamic economic environment.

Our Customers

"The attractive product offer was designed to create a sense of exclusivity with benefits not offered by the competition, in addition to airline miles for use with the Oneworld Alliance and access to the full range of VISA Platinum services and benefits."

Since the launch of FirstCaribbean International Bank five years ago, the Bank's number one objective has always been to be "First for Customers", as articulated in our vision to be "The Caribbean's Number One Financial Services Institution":

- First for Customers: Customer First
- First for Employees: Employer of Choice
- First for the Caribbean: Caribbean-centric
- First for Shareholders: Including Employees

Our successful brand development efforts continue to be strongly aligned with our Bank's customer-centric philosophy. Our Brand Promise has clearly reinforced how we all "Get There. Together." by creating prosperity for our customers. This message has been well established in the hearts and minds of our customers, and we have been rewarded with a high degree of brand recognition across the region.

Customer Research Encouraging

Results from our most recent customer satisfaction survey have revealed that our customer focus continued to strengthen during 2008. This was evidenced by the following areas of positive feedback: Customer Satisfaction has improved by 6% to 74% and more significantly, Customer Loyalty has increased by 10% to 81% over the past year. Another key performance indicator, Customer Advocacy or their willingness to recommend us, has also shown a strong upward trend, climbing 11% over the course of the year to 78%.

New Initiatives

The year 2008 saw the development of a number of new initiatives that delivered significant benefits to our customers. Highlights included educational workshops for our Retail customers that provided them with a range of knowledge on topics such as starting a new business, investing wisely and owning their own home. These were followed with a promotion that rewarded customers who chose a wealth-building plan, and a loans campaign that provided a wide range of financing terms to suit their needs. Revised designs for Retail collateral were developed and these will give this segment a fresh, new look whilst also making it easier for customers to find the information they need on features, benefits and attributes of the Bank's products.

With the growing use of technology in the financial services environment we sought to enhance our customers' Internet Banking experience. The website layout and functionality was upgraded, making it easier for customers to conduct business with us. These enhancements included: website usability improvements; infrastructure investments to increase the speed of transactions; and creation of an online loan application for Retail customers.

VISA and British Airways demonstrated their trust in the FirstCaribbean brand by partnering to offer a co-branded Platinum VISA card. Developed to support the needs of our more affluent client segments, this partnership will bring our customers a distinctly rewarding experience with excellent travel rewards from a trusted brand in the airline industry. The synergy created by this joint card will signal a new dimension of credit card activity in the region. The attractive product offer was designed to create a sense of exclusivity with benefits not offered by the competition, in addition to airline miles for use with the Oneworld Alliance and access to the full range of VISA Platinum services and benefits.

Brand Health Update

Focusing on our customers' needs, we have delivered a number of key initiatives designed to enhance the value proposition to our customer segments, elevate our brand in a competitive marketplace and create an employee experience that enhances customer delivery and satisfaction from the inside out.

Having reached this degree of brand maturity as a corporate entity, the last year has been spent on establishing clearly defined identities for our corporate and high net worth client segments. This required the creation of two sub-segments and new value propositions that clearly are aligned to our customers' needs.

The Wealth Management business saw the development of a new look and feel for this line supported with collateral, signage and custom-designed Wealth Management Centres. This high net worth business required specific material that would effectively convey their expertise in relationship banking and financial advice.

A sub-segment brand was also created for Corporate Banking, bringing greater definition of the FirstCaribbean Corporate Banking proposition. The essence of Corporate Banking revolves around "Partnering Prosperity". This saw the development of new collateral, radio and television to support the selling efforts of this line of business.

Helpful Partner – Cementing Our Vision and Values

"Respect, Appreciation, Professionalism ... every time ... everywhere ... every experience," embodies the customer-centric focus of FirstCaribbean's "Helpful Partner" business transformation, the greater part of which was implemented in 2008. Aimed at delivering the Bank's Vision, Mission and Values by positioning the organisation as market leader in customer service, sales and profit, this evolutionary transformation is being accomplished by creating a culture that delivers a Customer Experience that is uniquely differentiated through consistent service standards, building a unifying FirstCaribbean Culture – One Team, One Bank, and developing the internal brand to support and operationalise the new culture across the entire organisation.

During 2008 an internal programme was implemented to support the "living" of the "Helpful Partner" service standards through training and equipping our employees to deliver a world class customer experience.

We can confidently say that during this year our internal and external brand development efforts further enabled the delivery of our CustomerFirst vision!

Risk Management

"Risk management's role through its various subject matter expert teams ensures that FirstCaribbean continues to take risk in a controlled way in order to enhance value and exploit opportunity."

Risk Management Approach

Prudent Risk Management is firmly embedded in FirstCaribbean's corporate culture. It provides a solid foundation for sustained growth in earnings and shareholder value even in the current times of heightened financial volatility. Risk-taking is inherent in banking and FirstCaribbean assumes a variety of risks in its ordinary business activities. Risk is defined as any event that could: damage the core earnings capacity of the Group; increase earnings or cash flow volatility; reduce capital; threaten business reputation or viability; and/or breach regulatory or legal obligations.

Primary responsibility for risk lies with the line management in our various individual businesses. To balance individual responsibility, 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 and controls and operational risk.

Risk management's role, through its various subject matter expert teams, ensures that FirstCaribbean continues to take risk in a controlled way in order to enhance value and exploit opportunity. The Bank's risk management policies and procedures 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.

A robust risk and control governance structure is embedded 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 our risk tolerance and to allow these to play their proper role in determining and delivering on the strategy of the Bank.

The board and management view the Bank as having a prudent risk profile. The Bank's approach to risk management is based on sound banking principles backed by rules with a robust governance structure. The Board agrees detailed risk tolerances across the various risk disciplines whether credit, market, compliance, operational or liquidity.

Credit Risk

Credit risk is the risk that a customer or counterparty will be unable or unwilling to meet a commitment it has entered into and that 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 facilitate 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 Banks and Trust Companies Regulation Act to meet regulatory requirements, by the central Risk and 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. More detail on the credit risk within the Bank is given in Note 33 to the audited financial statements.

Market Risk

Market risk is the measurement of potential loss arising from adverse movements in interest rates, foreign exchange rates, equity and commodity prices, and credit spread risk in the Bank's investment portfolios. 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 aim of FirstCaribbean's market risk management activities is 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 where FirstCaribbean is involved, as well as the amount of the Group's capital 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 and Conduct Review Committee reviews market risk strategy and overall limits. It approves key policies and oversees the measurement, monitoring and control regime. More detail on the market risk within the Bank is given in Note 28 to the audited statements.

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 our own internal code of conduct and ethics. The compliance unit regularly makes on-site reviews 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 online management's attention to compliance issues.

Risk Management

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 in a timely fashion across the Group. FirstCaribbean has adopted the Sarbanes-Oxley Act in as far as its business activities are material.

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

Liquidity Risk

Liquidity risk is defined as the risk that the Group will experience difficulty in financing its assets and meeting its contractual payment obligations, or will only be able to do so at an unacceptably high cost. FirstCaribbean's exposure to liquidity risk is governed by a policy approved by the Board. The operation of the policy is delegated to management in the form of the Asset and Liabilities Committee (ALCO). The Group and individual operating company ALCOs are responsible for monitoring liquidity risk. Day-to-day management of liquidity is handled by the treasury team.

The Bank performs stress tests and scenario analysis to evaluate the impact of stresses on its liquidity position. These tests are at both a Group specific and systemic risk level. The results are reported to the Board quarterly and independently reviewed by the market risk function.

More detail on the liquidity risk within the Bank is given in Note 28 to the audited statements.

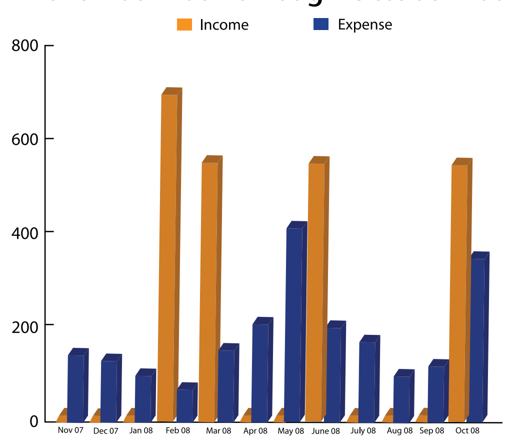
Our Communities

FirstCaribbean International Comtrust Foundation

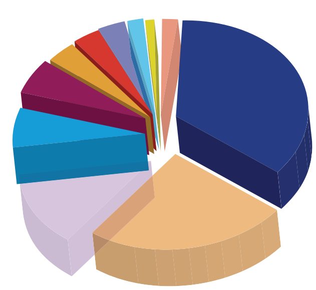
In 2008, FirstCaribbean's charitable foundation was again active supporting worthwhile causes in the region. Led by the Bank's employees, the Foundation spent more than US$1.9 million on its Unsung Heroes, Adopt-a-Cause and community relations programmes. Its partnership with regional educational institutions again formed a major part of its work during the year and funds continued to be directed towards these programmes.

FirstCaribbean is particularly excited about its new linkages with the Junior Achievement Programme and the Prince of Wales' Trust through the Caribbean Association of Youth Business Trusts. Through these projects FirstCaribbean will help with the development of sound business acumen among the region's youth and in combating youth poverty and unemployment.

Income and Expense by Month
November 2007 through October 2008



Expense Summary
November 2007 through October 2008



Community Relations (CMC)	35.06%
Unsung Heroes	23.96%
Memorandum of Understanding	12.29%
Hurricane Relief	6.41%
Birthday Gift	5.72%
Youth Business Trust	3.58%
Caribbean Junior Achievement	3.48%
Adopt-a-Cause	3.10%
UWI and CCOB MOU	2.05%
Barclays Exit Gift	1.30%
Other	3.06%
Total	$1,954,474.20

Our Community partnerships remained strong in 2008 as we continue to focus on youth education and development.

Ms. Portia Sweeting, BNT Director of Education (left) and Ms. Sharon Brown, Bahamas Bank's Managing Director.

Signing of Three-Year MOU with National Conservation Organisation Promotes Youth Environmental Stewardship

FirstCaribbean Bahamas recently committed $30,000 to The Bahamas National Trust (BNT), to support its highly acclaimed environmental club – the Discovery Club – over three years.

Managing Director Sharon Brown, said, "We are particularly pleased to support the National Trust Discovery Club Programme because it introduces young children to the value and importance of protecting and preserving our environment. This type of education is quite invaluable to our children and when applied, it can go a long way in helping us all preserve our natural resources for future generations."

Discovery Club began as an after school programme for BNT members and was launched this year in partnership with a number of schools, environmental NGOs and representatives from Family Islands to make the programme available to young people between the ages of six and 12 years.

