FIRSTCARIBBEAN INTERNATIONAL BANK LIMITED ANNUAL REPORT 2008

FORWARD. UNITED. TOGETHER.

GROUP ANNUAL REPORT 2008

FIRSTCARIBBEAN
INTERNATIONAL BANK
GET THERE. TOGETHER.

Vision/Mission

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 General Meeting

Notice is hereby given that the Fifteenth Annual General Meeting of the Shareholders of FirstCaribbean International Bank Limited will be held at the Foyer Annex, Lloyd Erskine Sandiford Conference Centre, Two Mile Hill, St. Michael, Barbados, on Thursday, March 26, 2009 at 5 p.m. for the following purposes:

1. To receive audited Financial Statements for the year ended October 31, 2008 and the Reports of the Directors and Auditors thereon.

2. To elect the following Directors:
   (i) Paula Rajkumarsingh for a period of one year.
   (ii) Richard Nesbitt for a period of one year.
   (iii) Sonia Baxendale for a period of one year.

3. To re-elect the following Directors who retire by rotation and being eligible seek re-election:
   (iv) David Williamson for a period of two years.
   (v) G. Diane Stewart for a period of two years.
   (vi) Sir Allan Fields for a period of three years.

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

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

By Order of the Board of Directors

Ella N. Hoyos
Corporate Secretary
January 31, 2009

Proxies

Shareholders of the Company entitled to attend and vote at the meeting are entitled to appoint one or more proxies to attend and, in a poll, vote instead of them. A proxy need not also be a shareholder. Any instrument appointing a proxy must be received at the office of the Registrar & Transfer Agent, FirstCaribbean International Trust and Merchant Bank (Barbados) Limited not less than 48 hours before the meeting. Members who return completed proxy forms are not precluded, if subsequently they so wish, from attending the meeting instead of their proxies and and voting in person. In the event of a poll, their proxies' votes lodged with the Registrar & Transfer Agent will be excluded.

Dividend

A final dividend of US$0.03 per share was approved for the year ended October 31, 2008 and was paid on January 30, 2009, to the holders of Common Shares whose names were registered in the books of the Company at the close of business on December 19, 2008.

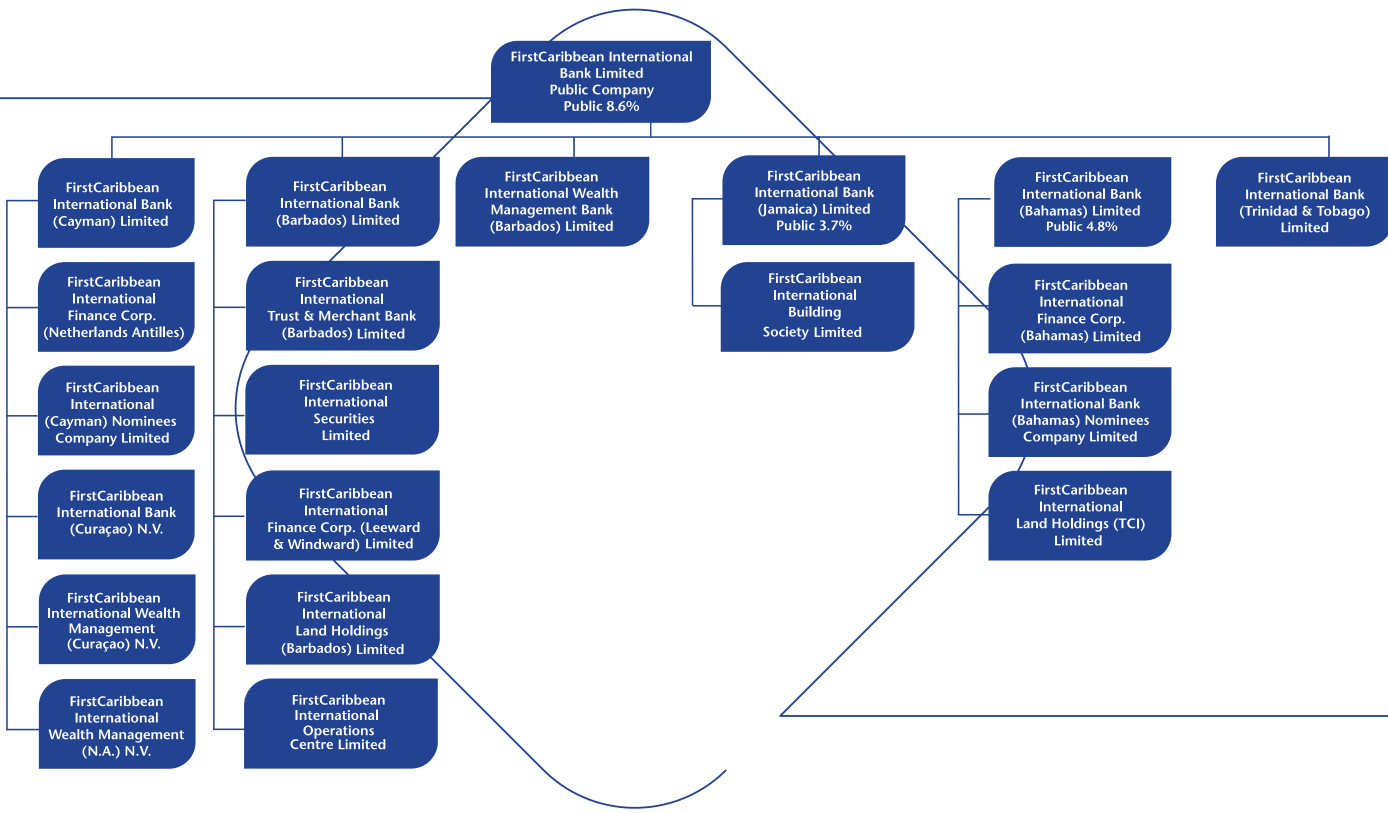
An interim dividend of US$0.03 per share was paid on June 20, 2008 to holders of Common Shares whose names were registered in the books of the Company at the close of business on June 5, 2008. Total dividend for the 2008 financial year amounted to US$0.06.