BNT's Director of Education Portia Sweeting received the generous gift. "FirstCaribbean's support will be of great assistance to our programme. Each club will receive supplies, lesson plans and other materials, which support the individual badges. Thanks to FirstCaribbean, we will also be able to provide the clubs with binoculars and snorkelling equipment for this year's programme. The Bank's commitment to support the programme for three years shows your interest in creating a strong environmental ethic in the youth of our nation," Ms Sweeting said.

This exciting after school badge programme focuses on the natural history of The Bahamas, incorporating classroom activities with outdoor experiences. This fun, learning experience places emphasis on the national parks and protected areas of The Bahamas with special emphasis on environmental stewardship.

Eleven Discovery Clubs have been launched by the BNT in 2008, a trend that will continue in 2009 and extend to several more primary schools in Nassau and the Family Islands.

The Bahamas's Top Scholars Get Work Experience at FirstCaribbean

The Bank continues to be a major sponsor of the College of the Bahamas President Scholars' Programme (PSP), and provides scholarships, mentoring and on the job training to the awardees, giving us an opportunity to guide these future leaders of the Bahamas.

Students in the programme had a great opportunity to hone their professional business skills during their recent internship at the Bank. FirstCaribbean provides three scholarships for students within this top merit scholarship programme offered at the College. In addition to the financial donation, for the past two summers, the three scholars have interned in several areas of the Bank.

The scholars were presented with small tokens of appreciation during a brief ceremony held at FirstCaribbean. Pictured standing, l to r, are: Corporate Secretary Teresa Williams; Gaye Dean, Domestic Payments Manager; Dennis Govan, Director Wealth Management, and Head of Human Resources, Siobhan Lloyd. LaNadia Davis, Dominic Stubbs and Delia Ferguson are seated, l to r.

The Bank's Managing Director, Sharon Brown, said: "FirstCaribbean's commitment to education is well-articulated. We continue to provide a world-class experience to our stellar scholars. Our team of experts in the various segments of the Bank guide and support the students, while ensuring that they complete real tasks. Our three chosen President Scholars are truly outstanding. They have done excellent jobs over the past two summers! They were professional in their demeanour, and FirstCaribbean is proud to be contributing toward their professional development and achievement of their career goals."

From May through August, Delia Ferguson, Dominic Stubbs and LaNadia Davis gained real-world work experience as they gleaned a lot from FirstCaribbean banking professionals. Their experiences were not that of typical "summer students" in that the Bank placed the interns in areas relevant to their career interests.

Delia, a History major, wishes to pursue a career in law or diplomacy. Having worked in the Managing Director's Office, alongside the Bank's Legal Counsel and the Corporate Secretary, Delia said, "I am truly grateful for the significant knowledge and experience I gained. I interacted with a variety of persons and learned team-building skills, and I also observed great managers, learned about my own strengths and weaknesses, greatly improved my organisation skills and learned the efficiencies of corporate culture."

A third year Economics and Finance major, Dominic embraced the opportunity to work in the Bank's Operations department and was able to practise some of the theoretical concepts he already learned at college, such as visiting the Central Bank clearing house for processing and clearing cheques. He said, "Operations is the nucleus of the bank. It is behind the scenes and really constitutes the inner workings of the business…you get to learn how everything works."

Another third year collegiate, LaNadia is pursuing studies in Accounting. Describing herself as "shy," this work experience motivated her to improve her social and professional skills. As a result of her FirstCaribbean internship, LaNadia is considering combining her Accounting major with Banking and Finance. "I worked in the Wealth Management Segment of the Bank and I learned a bit about the offshore sector. I was previously thinking only about accounting, but now I realise that there are so many more possibilities," she remarked.

Lottis Shearer, Director of Student Leadership at The College, with oversight for the PSP, said that she was "very pleased" to work with FirstCaribbean Bank as a partner in the programme. "They have been very enthusiastic about the programme from day one and they have followed through with everything that was promised, consistently offering internships to scholars and even other COB students. FirstCaribbean really appreciate having the students, welcoming them into the FirstCaribbean family. In addition, the Bank must be commended for truly making dreams come true for these scholars. The FirstCaribbean experience gives them confidence, and work and leadership experience, tools that they can carry with them well into their chosen careers."

Some of the students are pictured during the very first meeting.

The PSP award recipients are granted a full four-year scholarship, with stipends for books and funding provided for special activities of the programme such as local and international leadership conferences and fields trips abroad.

FirstCaribbean Bahamas Re-energises its Commitment to Junior Achievement Bahamas – Corporate Sponsor of JA Company Illusions

Another milestone for the Bank in 2008 is the rejoining of Junior Achievement Bahamas as a sponsor of the Junior Achievement Company – Illusions. We commend our staff members who volunteer their time weekly to mentor the group of 35 private and public high school students, especially Omar Wilkinson and Immaculata Hamilton, the two leaders of the FirstCaribbean advisors team. This is in addition to the Bank providing a scholarship to a Distinguished Achiever at JA Bahamas's Annual Awards Ceremony.

This is the first year that the Bank is sponsoring a Junior Achievement company in the past six years.

Our Adopt-a-Cause Programme brought our staff together as they volunteered to help make our communities better for the less fortunate. Shirley Street Branch team proudly provided a completely renovated and fully-equipped cosmetology centre for students of the Stapledon School for the Mentally Retarded and Corporate staff provided basic equipment to the Children's Ward at the Princess Margaret Hospital.

Our Receivables Management Made a Difference in the Lives of Children at Two Primary Schools

In addition to purchasing primary school reading books, they collected some from their colleagues, they purchased children's play mats, a 20-inch television, a DVD player, a CD player, and delivered these and many more items to the children of Sandilands Primary and Claridge Primary Schools, gifts already being used to enhance the students' learning experience.

The Bank's Senior Manager Receivables Management, Mr. Andrew McFall, led a team of excited and enthusiastic staff members on a tour of both schools and presented the principals and students with the generous gifts as a part of the Bank's Adopt-a-Cause Programme.

At both schools, the team was invited to address the students during a General Assembly. At Claridge Primary, the team toured the school's Library and award-winning garden. But their visit with the Kindergarten students was by far the most memorable. "This was the most fun," Mr. McFall and his team agreed. "Our goal was to find a way to reach out to the children in our community, and we felt that a good place to do this was in the primary school system. It was truly a great experience."

Head Mistress Mrs. Angela Russell said, "We are truly appreciative of the time you spent with us. Even if you only brought one book and it touched one life, it would have been worth the while. Therefore, many thanks for the things you have brought us today. It will certainly go to good use."

Sandilands Primary School's Principal, Ms. Audrey Farrington, echoed Ms. Russell's sentiments. "We cannot find the words to express how grateful we are for this donation and encourage you to continue to assist whenever you can."

Nominations for our flagship Unsung Heroes Programme doubled in 2008, and unearthed three humanitarians in the Bahamas.

Evelyn Major, a cancer survivor who started and runs "Every Child Counts," a school for students with disabilities ranging from Autism, Down's Syndrome, Cerebral Palsy, hearing impairment, behavioural problems, and children with undiagnosed learning disabilities who have failed in the regular school system.

Stephen Murray, the founder of Striders Track Club, has trained and produced world-class athletes, including Olympic gold medalist Chandra Sturrup, and bronze medalist Levan Sands. Stephen continues to use his personal funds to purchase birthday gifts for his members, assist them with getting back-to-school items such as shoes, uniforms and schoolbags, and inspires and motivates them to strive for excellence, despite the many challenges they may face.

Thomas Cleare is a founding member and lifeblood of the "Indaba Project" and its Afterschool Programme that provokes thought and develops creativity in children, giving them an avenue to voice their opinions on national issues and community concerns.

Congratulating the winners, Managing Director Sharon Brown said, "This year in our Unsung Heroes Programme, we have had the largest number of entries ever in The Bahamas. We are honoured that persons have taken the time to recognise and bring to the fore stellar examples of the true humanitarians at work in our community.

"Many of us often get so caught up in our everyday lives that we forget to just reach out and help someone in need. But when we meet persons of the calibre of our finalists, they remind us that there are indeed kind people in the world who genuinely care about others and will give freely of themselves and of their time to ensure that someone else's needs are met," Ms. Brown added.

Creating More Green Spaces Around the Island – A Landscaper's Challenge

Driving by the Oakes Field Roundabout is now a more pleasing sight for motorists and pedestrians as the area is now attractively landscaped and maintained, thanks to FirstCaribbean Bahamas adopting the area, a focal point in the vicinity of the country's top college. The Hon. Dr. Hubert Minnis, Minister of Health and Social Development, attended the ground-breaking ceremony at the start of the project and lauded the Bank for its environmental stewardship efforts that will bring beauty and curb appeal to the area.

"I am very happy that FirstCaribbean, a great corporate citizen, decided to adopt this particular roundabout, located in the immediate vicinity of the College of the Bahamas, our premier tertiary institution. Maintaining an attractive environment has a great impact on individual behaviour and we're glad that this space, when beautified, will shed a positive light and enhance the roundabout and its environs."

Senior Manager in the Managing Director's Office Teresa Williams said, "At FirstCaribbean, we are really very proud to be involved in beautifying our community as we strive to foster a clean and green environment. When done, the roundabout will provide motorists and pedestrians with beautiful surroundings in that high traffic area. This announcement reinforces the Bank's commitment to playing a significant role in our communities, cementing our reputation as a socially responsible financial services institution."

"Dignity" Gets Its Park Redeveloped

In 2008, the Bank also committed to the redevelopment of Dignity Park, a new and growing community situated off Carmichael Road in Nassau, Bahamas. Accepting the gift on behalf of the community was the Hon, Dr. Hubert Minnis, the Minister of Health and Social Development and the Member of Parliament for the Carmichael constituency.

Managing Director Sharon Brown said that a number of options were considered, but in the end they decided that developing and beautifying a recreational park in a new and developing community would be an excellent way to celebrate the Bank's fifth birthday in The Bahamas. "It is important to us that the country shares in our celebration of success in a very tangible way. We wanted to mark this milestone by making a significant contribution that would have a lasting impact on a community in the Bahamas," Ms. Brown added.

Plans are underway to totally redevelop the park in a more structured way, bringing some beauty to the area, adding shade where needed and overall, making it a serene and pleasant atmosphere where families and friends can come together to exercise, play, picnic, read or just relax.

The Bahamas Primary Student of the Year Programme and attendance to the Bahamas Technical & Vocational Institute also benefited from the Bank's community commitment. 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. Sports also received its fair share as the Bank maintained its sponsorship of two junior baseball teams, as well as our financial support of the national Carifta Swim Team. Our biggest cultural extravaganza was also a benefactor as we donated to several Junkanoo Groups to participate in the annual parades.

Financial Statements 2008

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Independent Auditors' Report

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, 2008 and the consolidated statement of income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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 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' judgment, 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, 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

January 31, 2009

Ernst + Young

Consolidated Balance Sheet

October 31, 2008
(expressed in thousands of Bahamian dollars)

	Notes	2008 $	2007 $
ASSETS			
Cash and balances with Central Bank	3	**96,257**	116,808
Due from banks	4	**163,694**	183,185
Derivative financial instruments	5	**725**	6,154
Financial assets at fair value through profit or loss	6	**304,936**	792,307
Other assets	7	**30,172**	32,662
Investment securities	8	**776,936**	893,161
Loans and advances to customers	9	**2,539,072**	2,415,975
Property and equipment	10	**25,913**	26,954
Retirement benefit assets	11	**12,538**	13,502
Goodwill	12	**187,747**	187,747
Total assets		**4,137,990**	4,668,455
LIABILITIES			
Customer deposits	13	**3,445,010**	3,661,406
Derivative financial instruments	5	**33,057**	30,974
Other liabilities	14	**10,104**	30,138
Retirement benefit obligations	11	**4,007**	3,814
Debt securities in issue	15	-	20,620
Other borrowed funds	16	-	278,171
Total liabilities		**3,492,178**	4,025,123
EQUITY			
Share capital and reserves	18	**413,847**	436,297
Retained earnings		**231,965**	207,035
Total equity		**645,812**	643,332
Total liabilities and equity		**4,137,990**	4,668,455

Approved by the Board of Directors on January 31, 2009 and signed on its behalf by:

Michael Mansoor
Chairman

Sharon Brown
Managing Director

See accompanying notes.

Consolidated Statement of Income

For the Year Ended October 31, 2008
(expressed in thousands of Bahamian dollars)

	Notes	2008 $	2007 $
Interest and similar income		**263,605**	288,601
Interest and similar expense		**108,028**	141,441
Net interest income	19	**155,577**	147,160
Other operating income	20	**16,017**	32,143
Total operating income		**171,594**	179,303
Operating expenses	21	**64,340**	57,104
Loan loss impairment	9	**23,350**	12,339
Total operating expenses		**87,690**	69,443
Net income for the year		**83,904**	109,860
Earnings per share (expressed in cents per share) - basic	22	**69.8**	91.4

See accompanying notes.

Consolidated Statement of Changes in Equity

For the Year Ended October 31, 2008
(expressed in thousands of Bahamian dollars)

	Notes	Share capital $	Reserves $	Retained earnings $	Total Equity $
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
Net income for the year		-	-	83,904	83,904
Dividends	23	-	-	(54,097)	(54,097)
Transfer to statutory reserve fund – Turks & Caicos Islands	18	-	6,085	(6,085)	-
Transfer to statutory loan loss reserve – Bahamas	18	-	(1,208)	1,208	-
Revaluation reserve - available-for-sale investment securities	18	-	(27,327)	-	(27,327)
Balance at October 31, 2008		477,230	(63,383)	231,965	645,812

See accompanying notes.

Consolidated Statement of Cash Flows

For the Year Ended October 31, 2008
(expressed in thousands of Bahamian dollars)

	Notes	2008 $	2007 $
Cash flows from operating activities			
Net income		**83,904**	109,860
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for loan loss impairment	9	**23,350**	12,339
Depreciation of property and equipment	10	**3,584**	4,351
(Gain) loss on disposal/write-off of property and equipment	21	**(236)**	8
Net gains on sale and redemption of investment securities	20	**(2,109)**	(4,455)
Interest income on investment securities	19	**(42,410)**	(46,396)
Interest expense on other borrowed funds	19	**3,582**	19,336
Gain from change in unamortised premium	8	**(444)**	(3,189)
Cash flows from net income before changes in operating assets and liabilities		**69,221**	91,854
Changes in operating assets and liabilities:			
-net (increase) decrease in due from banks – greater than 90 days		**(92,707)**	133,647
-net decrease (increase) in mandatory reserves with the Central Bank		**1,610**	(10,060)
-net decrease (increase) in financial assets at fair value through profit or loss		**487,371**	(140,026)
-net increase in loans and advances to customers		**(146,442)**	(2,363)
-net decrease (increase) in other assets		**8,883**	2,930
-net (decrease) increase in customer deposits		**(216,396)**	157,503
-net (decrease) increase in other liabilities		**(17,758)**	22,950
Net cash from operating activities		**93,782**	256,435
Cash flows from investing activities			
Purchases of property and equipment	10	**(3,120)**	(2,104)
Proceeds from sale of property, plant and equipment	10	**813**	-
Purchases of investment securities	8	**(349,016)**	(426,680)
Interest paid on other borrowed funds	16,19	**(8,829)**	(14,741)
Interest income received on investment securities	8,19	**39,414**	46,449
Proceeds from sale and redemption of investment securities	8	**436,656**	240,908
Net cash from (used in) investing activities		**115,918**	(156,168)
Cash flows from financing activities			
Settlement of other borrowed funds	16	**(273,544)**	(7,148)
(Settlement of) proceeds from debt securities	15	**(20,000)**	20,000
Dividends paid	23	**(54,097)**	(56,499)
Net cash used in financing activities		**(347,641)**	(43,647)
Net (decrease) increase in cash and cash equivalents		**(137,941)**	56,620
Cash and cash equivalents, beginning of year	3	**236,704**	180,084
Cash and cash equivalents, end of year (note 3)		**98,763**	236,704

See accompanying notes.

Notes to the Consolidated Financial Statements

For the Year Ended October 31, 2008
(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's interest in the Parent 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, 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").

2. Summary of Significant Accounting Policies (Continued)

2.1 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 deconsolidated 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 financial statements of the subsidiaries are prepared for the same reporting year as 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.

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 consolidated financial statements. The most significant use of judgments and estimates are as follows:

2. Summary of Significant Accounting Policies (Continued)

2.2 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 management's best estimates of the variables that will determine the ultimate cost of providing post-employment benefits and comprise both demographic and financial assumptions. Variations in the financial assumptions can cause material adjustments in the next financial year if it is determined that the actual experience differed from the estimate.

Valuation of investments

The Bank has applied IAS 39 in its classification of investment securities, which requires measurement of available-for-sale securities at fair value. For unquoted equity instruments and unlisted securities, fair values are estimated using price/earnings or price/cash flow ratios, which have been refined to accommodate the specific circumstances of the issuer.

2. Summary of Significant Accounting Policies (Continued)

2.2 Change in accounting policies

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

The Bank has adopted the following new and amended IFRS and International Financial Reporting Interpretations Committee ("IFRIC") interpretations during the year. Adoption of these revised standards and interpretations did not have any effect on the financial performance or position of the Bank. They did however give rise to additional disclosures:

IFRS 7 - Financial Instruments: Disclosures

This standard requires disclosures that enable users of the consolidated financial statements to evaluate the significance of the Bank's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results, comparative information has been revised when needed.

IAS 1 - Presentation of Financial Statements (Revised)

This amendment requires the Bank to make new disclosures to enable users of the consolidated financial statements to evaluate the Bank's objectives, policies and processes for managing capital. These new disclosures are shown in Note 18.

IFRIC 11, IFRS 2 - Group and Treasury Share Transactions

This interpretation requires arrangements whereby an employee is granted rights to an entity's equity instruments to be accounted for as an equity-settled scheme, even if the entity buys the instruments from another party, or the shareholders provide the equity instruments needed. In adopting this interpretation, there has been no effect on the Bank's financial position or results.

2. Summary of Significant Accounting Policies (Continued)

2.3 Change in accounting policies (continued)

Changes in Accounting Policies Adopted in Fiscal 2007 (continued)

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 was applied retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and consequently the October 31, 2006 comparative financials were restated to reflect this policy change.

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

2. Summary of Significant Accounting Policies (Continued)

2.6 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

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 consolidated 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 consolidated 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).

2. Summary of Significant Accounting Policies (Continued)

2.6 Financial instruments (continued)

Derivatives recorded at fair value through profit or loss (continued)
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 yield 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.

(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.

2. Summary of Significant Accounting Policies (Continued)

2.6 Financial instruments (continued)

(iv) Available-for-sale financial investments (continued)

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 is recognised in the consolidated statement of income as 'Net interest 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. Summary of Significant Accounting Policies (Continued)

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.

(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. Summary of Significant Accounting Policies (Continued)

2.8 Repurchase and reverse repurchase agreements

Securities sold under agreements to repurchase at a specified future date ('repos') are not derecognised from the consolidated balance sheet. The corresponding cash received, including accrued interest, is recognised on the consolidated 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 16). 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 yield method. Where the transferee has the right to sell or pledge the asset, the asset is recorded on the consolidated 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 consolidated balance sheet. The corresponding cash paid, including accrued interest, is recognised on the consolidated 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 yield 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;

2. **Summary of Significant Accounting Policies** (Continued)

2.9 **Impairment of financial assets** (continued)

(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.

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.

2. Summary of Significant Accounting Policies (Continued)

2.10 Impairment of non-financial assets (continued)

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 consolidated 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;

2. Summary of Significant Accounting Policies (Continued)

2.12 Derivative financial instruments and hedge accounting (continued)

(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 consolidated 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.

2. Summary of Significant Accounting Policies (Continued)

2.12 Derivative financial instruments and hedge accounting (continued)

(1) Fair value hedges (continued)
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.

For hedged items recorded at amortised cost, using the effective interest rate yield 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'.

When the hedged cash flow affects the consolidated statement of income, the gain or loss on the hedging instrument is 'recycled' in the corresponding income or expense line of the income statement. When a hedging instrument expires, or is sold, terminated, exercised, 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 hedged forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the consolidated statement of income in 'Net trading income'.

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. Summary of Significant Accounting Policies (Continued)

2.12 Derivative financial instruments and hedge accounting (continued)

(2) Cash flow hedges (continued)

As of October 31, 2007, 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 was applied retrospectively in accordance with IAS 39 Financial Instruments: Recognition and Measurement and consequently the October 31, 2006 comparative financials were restated to reflect this change. The impact on the consolidated 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)).

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.

2. Summary of Significant Accounting Policies (Continued)

2.13 Recognition of income and expenses (continued)

(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.

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 consolidated 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.

2. Summary of Significant Accounting Policies (Continued)

2.15 Property and equipment (continued)

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%

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, where 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. Summary of Significant Accounting Policies (Continued)

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.

The liability recognised in the consolidated 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.

2. Summary of Significant Accounting Policies (Continued)

2.18 Retirement benefit obligations (continued)

(i) Pension obligations (continued)
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 consolidated financial statements.

2. Summary of Significant Accounting Policies (Continued)

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 consolidated 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.

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, 2008 or later periods but which the Bank has not early adopted, are as follows:

- 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 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.

(expressed in thousands of Bahamian dollars)

2. Summary of Significant Accounting Policies (Continued)

2.24 Future changes in accounting policies (continued)

New standards, interpretations and amendments to published standards relevant to the Bank that is not yet effective (continued)

- 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.

- 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.