Documents Available for Inspection:

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

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

Ownership Structure



Branch Network

Main Branches and Centres

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

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

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

The Bahamas
P.O. Box N-8350
Shirley Street, Nassau
Tel: (242) 322-8455

Barbados
P.O. Box 405
Broad Street, St. Michael
Bridgetown
Tel: (246) 367-2300

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

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

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

Curaçao
P.O. Box 3144
De Ruyterkade 61
Willemstad
Tel: (+599) 433-8338

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

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

Jamaica
P.O. Box 403
23-27 Knutsford Blvd
Kingston 5
Tel: (876) 929-9310

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

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

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

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

Trinidad & Tobago
74 Long Circular Road
Maraval, Trinidad
Tel: (868) 628-4685

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

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

FINANCIAL CENTRES & TRUST COMPANIES

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

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

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

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

Trust and Merchant Bank
P.O. Box 1014C
Broad Street
Bridgetown, Barbados
Tel: (246) 467-2688

Wealth Management Centre
P.O. Box 180
Ground Floor, Head Office
Warrens, St. Michael,
Barbados
Tel: (246) 367-2012

Wealth Management Centre
23-27 Knutsford Blvd
Kingston 5, Jamaica
Tel: (876) 935-4619

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

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

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

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

Corporate Banking Centre
23-27 Knutsford Blvd
Kingston 5, Jamaica
Tel: (876) 929-9310

Building Society
P.O. Box 405
23-27 Knutsford Blvd
Kingston 5, Jamaica
Tel: (876) 929-9310

Asset Management & Securities Trading
P.O. Box 405
23-27 Knutsford Blvd
Kingston 5, Jamaica
Tel: (876) 929-9310

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

Trustee Services
74 Long Circular Road
Maraval, Trinidad
Tel: (868) 628-4685

Capital Markets
74 Long Circular Road
Maraval, Trinidad
Tel: (868) 628-4685

Board of Directors

Seated, l-r: **John D. Orr,** Chief Executive Officer; **Michael Mansoor**, Chairman; **Paula Rajkumarsingh** and **G. Diane Stewart.**

Standing, l-r: **Sir Fred Gollop, Richard Venn, David Ritch, Ella Hoyos**, Corporate Secretary; **Tom Woods, Sir Allan Fields, Ronald Lalonde** and **David Williamson.**

Executive Management Committee

Seated, l-r: **Don Coulter,** Chief Financial Officer, **Michael Mansoor,** Chairman, & **John D. Orr,** Chief Executive Officer

Standing, l-r: **Martin Griffiths,** Chief Risk Officer; **Milton Brady,** Managing Director, Corporate Investment Banking; **Tom Crawford,** Managing Director, Retail Banking & Wealth Management; **Pradip Chhadva,** Managing Director, Treasury Sales & Trading; **Mahes S. Wickramasinghe,** Chief Administrative Officer.