3. Cash and Balances with Central Bank

	2008 $	2007 $
Cash	**26,789**	34,472
Deposits with the Central Bank - non-interest bearing	**69,468**	82,336
Cash and balances with Central Bank	**96,257**	116,808
Less: Mandatory reserve deposits with the Central Bank	**(51,659)**	(53,269)
Included in cash and cash equivalents as per below	**44,598**	63,539

(expressed in thousands of Bahamian dollars)

3. Cash and Balances with Central Bank (Continued)

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

	2008 $	2007 $
Cash and balances with the Central Bank as per above	**44,598**	63,539
Due from banks, included in cash and cash equivalents	**54,165**	173,165
	98,763	236,704

4. Due from Banks

	2008 $	2007 $
Due from banks	**162,450**	182,355
Add: Accrued interest receivable	**1,244**	830
	163,694	183,185

Due from banks comprises deposit placements and include amounts placed with other FirstCaribbean Bank entities of $12,682 (2007: nil) and deposit placements with CIBC entities of $2,921 (2007: $117,986) (Note 24). The effective yield on deposit placements during the year was 1.5% (2007: 4.6%).

(expressed in thousands of Bahamian dollars)

5. Derivative Financial Instruments

The table below shows the fair values of derivative financial instruments recorded as assets or liabilities, together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year-end and are indicative of neither the market risk nor the credit risk.

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

	Contract /Notional Amount $	Fair Values Assets $	Fair Values Liabilities $
October 31, 2008			
Interest rate swaps	447,651	-	(33,057)
Foreign exchange forward	82,534	178	-
Short sales	204,834	547	-
		725	(33,057)
October 31, 2007			
Interest rate swaps	354,578	2,664	(28,812)
Foreign exchange forward	102,276	3,490	-
Short sales	321,585	-	(2,162)
		6,154	(30,974)

As of October 31, 2008 the Bank has positions in the following types of derivatives:

Interest rate swaps
Interest rate swaps are contractual agreements between two parties to exchange movements in interest rates.

Foreign exchange forwards contracts
Foreign exchange forwards contracts are contractual agreements to buy or sell a specified amount of foreign currency at a future date at an exchange rate fixed at inception of the contract.

(expressed in thousands of Bahamian dollars)

5. Derivative Financial Instruments (Continued)

Derivative financial instruments held or issued for hedging purposes
As part of its asset and liability management, the Bank uses derivatives for hedging purposes in order to reduce its exposure to market risks. Fair value hedges are used by the Bank to protect it against changes in the fair value of specific financial assets due to movements in interest rates. The financial assets hedged for interest rate risk include fixed interest rate loans and available-for-sale debt securities, and are hedged by interest rate swaps.

For the year ended October 31, 2008, the Bank recognised losses on hedging instruments of $12,432 (2007: nil) and gains on hedged items attributable to the hedged risk of $4,386 (2007: nil), which is included in other operating income as part of net investment securities gains (losses).

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

6. Financial Assets at Fair Value through Profit or Loss

	2008 $	2007 $
Financial assets held for trading		
Government bonds	4,869	-
Corporate bonds	65,859	14,904
Asset-backed securities	232,922	380,667
Other securities – investment fund	-	394,902
	303,650	790,473
Add: Interest receivable	1,286	1,834
Total financial assets held for trading	304,936	792,307

The effective yield on the financial assets held for trading during the year was 3.5% (2007: 3.5%).

(expressed in thousands of Bahamian dollars)

7. Other Assets

	2008 $	2007 $
Branch clearings	**12,621**	13,593
Suspense accounts	**(1,795)**	2,070
Other accounts receivable, including clearings	**18,398**	16,056
Prepayments and deferred items	**948**	943
	30,172	32,662

8. Investment Securities

	2008 $	2007 $
Available-for-sale securities		
Government bonds	**330,641**	475,208
Corporate bonds	**429,898**	404,552
Total available-for-sale securities	**760,539**	879,760
Add: Interest receivable	**16,397**	13,401
Total investment securities	**776,936**	893,161

Debt securities issued or guaranteed by the Government of The Bahamas amounted to $150,999 (2007: $132,574). The effective yield during the year on investment securities was 5.8% (2007: 6.4%).

(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 2007	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
Additions	-	349,016	349,016
Disposals – sale and redemption	-	(434,547)	(434,547)
Loss from changes in fair value (Note 18)	-	(34,134)	(34,134)
Gain from change in unamortised premium	-	444	444
Balance, end of year 2008	-	760,539	760,539

9. Loans and Advances to Customers

	Mortgages $	Personal Loans $	Business & Government Loans $	2008 Total $
Performing loans (Note 28)	1,062,936	277,865	1,069,163	2,409,964
Impaired loans (Note 28)	94,725	40,345	65,783	200,853
Gross loans	1,157,661	318,210	1,134,946	2,610,817
Less: Provisions for impairment	(12,908)	(21,790)	(30,122)	(64,820)
	1,144,753	296,420	1,104,824	2,545,997
Add: Interest receivable				12,231
Add: Unearned fee income				(19,156)
				2,539,072

(expressed in thousands of Bahamian dollars)

9. Loans and Advances to Customers (Continued)

	Mortgages	Personal Loans	Business & Government Loans	2007 Total
Performing loans (Note 28)	1,071,277	288,336	942,272	2,301,885
Impaired loans (Note 28)	100,022	33,950	29,039	163,011
Gross loans	1,171,299	322,286	971,311	2,464,896
Less: Provisions for impairment	(10,193)	(16,647)	(14,899)	(41,739)
	1,161,106	305,639	956,412	2,423,157
Add: Interest receivable				12,578
Add: Unearned fee income				(19,760)
				2,415,975

Movement in provisions for impairment for 2008 is as follows:

	Mortgages	Personal Loans	Business & Government Loans	2008 Total
Balance, beginning of year	10,193	16,647	14,899	41,739
Identified impairment	2,552	5,078	14,656	22,286
Unidentified impairment	167	380	517	1,064
Recoveries of bad and doubtful debts	-	2,291	52	2,343
Bad debts written off	(4)	(2,606)	(2)	(2,612)
Balance, end of year	12,908	21,790	30,122	64,820

(expressed in thousands of Bahamian dollars)

9. **Loans and advances to customers** (Continued)

Movement in provisions for impairment for 2007 is as follows:

	Mortgages	Personal Loans	Business & Government Loans	2007 Total
Balance, beginning of year	9,285	26,228	11,727	47,240
Identified impairment	2,422	5,395	6,520	14,337
Unidentified impairment	(611)	(731)	(656)	(1,998)
Recoveries of bad and doubtful debts	-	1,239	13	1,252
Bad debts written off	(903)	(15,484)	(2,705)	(19,092)
Balance, end of year	10,193	16,647	14,899	41,739

Aging analysis of past due but not impaired loans for 2008

	Mortgages	Personal Loans	Business & Government Loans	2008 Total
Less than 30 days	181,944	29,542	45,681	257,167
31 - 60 days	20,176	8,108	82,260	110,544
61- 90 days	298	12	48	358
	202,418	37,662	127,989	368,069

(expressed in thousands of Bahamian dollars)

9. Loans and advances to customers (Continued)

Aging analysis of past due but not impaired loans for 2007

	Mortgages	Personal Loans	Business & Government Loans	2007 Total
Less than 30 days	179,692	34,318	54,579	268,589
31 - 60 days	32,404	6,581	21,679	60,664
61 - 90 days	4	4	56	64
	212,100	40,903	76,314	329,317

The average interest yield during the year on loans and advances was 7.6% (2007: 8.3%). Included in business loans are advances to FCIB Jamaica totalling $88,754 (Note 24), 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:

	2008 $	2007 $
Doubtful debt expense	**22,286**	14,337
Net movement in inherent risk provisions	**1,064**	(1,998)
Loan loss impairment for the year	**23,350**	12,339

(expressed in thousands of Bahamian dollars)

10. Property and Equipment

	Land and Buildings $	Equipment Furniture and Vehicles $	Leasehold Improvements $	Total 2008 $
Cost				
Balance, November 1, 2007	18,781	34,135	12,101	**65,017**
Purchases	568	1,398	1,154	**3,120**
Disposals	(999)	(59)	-	**(1,058)**
Balance, October 31, 2008	18,350	35,474	13,255	**67,079**
Accumulated depreciation				
Balance, November 1, 2007	5,607	25,795	6,661	**38,063**
Depreciation (Note 21)	437	2,579	568	**3,584**
Disposals	(403)	(78)	-	**(481)**
Balance, October 31, 2008	5,641	28,296	7,229	**41,166**
Net book value, October 31, 2008	12,709	7,178	6,026	**25,913**

(expressed in thousands of Bahamian dollars)

10. Property and Equipment (Continued)

	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

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, 2007. An interim actuarial review of the financial position of the plan was performed as at November 1, 2008. As at that date, the valuation revealed a Plan deficit of $0.7 million.

(expressed in thousands of Bahamian dollars)

11. Retirement Benefit Assets and Obligations (Continued)

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

	Defined Benefit Pension Plans		Post-Retirement Medical Benefits	
	2008	**2007**	**2008**	**2007**
	$	**$**	**$**	**$**
Fair value of plan assets	**76,659**	92,254	**-**	-
Present value of funded obligations	**(73,826)**	(68,189)	**(3,785)**	(3,582)
	2,833	24,065	**(3,785)**	(3,582)
Unrecognised actuarial gain	**9,705**	(10,563)	**(222)**	(232)
Net asset/(liability)	**12,538**	13,502	**(4,007)**	(3,814)

The pension plan assets include 100,000 (2007: 100,000) ordinary shares in the Bank, with a fair value of $1,160 (2007: $1,465).

The actual return on plan assets for the defined benefit sections of the pension plan was $14,281 (2007: $10,680).

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

	Defined Benefit Pension Plans		Post-Retirement Medical Benefits	
	2008	**2007**	**2008**	**2007**
	$	**$**	**$**	**$**
Current service costs	**3,278**	2,854	**80**	519
Curtailment and settlement costs	**(150)**	(324)	**8**	(8,860)
Expected return on plan assets	**(6,412)**	(6,177)	**-**	-
Interest cost	**4,248**	3,800	**216**	639
Total amount included in staff costs	**964**	153	**304**	(7,702)

(expressed in thousands of Bahamian dollars)

11. Retirement Benefit Assets and Obligations (Continued)

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

	Defined Benefit Pension Plans		**Post-Retirement Medical Benefits**	
	2008	**2007**	**2008**	**2007**
	$	**$**	**$**	**$**
Balance, beginning of year	**13,502**	13,654	**(3,814)**	(11,608)
Charge for the year (Note 21)	**(964)**	(153)	**(304)**	7,702
Contributions paid	-	-	**112**	-
Employer premiums for existing retirees	-	-	**(1)**	92
Foreign exchange translation gain	-	1	-	-
Balance, end of year	**12,538**	13,502	**(4,007)**	(3,814)

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

	2008	**2007**
	$	**$**
Present value of funded obligation at beginning of year	**68,189**	56,398
Interest cost	**4,248**	3,800
Customer service cost	**3,278**	2,854
Benefits paid	**(1,314)**	(1,575)
Actuarial loss/(gain) on obligation	**(575)**	6,712
Present value of funded obligation at end of year	**73,826**	68,189

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

	2008	**2007**
	$	**$**
Fair value of plan assets at beginning of year	**92,254**	83,149
Expected return on plan assets	**6,412**	6,177
Benefits paid	**(1,314)**	(1,575)
Actuarial gain/(loss) on plan assets	**(20,693)**	4,503
Fair value of plan assets at end of year	**76,659**	92,254

(expressed in thousands of Bahamian dollars)

11. Retirement Benefit Assets and Obligations (Continued)

The Bank expects to contribute $403 to its defined benefit pension plan in 2009.

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

	2008	2007
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	
	2008	2007
Discount rate	6.0%	6.0%
Expected return on plan assets	6.0%	7.5%
Future salary increases	4.5%	4.5%
Future pension increases	2.5%	1.5%

	Post-Retirement Medical Benefits	
	2008	2007
Discount rate	6.0%	6.3%
Premium escalation rate	4.5%	4.5%
Existing retiree age	60	60

(expressed in thousands of Bahamian dollars)

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:

	2008 **$**	**2007** **$**	**2006** **$**
Defined benefit obligation	**(73,826)**	(68,189)	(56,398)
Plan assets	**76,659**	92,254	83,149
Surplus	**2,833**	24,065	26,751
Experience adjustments on plan liabilities	**575**	6,712	450
Experience adjustments on plan assets	**(20,693)**	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 preminum escalation rate $	Current IAS 19 results $	Change of +1% in medical preminum escalation rate $
Current Service Cost + Interest Cost			
Present Value of Obligation	260	3,300	300
	3,790	350	4,380

12. **Goodwill**

	2008 **$**	**2007** **$**
Carrying amount, October 31	187,747	187,747

Based on the Bank’s assessment of goodwill, there was no impairment charge for the year (2007: $ nil).

(expressed in thousands of Bahamian dollars)

13. Customer Deposits

	Payable on demand $	Payable after notice $	Payable at a fixed date $	2008 Total $	2007 Total $
Individuals	122,844	188,345	823,918	1,135,107	1,254,430
Business and governments	597,836	30,055	866,351	1,494,242	1,739,236
Banks	308	-	795,899	796,207	644,356
	720,988	218,400	2,486,168	3,425,556	3,638,022
Add: Interest payable	236	195	19,023	19,454	23,384
	721,224	218,595	2,505,191	3,445,010	3,661,406

Included in deposits from banks are deposits from other FirstCaribbean Bank entities of $696,500 (2007: $600,452) and deposits from CIBC entities of $3,025 (2007: $13,463).

The effective rate of interest on deposits during the year was 2.8% (2007: 3.4%).

14. Other Liabilities

	2008 $	2007 $
Accounts payable and accruals	**6,675**	23,553
Amount due to related parties (Note 24)	**2,794**	-
Payroll liabilities	**508**	1,750
Due to brokers and others	**127**	4,835
	10,104	30,138

The amount due to related parties refers to balances due to other FirstCaribbean Bank entities as well as CIBC.

(expressed in thousands of Bahamian dollars)

15. Debt Securities in Issue

	2008 $	2007 $
Notes payable		20,000
Add: Interest payable	-	620
	-	20,620

During the year ended October 31, 2007, 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 unsecured notes were scheduled to mature on November 3, 2011, but were subject to early redemption at the option of the Bank. The Bank exercised the early redemption clause and called the notes in September 2008.

16. Other Borrowed Funds

	2008 $	2007 $
Repurchase agreements	-	273,544
Add: Interest payable	-	4,627
	-	278,171

The Bank previously sold under repurchase agreements, investment securities with maturities between November 2007 and February 2008. All such investment securities were liquidated during the year. The effective rate of interest on these borrowings during the year was 1.0% (2007: 4.9%).

Subsequent to the balance sheet date, the Bank sold under repurchase agreements, investment securities having an aggregate fair value of $203,648 and maturities between November 2008 and February 2009.

(expressed in thousands of Bahamian dollars)

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 ordinary shares are fully paid. No preference shares issued in 2008 and 2007. At October 31, 2008 and 2007, 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

18. Share Capital and Reserves

Objectives, policies and procedures
Capital strength provides protection for depositors and creditors, allows the Bank to undertake profitable business opportunities as they arise and helps maintain favourable credit ratings. In December 2007, the International Credit Agency, Standard & Poors, reconfirmed the Bank's A- Stable credit rating, a position maintained since it was first issued in October 2002.

The Bank's objective is to employ a strong and efficient capital base. Capital is managed in accordance with policies established by the Board of Directors (the "Board"). These policies relate to capital strength, capital mix, dividends and return of capital, and the unconsolidated capital adequacy of regulated entities. Each policy has associated guidelines, and capital is monitored continuously for compliance.

Each year a capital plan and three-year outlook are established, encompassing all the associated elements of capital: forecasts of sources and uses, maturities, redemptions, new issuance, corporate initiatives, and business growth. The capital plan is stress-tested in various ways to ensure that it is sufficiently robust under all reasonable scenarios. All of the elements of capital are monitored throughout the year, and the capital plan is adjusted as appropriate.

There were no significant changes made in the objectives, policies and procedures during the year.

(expressed in thousands of Bahamian dollars)

18. Share Capital and Reserves (Continued)

Regulatory requirements
The Bank's regulatory capital requirements are determined in accordance with guidelines issued by the Central Bank. These guidelines evolve from the framework of risk-based capital standards developed by the Basel Committee, Bank of International Settlement.

Capital standards require that banks maintain minimum Tier 1 and Total capital ratios of 4% and 8%, respectively. The Central Bank has established that Bahamian deposit-taking financial institutions maintain Tier 1 and Total capital ratios of the same respectively. During the year, the Bank has complied in full with all of our regulatory capital requirements.

Regulatory capital
Regulatory capital consists of Tier 1 and Tier 2 Capital, less certain deductions. Tier 1 Capital is comprised of common stock, retained earnings, and minority equity interest in consolidated subsidiaries, less goodwill and other deductions. Tier 2 Capital principally comprises hybrid capital instruments such as subordinated debt and general provisions and 45% of revaluation reserves on available-for-sale securities.

In 2008, both Tier 1 and Total Capital ratios were 16.71% and 16.31%, respectively (2007: 14.24% and 14.85% respectively).

	2008	**2007**
	$	**$**
Share capital (Note 17)	**477,230**	477,230
Reserves		
Statutory reserve fund – Turks and Caicos Islands	**18,085**	12,000
Statutory loan loss reserve – Bahamas	**15,287**	16,495
Revaluation reserve – available-for-sale securities	**(33,189)**	(5,862)
Reverse acquisition reserve	**(63,566)**	(63,566)
Total reserves	**(63,383)**	(40,933)
Total share capital and reserves	**413,847**	436,297

(expressed in thousands of Bahamian dollars)

18. Share Capital and Reserves (Continued)

Regulatory capital (continued)

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:

	2008 $	2007 $
Statutory reserve fund – Turks and Caicos Islands		
Balance, beginning of year	**12,000**	6,800
Transfers from retained earnings	**6,085**	5,200
Balance, end of year	**18,085**	12,000

In accordance with the Banking (Amendment) Ordinance 2002 of the TCI and the regulations of the Financial Services Commission of the Turks and Caicos Islands, 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 $6,085 (2007: $5,200) from retained earnings to the statutory reserve fund.

	2008 $	2007 $
Revaluation reserve – available-for-sale investment securities		
Balance, beginning of year	**(5,862)**	905
Net loss from changes in fair value of available-for-sale investment securities (Note 8)	**(27,327)**	(6,767)
Balance, end of year	**(33,189)**	(5,862)

(expressed in thousands of Bahamian dollars)

18. Share Capital and Reserves (Continued)

Regulatory capital (continued)

	2008 $	2007 $
Statutory loan loss reserve – Bahamas		
Balance, beginning of year	**16,495**	14,661
Transfers (to) from retained earnings	**(1,208)**	1,834
Balance, end of year	**15,287**	16,495

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

Reverse acquisition reserve

	2008 $	2007 $
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.

(expressed in thousands of Bahamian dollars)

19. Net Interest Income

	2008 $	2007 $
Interest and similar income		
Cash and short-term funds	**13,129**	16,180
Financial assets at fair value through profit or loss	**19,363**	26,412
Investment securities	**42,410**	46,396
Loans and advances	**188,699**	96,838
Reverse repos and other	**4**	2,775
	263,605	288,601
Interest and similar expense		
Banks and customers	**104,446**	123,803
Other borrowed funds	**3,582**	19,336
Derivatives, net	**-**	(1,698)
	108,028	141,441
Net interest income	**155,577**	147,160

20. Other Operating Income

	2008 $	2007 $
Fee and commission income	**18,210**	16,485
Net trading income - foreign exchange transaction gains less losses	**25,968**	13,023
- translation gains less losses	**(12,889)**	843
- interest rate instruments	**(20,140)**	(5,623)
Gains less losses from investment securities	**2,109**	4,455
Other income	**2,759**	2,960
	16,017	32,143

(expressed in thousands of Bahamian dollars)

20. Other Operating Income (Continued)

Analysis of fee and commission income:

	2008 $	2007 $
Fee and commission income		
Underwriting fees and commissions	**395**	85
Deposit services fees and commissions	**9,393**	8,705
Credit services fees and commissions	**2,531**	1,507
Card services fees and commissions	**5,485**	5,848
Other fees and commissions	**406**	340
	18,210	16,485

21. Operating Expenses

	2008 $	2007 $
Staff costs	**37,010**	27,768
Occupancy and maintenance	**5,428**	7,908
Gain on sale of property and equipment	**(236)**	-
Depreciation (Note 10)	**3,584**	4,351
Operating lease rentals	**3,227**	3,021
Other operating expenses	**15,327**	14,056
	64,340	57,104

(expressed in thousands of Bahamian dollars)

21. Operating Expenses (Continued)

Analysis of staff costs:

	2008	**2007**
	$	**$**
Remuneration	**30,411**	30,063
Pension costs/(income):		
-defined benefit sections of the plan (Note 11)	**964**	153
-defined contribution section of the plan	**394**	274
Other post-retirement benefits (Note 11)	**304**	(7,702)
Other staff-related costs	**4,937**	4,980
	37,010	27,768

Analysis of other operating expenses:

	2008	**2007**
	$	**$**
Professional fees	**1,319**	410
Advertising and marketing	**67**	147
Business development and travel	**778**	1,199
Communications	**1,425**	1,776
Professional fees	**1,319**	411
Outside services	**3,497**	2,974
Government fees and insurance	**1,228**	1,077
Other	**5,694**	6,062
	15,327	14,056

(expressed in thousands of Bahamian dollars)

22. Earnings per share

Basic earnings per share

	2008 $	2007 $
Net income attributable to shareholders	**83,904**	109,860
Weighted average number of ordinary shares in issue	**120,216**	120,216
Basic earnings per share (expressed in cents per share)	**69.8**	91.4

The Bank has no dilutive securities.

23. Dividends Paid

	2008 $	2007 $
Declared and paid during the year		
First dividend $0.25 cents (2007-$0.25)	**30,054**	30,054
Final dividend $0.20 cents (2007-$0.22)	**24,043**	26,445
Total dividends declared and paid	**54,097**	56,499

At the Board of Directors meeting held on December 19, 2008, a final dividend of $0.20 per share amounting to $24,043 in respect of the 2008 net income was proposed and declared. The consolidated financial statements for the year ended October 31, 2008 do not reflect this resolution, which will be accounted for in equity as a distribution of retained earnings in the year ending October 31, 2009.

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, FCIB's major shareholders were jointly CIBC and Barclays. On December 22, 2006, CIBC acquired Barclays' interest in FCIB and now owns 91.4% of the shares of the Bank's Parent (FCIB). The remaining shares are widely held.

(expressed in thousands of Bahamian dollars)

24. Related Party Transactions and Balances (Continued)

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	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**
Balances:						
Due from banks	-	-	**12,682**	-	**2,921**	210,698
Loans and advances to customers	**3,025**	2,939	**89,278**	89,169	-	-
Deposit liabilities	**5,150**	4,152	**696,500**	600,452	**3,025**	13,905
Other liabilities	-	-	**2,794**	-	-	-
Transactions:						
Interest income earned	**141**	87	**4,493**	5,484	**6,829**	8,028
Interest expense incurred	**185**	219	**25,294**	27,457	**18,112**	341
Other expenses*	-	-	**2,300**	2,300	**68**	38

* Expenses incurred in relation to banking and support services.

	2008	**2007**
	$	**$**
Key management compensation		
Salaries and short-term benefits	**2,356**	1,960

Directors' remuneration
A listing of the members of the Board is included within the Bank's Annual Report. In 2008, the total remuneration of the directors was $40 (2007:$45).

(expressed in thousands of Bahamian dollars)

25. Contingent Liabilities and Commitments

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

	2008 $	2007 $
Letters of credit	**45,558**	47,728
Loan commitments	**214,596**	230,638
Guarantees and indemnities	**42,466**	25,124
	302,620	303,490

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

26. Future Rental Commitments under Operating Leases

As at October 31, 2008, the Bank held leases on buildings for extended periods. The future rental commitments under these leases are as follows:

	2008 $	2007 $
Not later than 1 year	**3,097**	2,220
Later than 1 year and not more than 5 years	**5,064**	4,552
Later than 5 years	**688**	1,291
	8,849	8,063

27. Business Segments

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

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

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

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

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

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

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

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

(expressed in thousands of Bahamian dollars)

27. Business Segments (Continued)

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

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

	Retail Banking $	Corporate Banking $	International Wealth Mgt $	Capital Markets $	Treasury $	Other $	Eliminations $	Total $
October 31, 2008								
External revenues	96,394	97,537	21,389	4,629	59,792	(119)	-	279,622
Revenues from other segments	(24,782)	2,624	68,953	(2,934)	(43,861)	-	-	-
Total revenues	71,612	100,161	90,342	1,695	15,931	(119)	-	279,622
Net income for the year	32,414	70,740	48,310	2,002	(8,774)	(60,788)	-	83,904
Total assets	1,722,683	1,199,540	1,220,646	23,683	(1,379,605)	1,645,481	(294,438)	4,137,990
Total liabilities	515,488	880,903	1,335,841	(2)	1,041,921	11,465	(293,438)	3,492,178
Other segment items								
Capital expenditure	-	-	-	-	-	3,120	-	3,120
Depreciation	-	-	-	-	-	3,584	-	3,584
Loan loss impairment	-	-	-	-	-	23,350	-	23,350

(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

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

28. Financial Risk Management

A. Strategy in using financial instruments

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

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

B. Credit risk

Credit risk primarily arises from direct lending activities, as well as from trading, investment and hedging activities. Credit risk is defined as the risk of financial loss due to a borrower or counter party failing to meet its obligations in accordance with agreed terms.

Process and control

The Credit Risk Management Department ("CRMD") is responsible for the provision of the Bank's adjudication, oversight and management of credit risk within its portfolios, including the measurement, monitoring and control of credit risk.

The CRMD's credit risk approval authority flows from the Board and is further delegated to the Chairman and the Chief Risk Officer ("CRO"). The Credit Executive Committee is responsible for informing the CRO and Chairman of credit risk decisions. The Department is guided by the Bank's Delegation of Authority Policy. Delegation is based on exposure and risk level; where the credit decision relates to larger and/or higher risk transactions the Credit Committee is responsible for the final decision.

The Risk and Conduct Review Committee is responsible for approving policy requirements and key risk limits.

28. Financial Risk Management (Continued)

B. Credit risk (continued)

Credit risk limits

Credit Limits are established for all loans (mortgages, personal and business and government) for the purposes of diversification and managing concentration. These include limits for individual borrowers, groups of related borrowers, industry sectors, country and geographic regions and products or portfolios. The Bank does not have excessive concentration in any single borrower, or related group of borrowers, industry sector or country.

Collateral

The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced, which is common practice. The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances to customers are:

- Mortgages over residential properties;
- Charges over business assets such as premises, inventory and accounts receivable;
- Charges over financial instruments such as debt securities and equities.

The Bank's credit risk management policies include requirements relating to collateral valuation and management, including verification requirements and legal certainty. Valuations are updated periodically depending upon the nature of the collateral. Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement during its periodic review of loan accounts in arrears. Policies are in place to monitor the existence of undesirable concentration in the collateral supporting the Bank's credit exposure.

Geographic distribution

The following table provides a distribution of gross loans and advances to customers. Amounts are before allowance for credit losses, and after credit risk mitigation, valuation adjustments related to the financial guarantors, and collateral on agreements.

(expressed in thousands of Bahamian dollars)

28. Financial Risk Management (continued)

B. Credit risk (continued)

Geographic distribution (continued)

	Drawn $	Undrawn $	Gross Maximum Exposure 2008 $	Drawn $	Undrawn $	Gross Maximum Exposure 2007 $
Bahamas	2,303,959	174,353	**2,478,312**	2,179,259	203,050	**2,382,309**
Turks & Caicos	306,858	40,243	**347,101**	285,637	27,588	**313,225**
	2,610,817	214,596	**2,825,413**	2,464,896	230,638	**2,695,534**

Exposures by industry groups

The following table provides an industry-wide breakdown of gross loans and advances to customers. Amounts are before allowance for credit losses, and after credit risk mitigation, valuation adjustments related to the financial guarantors, and collateral on agreements.

(expressed in thousands of Bahamian dollars)

28. Financial Risk Management (Continued)

B. Credit risk (continued)

Exposures by industry groups (continued)

	Drawn $	Undrawn $	Gross Maximum Exposure 2008 $	Drawn $	Undrawn $	Gross Maximum Exposure 2007 $
Agriculture	15,548	207	**15,755**	12,554	373	12,927
Governments	257,293	5,145	**262,438**	142,863	11,764	154,627
Construction	195,265	23,296	**218,561**	169,158	21,179	190,337
Distribution	129,862	23,220	**153,082**	94,422	34,064	128,486
Education	2	-	**2**	4	-	4
Fishing	52,532	4,127	**56,659**	57,598	5,096	62,694
Health & social work	7	-	**7**	2	3	5
Hotels & restaurants	255,402	7,732	**263,134**	199,040	9,254	208,294
Individuals & individual trusts	1,024,195	96,304	**1,120,499**	1,000,745	97,650	1,098,395
Manufacturing	33,104	12,403	**45,507**	28,855	2,120	30,975
Mining & quarrying	90	9	**99**	124	1	125
Miscellaneous	322,615	23,338	**345,953**	408,402	31,783	440,185
Other financial corporations	14,065	4,323	**18,388**	26,337	4,034	30,371
Real estate, renting & other business activities	297,872	13,791	**311,663**	303,266	12,016	315,282
Transport, storage & communication	12,965	701	**13,666**	21,526	1,301	22,827
	2,610,817	214,596	**2,825,413**	2,464,896	230,638	2,695,534

Impaired financial assets and provision for credit losses

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 Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one counter party, 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 single counterparty, 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.

28. Financial Risk Management (Continued)

B. Credit risk (continued)

Exposures by industry groups

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, including corporate and personal guarantees.

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 consolidated 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.

(expressed in thousands of Bahamian dollars)

28. Financial Risk Management (Continued)

B. Credit risk (continued)

Credit related commitments (continued)
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.

Maximum exposure to credit risk
The maximum exposure to credit risk would be all consolidated balance sheet carrying values of all financial assets plus the off-balance sheet contingent liabilities and commitments (Note 25). The gross maximum exposure would be before allowance for credit losses and the effect of mitigation through the use of master netting and collateral arrangements.

The maximum exposure to credit risk within the customer loan portfolio would be all the consolidated balance sheet carrying values plus the off-balance sheet loan commitment amounts (Note 25). The gross maximum exposure within the customer loan portfolio would be before allowance for credit losses and the effect of mitigation through the use of master netting and collateral arrangements, plus the off-balance sheet loan commitments amount.

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

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

	Total assets $	Total liabilities $	Credit commitmetns $	Capital expenditure $	Revenues $	Operating expenses $	Net income $
October 31, 2008							
Bahamas	3,554,690	2,971,199	260,141	2,419	241,723	164,915	63,792
Turks & Caicos Islands	583,300	520,979	42,479	701	37,899	7,453	20,112
	4,137,990	3,492,178	302,620	3,120	279,622	172,368	83,904

(expressed in thousands of Bahamian dollars)

28. Financial Risk Management (Continued)

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

October 31, 2007	Total assets $	Total liabilities $	Credit commitmetns $	Capital expenditure $	Revenues $	Operating expenses $	Net income $
Bahamas	4,059,396	3,476,528	274,438	1,411	287,196	191,593	85,433
Turks & Caicos Islands	609,059	548,595	29,052	693	33,548	6,952	24,427
	4,668,455	4,025,123	303,490	2,104	320,744	198,545	109,860

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:

	2008 $	2008 %	2007 $	2007 %
Bahamas	2,237,862	88	2,132,804	88
Turks & Caicos Islands	301,210	12	283,171	12
	2,539,072	100	2,415,975	100

Credit quality

A mapping between the Bank's internal ratings and the ratings used by external agencies is shown in the table below. As part of the Bank's risk-rating methodology, the risk assessed includes a review of external ratings of the obligor. The obligor rating assessment takes into consideration the Bank's financial assessment of the obligor, the industry, and the economic environment of the country in which the obligor operates. In certain circumstances, where a guarantee from a third party exists, both the obligor and the guarantor will be assessed.

(expressed in thousands of Bahamian dollars)

28. Financial Risk Management (Continued)

D. Credit rating system and credit quality per class of financial assets

Quality per FCIB	Standard & Poor's equivalent	Moody's Investor Services
High grade	AAA to BBB-	Aaa to Baa3
Standard	BB+ to B-	Ba to B3
Substandard	CCC+ to CC	Caa1 to Ca
Impaired	D	C

A credit scoring methodology is used to assess personal customers and a grading model is used for corporate clients. As well, an aging analysis of the portfolio assists in the development of a consistent internal-risk rating system. This risk rating system is used for portfolio management, risk limit setting, product pricing, and in the determination of economic capital.

The effectiveness of the risk rating system and the parameters associated with the risk ratings are monitored within Credit Risk Management and are subject to an annual review.

The credit quality of financial assets is managed using internal credit ratings.

The table below shows the credit quality by class of asset for gross loans and advances to customers, based on the Bank's internal credit rating system. Amounts provided are before allowance for credit losses, and after credit risk mitigation, valuation adjustments related to the financial guarantors, and collateral on agreements.

	Performing				
	High Grade $	Standard Grade $	Sub Standard Grade $	Impaired $	2008 Total $
Grade Description					
Loans and advances to customers					
- Mortgages	1,008,055	34,408	20,473	94,725	1,157,661
- Personal loans	263,695	6,050	8,120	40,345	318,210
- Business and government loans	980,024	6,832	82,307	65,783	1,134,946
Total (Note 9)	2,251,774	47,290	110,900	200,853	2,610,817

(expressed in thousands of Bahamian dollars)

28. Financial Risk Management (Continued)

D. Credit rating system and credit quality per class of financial assets (continued)

	Performing				
	High Grade $	**Standard Grade $**	**Sub Standard Grade $**	**Impaired $**	**2007 Total $**
Grade description					
Loans and advances to customers					
- Mortgages	1,009,264	29,605	32,408	100,022	1,171,299
- Personal loans	275,397	6,354	6,585	33,950	322,286
- Business and government loans	915,084	5,452	21,736	29,039	971,311
Total (Note 9)	2,199,745	41,411	60,729	163,011	2,464,896

E. Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables. Market risk arises from positions in securities and derivatives as well as from the core retail, wealth and corporate businesses. The key risks to the Parent Group are interest rate, foreign exchange, and credit spread. Management of market risk within the Parent Group is therefore centralised which mirrors the way that the hard currencies are managed by Treasury Sales and Trading and although the local currency exposures are managed in their respective geographic regions, these exposures are still monitored, measured and controlled centrally from a market risk perspective.

Policies and standards:
The Parent Group has a comprehensive policy for market risk management related to its identification and to the measurement monitoring and control of those risks. This policy is reviewed and approved annually by the Risk and Conduct Review Committee. The policy includes the annual approval of the Board's limits which are used by the Parent Group to establish explicit risk tolerances expressed in term of the four main risk measures mentioned below. There is a three tiered approach to limits at the Parent Group. The highest limits are those set at the Board level, and the second level which includes a "haircut" from the Board limits and the Chief Risk Officer limits. The third level of limit is for the Treasury Sales and Trading Group, which limits traders to specific size of deal, documented through a formal delegation letter which is monitored.

28. Financial Risk Management (Continued)

E. Market risk

Process and control:
Market risk measures are monitored with differing degrees of frequency dependent upon the relative risk and speed with which the risk changes. FX positions, Value at risk (VaR) and certain P&L measures are all measured daily whereas others such as stress tests and credit spread sensitivity are performed on either a weekly or monthly basis. Detailed market risk compliance reports are produced and circulated to senior management on a monthly basis and a summary version is reported quarterly to the Parent Group Board.

Risk measurement:
The Bank has four main measures of market risk, which as noted above are calculated and managed at the Parent Group level and not by individual subsidiary or subsidiary grouping. These are:

- Outright position, used predominantly for FX;
- Sensitivity to a 1 basis point move in a curve, used for both interest rate and credit spread risk;
- Value at Risk (VaR) measures for both interest rate risk and for non-pegged currencies; and
- Stress scenarios based upon a combination of theoretical situations and historical events.

Position:
This risk measurement is used predominantly for the Parent Group's foreign exchange business. The measure produced and reported daily focuses upon the outright long or short position in each currency from both a pre-structural and post-structural basis. Any forward contracts or FX swaps are also incorporated.

28. Financial Risk Management (Continued)

E. Market risk (continued)

Risk measurement (continued):

Sensitivity:
The two main measures utilised by the Parent Group are the DV01 (delta value of a one basis point move, also known as the PV01 or Present value of a one basis point move) and the CSDV01 (Credit Spread Delta of a one basis point move). The DV01 measure is calculated for a one basis point move down in the yield curve. This generates the effect on earnings by individual currency of a parallel shift down in the related yield curve. As yield curves rarely move in a parallel fashion, it is measured across different tenors to ensure that there is no further curve risk of having for example a long position in the short end of the curve offset by a short position in the longer tenors. This is then utilised within the scenario analysis. The sensitivities are calculated using two different approaches a pre-structural basis that focuses upon predominantly contractual date positions and also a post-structural basis that considers core balances for non-contractual maturities as well as assigning risk to capital and non-product general ledger accounts, as well as considering market specific pricing situations such as exist in the Bahamas and Barbados.

The CSDV01 sensitivity was a new measure introduced in 2008 at the Parent Group as a way to monitor the risk of the spreads between the growing USD denominated, locally issued bond portfolio and the benchmark USD interest rate curve widening or narrowing as well as to look at the effect of that same type of credit spread move impacting the value of the USD structural hedge.

28. Financial Risk Management (Continued)

E. Market risk (continued)

Risk measurement (continued):

Value at risk:
The Parent Group's Value at Risk ("VaR") methodology utilises the tested and validated CIBC parent models. It is a statistical and probability based approach that uses volatilities and correlations to quantify risk into dollar terms. VaR measures the potential loss from the adverse market movements that can occur overnight with a less than one per cent probability of occurring under normal market conditions, based on equally weighted historical data. VaR uses numerous risk factors as inputs and is computed through the use of historical volatility of each risk factor and the associated correlations among them, evaluated over a one-year period and updated on a regular basis. The use of these historical measures do cause a degree of limitation to its accuracy as it assumes that future price movements will follow a statistical distribution and thus may not clearly predict the future impact. The fact that VaR is an end-of-day measure and thus does not take into account intra-day moves is not a significant issue for the Parent Group as neither the trading nor non-trading portfolios are that active and the FX is controlled via trade and volume size limits. A further weakness of the VaR measure is that it does not estimate the effects of market variable moves outside of the ninety-nine percent parameter and hence may underestimate losses. To counter this, the Parent Group has various stress measures to calculate potential tail event losses.

Stress testing & scenario analysis:
Stress testing and scenario analysis are designed to add insight to possible outcomes of abnormal (or tail event) market conditions and to highlight where risk concentrations could be a concern.

The Parent Group has two distinct approaches to this. For the hard currency testing it sends its position of sensitivity to CIBC and utilises the suite of measures that the parent company has developed. The stress testing measures the effect on our hard currency portfolio values over a wide range of extreme moves in market prices. The stress testing methodology assumes no actions are taken or are able to be taken during the event to mitigate the risk, reflecting the decreased liquidity that frequently accompanies market shocks. The scenario analysis approach again for the Parent Group's hard currency exposures simulate an impact on earnings of extreme market events up to a period of one quarter. Scenarios are developed using actual historical data during periods of market disruption, or are based upon hypothetical occurrence of economic or political events or natural disasters and are designed by our parent company's economists, business leaders and risk managers. Examples of these would include the 1998 Russian led crisis, Fed Reserve tightening of 1994 and potential effects of revaluation of the Chinese currency. These tests are run on our behalf on a weekly basis.

28. Financial Risk Management (Continued)

E. Market risk (continued)

Risk measurement (continued):

Stress testing & scenario analysis (continued):
The local currency stress tests are designed on a similar but smaller scale. For interest rate stresses, Market Risk in conjunction with Treasury Sales & Trading consider the market data over approximately the last ten years and identify the greatest curve or data point moves over both 60-day and single-day periods. These are then applied to the existing positions/sensitivities of the Parent Group. This is performed and reported on a monthly basis as they do not tend to change rapidly. For foreign exchange stresses the Parent Group considers what the effect of a currency coming off a peg would have on the earnings of the Bank. This is largely judgmental as it has happened so infrequently in the region and it is supplemented by some historical reviews both within the region and in other areas where pegged currency regimes have or do exist.

Interest rate risk
Interest rate risk in the trading book arises from the changes in interest rate affecting the future cash flows of the financial instruments in the outsourced investment portfolio. The investment manager hedges most of this risk as the particular strategy that they follow is a relative value approach as opposed to an outright interest rate call. Non-trading interest rate risk consists primarily of a combination of the risks inherent in asset and liability management activities and the activities of the core retail, wealth and corporate businesses. Interest rate risk results from differences in the maturities or repricing dates of assets both on and off-balance sheet.

As noted above, interest rate risk is measured, managed and monitored centrally from a Parent Group perspective, and the results and analysis is disclosed in the Parent Group's financial statements. Notwithstanding this fact, interest rate risk analysis was prepared for the Bank based on what was disclosed at the Parent Group level. As Parent Group's functional and presentational currency is in USD, the following analysis is done in USD terms and the foreign exposure and risk would be to currencies other than USD.

(expressed in thousands of Bahamian dollars)

28. Financial Risk Management (Continued)

E. Market risk (continued)

Interest rate risk (continued)

The following table shows the potential impact of an immediate one hundred basis point increase or decrease in interest rates over the next 12 months in USD equivalent.

	2008 $	2007 $
100bp increase in interest rates		
Impact on net interest income	**2,000**	(6,100)
Impact on shareholders' equity	**6,700**	(2,100)
100bp decrease in interest rates		
Impact on net interest income	**(2,000)**	6,100
Impact on shareholders' equity	**(6,700)**	2,100

The Parent Group Board approved a post-structural interest rate assumption approach as at September 30, 2008 and as a result, measurement limit monitoring and control were transferred to this approach. This is shown in the following table in USD equivalent.

	2008				2007			
Currency	Post-Structural Dv01 $	Contractual DV01 $	VaR $	60-day Stressed Loss $	Post-Structural DV01 $	Contractual DV01 $	VaR $	60-day Stressed Loss $
Bahamas dollars	67.5	(13.1)	13.6	5,059	(110)	(21)	75.7	1,594

Foreign exchange risk

Foreign exchange (or currency) risk is defined as the risk that the value of a financial instrument will fluctuate as a result of changes in foreign exchange rates. A significant number of the regional currencies are pegged to the USD and the VaR measure is not appropriate. More emphasis is therefore placed on the overall position limit and related stress tests. The Board has set limits on positions by currency. Positions are monitored on a daily basis and Treasury Sales & Trading are solely responsible for the hedging of the exposure of the Group.

(expressed in thousands of Bahamian dollars)

28. Financial Risk Management (Continued)

E. Market risk (continued)

Foreign exchange risk (continued)

As noted above, foreign exchange risk is measured, managed and monitored centrally from a Parent Group perspective and the results and analysis is disclosed in the Parent Group's financial statements. Notwithstanding this fact, foreign exchange risk analysis was prepared for the Bank based on what was disclosed at the Parent Group level. As Parent Group's functional and presentational currency is in USD, the following analysis are all done in USD terms and the foreign exposure and risk would be to currencies other than USD.

The following table highlights the currencies that the Bank had significant exposures to at each year end in USD equivalent. It also highlights the measures used by the Group to measure, monitor and control that risk.

		2008			2007
Currency	**Position long/(short) $**	**Stressed Loss $**	**Average Position $**	**Position Long/(short) $**	**Stressed Loss $**
Bahamian dollars	296	89	(702)	2,059	618
Barbados dollars	(82)	7	(72)	86	26
Canadian dollars	249	17	452	680	48
Euro dollars	(555)	39	1,615	6,964	487
Great Britain pounds	(58)	4	838	1,262	88

During 2008, the Parent Group introduced a measure to quantify non-trading foreign exchange risk, also referred to as post structural foreign exchange risk. This considers the effect of currency change on the Bank's investment in foreign operations, retained earnings and profit derived throughout the year in currencies other than the Parent Group's presentation currency of USD.

The Group takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board 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 Group's exposure to currency movements, and their fair values.

(expressed in thousands of Bahamian dollars)

28. Financial Risk Management (Continued)

E. Market risk (continued)

Derivatives held for ALM purposes
Where derivatives are held as hedges against either sizeable loans from core businesses or to reduce interest risk exposure to USD denominated local bond issues and the transactions meet the accounting criteria then the Group applies hedge accounting. Derivative hedges that do not qualify for hedge accounting and are considered to be economic hedges and are recorded at fair value on the balance sheet with changes in the fair value recognised through profit or loss. It should be noted that these are only interest rate risk hedges and other risks such as credit spread on the underlying still exist and are measured separately.

Concentrations of assets, liabilities and credit commitments:

October 31, 2008	**BAH**	**US**	**Other**	**Total**
	$	**$**	**$**	**$**
Assets				
Cash and balances with Central Bank	16,484	9,997	69,776	96,257
Due from banks	74,773	10,581	78,340	163,694
Derivative financial instruments	-	5,804	(5,079)	725
Financial assets at fair value through profit or loss	-	304,936	-	304,936
Other assets	11,419	18,919	(166)	30,172
Investment securities	182,734	523,428	70,774	776,936
Loans and advances to customers	1,407,954	1,129,279	1,839	2,539,072
Property and equipment	20,334	5,501	78	25,913
Retirement benefit assets	10,845	1,693	-	12,538
Goodwill	186,582	1,165	-	187,747
Total assets	1,911,125	2,011,303	215,562	4,137,990
Liabilities				
Customer deposits	1,735,907	1,406,625	302,478	3,445,010
Derivative financial instruments	461	31,501	1,095	33,057
Other liabilities	(7,120)	53,480	(36,256)	10,104
Retirement benefit obligations	4,113	(106)	-	4,007
Total liabilities	1,733,361	1,491,500	267,317	3,492,178
Net on balance sheet position	**177,764**	**519,803**	**(51,755)**	**645,812**
Credit commitments	**110,202**	**190,782**	**1,636**	**302,620**

(expressed in thousands of Bahamian dollars)

28. Financial Risk Management (Continued)

E. Market risk (continued)

Derivatives held for ALM purposes (continued)

Concentrations of assets, liabilities and credit commitments (continued)

	BAH $	US $	Other $	Total $
October 31, 2007				
Total assets	1,908,696	2,614,723	145,036	4,668,455
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**	**196,962**	**1,561**	**303,490**

F. Cash flow and fair value interest rate risk

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

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

G. Liquidity risk

Liquidity risk arises from the Bank's general funding activities in the course of managing assets and liabilities. It is the risk of having insufficient cash resources to meet current financial obligations without raising funds at unfavourable rates or selling assets on a forced basis.

28. Financial Risk Management (Continued)

G. Liquidity risk (continued)

The Bank's liquidity management strategies seek to maintain sufficient liquid financial resources to continually fund the consolidated balance sheet under both normal and stressed market environments.

Process and control:
Actual and anticipated inflows and outflows of funds generated from on and off-balance sheet exposures are managed on a daily basis within specific short-term asset/liability mismatch limits by operational entity.

Potential cash flows under various stress scenarios are modelled using consolidated balance sheet positions. On a consolidated basis, prescribed liquidity levels under a selected benchmark stress scenario are maintained for a minimum time horizon.

The Bank's liquidity measurement system provides daily liquidity risk exposure reports for monitoring and review by the Treasury department. The Bank's Assets and Liabilities Committee ("ALCO") is responsible for recommending the liquidity ratio targets, the stress scenarios and the contingency funding plans. The Bank's Board is ultimately responsible for the Bank's liquidity.

The Bank manages liquidity risk by maintaining a significant base of core customer deposits, liquid assets and access to contingent funding as part of its management of risk. The Bank has internally established specific liquidity requirements that are approved by ALCO and reviewed annually.

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

(expressed in thousands of Bahamian dollars)

28. Financial Risk Management (Continued)

G. Liquidity risk (continued)

Maturities of assets and liabilities

October 31, 2008	**0-3 months $**	**3-12 months $**	**1-5 years $**	**Over 5 years $**	**Total $**
Assets					
Cash and balances with Central Bank	96,257	-	-	-	96,257
Due from banks	143,528	20,166	-	-	163,694
Derivative financial instruments	725	-	-	-	725
Financial assets at fair value through profit or loss	304,936	-	-	-	304,936
Other assets	30,172	-	-	-	30,172
Investment securities	74,205	32,652	374,168	295,9117	76,936
Loans and advances to customers	502,102	190,546	352,680	1,493,744	2,539,072
Property and equipment	-	-	7	25,90	625,913
Retirement benefit asset	-	-	-	12,538	12,538
Goodwill	-	-	-	187,747	187,747
Total assets	1,151,925	243,364	726,855	2,015,8464,	137,990
Liabilities					
Customer deposits	2,726,617	687,290	30,953	150	3,445,010
Derivative financial instruments	33,057	-	-	-	33,057
Other liabilities	10,104	-	-	-	10,104
Retirement benefit obligations	-	-	-	4,007	4,007
Total liabilities	2,769,778	687,290	30,953	4,157	3,492,178
Net on balance sheet position	(1,617,853)	(443,926)	695,902	2,011,689	645,812
Credit commitments	67,875	234,745	-	-	302,620

(expressed in thousands of Bahamian dollars)

28. Financial Risk Management (Continued)

G. Liquidity risk (continued)

October 31, 2007	0-3 $	3-12 months $	1-5 months $	Over 5 years $	Total years $
Total assets	1,477,211	369,648	857,156	1,964,440	4,668,455
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	87,681	215,162	647	-	303,490

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.

H. 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 consolidated balance sheet at fair value. Bid prices are used to estimate fair value of assets, whereas offer prices are applied for liabilities.

(expressed in thousands of Bahamian dollars)

28. Financial Risk Management (Continued)

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

	Carrying value		Fair value	
	2008 Total $	**2007 Total $**	**2008 Total $**	**2007 Total $**
Financial assets				
Due from banks	163,694	183,185	163,694	183,185
Investment securities	776,936	893,161	776,936	893,161
Loans and advances to customers	2,539,072	2,415,975	2,589,367	2,381,257
Financial liabilities				
Customer deposits	3,445,010	3,661,406	3,450,406	3,654,230
Other borrowed funds	-	278,171	-	277,231
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.

(expressed in thousands of Bahamian dollars)

29. Critical Accounting Estimates and Judgements in Applying Accounting Policies

Estimates and judgments 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 judgments that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Disallowance of hedge effectiveness accounting
As discussed in Note 2, during the fiscal year 2007, 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.

(ii) Fair value of financial instruments
Where the fair values of financial assets and financial liabilities recorded on the consolidated 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 judgment is required in establishing fair values. The judgment includes considerations of liquidity and model inputs such as correlation and volatility for longer dated derivatives.

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

In accordance with IAS 18 Revenue, loan origination fees, relating to loans that have a high probability of being drawn down, are to be deferred (together with related direct costs) and recognised as an adjustment to the effective interest yield on the loan. As a result of this change, $19,156 (2007: $19,760) 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 $4,366 (2007: $21).

31. Principal Subsidiary Undertakings

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

All subsidiaries are wholly owned.

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 2008 Annual General Meeting of Shareholders and at any meeting following adjournment thereof.

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

You are cordially invited to attend the annual meeting on February 26th, 2009 beginning at 6:00 p.m. E.S.T. Shareholders will be admitted beginning at 5:30 p.m. E.S.T. The meeting will be held at the British Colonial Hilton, Wedgwood Room, Number One Bay Street, Nassau, The Bahamas.

This financial year of FirstCaribbean International Bank (Bahamas) Limited began on November 1, 2007 and ended October 31, 2008. References in this proxy statement to the year 2008 or financial 2008 refer to the period as mentioned above.

We are mailing this proxy statement and accompanying forms of proxy and voting instructions to holders of the Company's ordinary shares on February 2, 2009, the record date for the meeting.

PROXIES AND VOTING PROCEDURES

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

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

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

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

SHAREHOLDERS ENTITLED TO VOTE

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

On February 2, 2009 there were 120,216,204 ordinary shares of par value $0.10 each outstanding. Each share is entitled to one vote on each matter properly brought before the meeting.

At close of business on February 2, 2009 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 six (6) meetings in 2008.

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 2008.

SENIOR MANAGEMENT COMPENSATION

The senior management of the Company received aggregate compensation amounting to B$2,146,235 in the financial year 2008.

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	422
J. W. P. Krukowski	Chairman, Doctor's Hospital Health System Ltd	1997	Nil
Terence Hilts	Retired Banker	1997	31,220
Willie Moss	Attorney-at-law	1998	Nil
G. Diane Stewart	Attorney-at-law	2002	Nil

INDEBTEDNESS OF MANAGEMENT

There is a total indebtedness of approximately B$2,938,859 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 May 5, 2009.

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 28th May, 2009 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 ___
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., 2009

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 26th May, 2009.

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