Senior Management and Advisors

Legal Advisors
Chancery Chambers
Carrington & Sealy
Fitzwilliam, Stone & Alcazar

General Counsel & Corporate Secretary
Ella N. Hoyos

Registrar and Transfer Agent
FirstCaribbean International Trust and Merchant Bank (Barbados) Limited

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

Bankers
FirstCaribbean International Bank (Barbados) Limited

Senior Management

Michael Mansoor
Executive Chairman

John D. Orr
Chief Executive Officer

Don Coulter
Chief Financial Officer

Mahes S. Wickramasinghe
Chief Administrative Officer

Martin Griffiths
Chief Risk Officer

Pradip Chhadva
Managing Director, Treasury Sales & Trading

Milton Brady
Managing Director, Corporate Investment Banking

Tom Crawford
Managing Director, Retail Banking and Wealth Management

Sharon Brown
Managing Director, Bahamas

Oliver Jordan
Managing Director, Barbados & OECS

Clovis Metcalfe
Managing Director, Jamaica

Larry Nath
Managing Director, Trinidad

Pim van de Burg
Managing Director, Netherlands Antilles

Gerard Borely
Managing Director, Corporate

Rolf Phillips
Managing Director, Retail

Ian Chinapoo
Managing Director, Capital Markets

Minish Parikh
Managing Director, Operations

Eva Lamas
Managing Director, Transaction Banking

Peter Steenveld
Managing Director, Marketing & Communications

Henry Reid
Managing Director, Human Resources

Jai Somaratne
Chief Internal Auditor

Ella Hoyos
General Counsel

Chairman's Report

Michael Mansoor

"We believe that as demonstrated in 2008 our approach to client service 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 attributable to the equity holders of the parent was US$175.3 million ($255.7 million in 2007), which in light of the challenging economic climate and adjusting for non-core items, represents a solid financial performance in the year.

The Directors approved and paid a total dividend per share of US$0.06.

In my 2007 report, I alluded to the expected impact of the original sub prime mortgage phenomenon which during 2008 morphed into a global financial meltdown and recession. The region has been impacted by these worsening conditions and the decline is re ected in reduction in tourist arrivals, remittances, public and private capital expenditure, prices of high-end residential real estate and concomitant rises in unemployment and debt levels.

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

Economic Conditions

Clearly the developments in 2008 have been singular and historically extraordinary, so that forecasting macro-economic conditions that may prevail in 2009 is very difficult.

With respect to your Bank, however, we believe that we are reaping the rewards of our robust risk management, control and compliance framework on which I have reported in previous years.

We expect that both our individual and corporate clientele will be buffeted by slackening consumer demand and reductions in capital and recurrent expenditure. Your Bank will use its best efforts to deliver first class advisory and banking services and to support and foster long-term profitable and progressive client relationships.

We believe that as demonstrated in 2008 our approach to client service 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 in the past, we will be ever vigilant, protecting the Bank against reputational and regulatory risks.

Our People

Our people continue to be our most precious and valuable resource. Last year I alluded to the tremendous contribution over the first years 2002 to 2007 and the fact that in this period we successfully merged the operations of Barclays and CIBC, transitioned to majority ownership by CIBC, and created a profitable platform of growth and profitability.

The challenges in 2008 and beyond are more acute and it is clear that the need for professionalism, skill and competence will be the single defining determinant 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 as our people are challenged to serve our customers in the emerging circumstances.

The Board

I am happy to report that the Board of Directors of our parent Bank and its six operating subsidiary banks, and their various sub-committees, met quarterly to monitor performances and provide strategic leadership and guidance.

The Board's focus in all instances has to do with establishing accountability for the creation of shareholders' value and adherence to strong governance principles.

Our governance structure affords the parent company full oversight of the risk and control framework of all our operations. This allows for not only a comparative analysis of trends across the business but a fulsome view of strengths and weaknesses that continue to guide deployment of resources.

During the year, Mr. Charles Pink, Chief Executive Officer since the formation of FirstCaribbean in 2002, resigned. Mr. Pink led the Bank through the integration phase in 2002 to 2004. He has made a significant contribution to the development of the Bank. We wish him every success in his new endeavours, and thank him for his valuable contribution.

Sir Kyffin Simpson accepted an invitation to join the Board of our main regulator the Central Bank of Barbados. Sir Kyffin was a director of the heritage bank CIBC West Indies Holdings, and was the longest serving director of the group and its predecessor organisation. We value his contribution tremendously and wish him well.

Mrs. Paula Denise Rajkumarsingh joined the Board of Directors on September 26, 2008 to fill the casual vacancy created by Sir Kyffin Simpson.

Ms. Sonia Baxendale and Mr. Richard Nesbitt, Senior Executives of CIBC, joined our Board subsequent to year end, but prior to the publication of this report. We are also pleased that Messrs. Richard Venn and Ron Lalonde will continue to lend their invaluable experience as alternate directors.

We welcome the new directors and look forward to their valuable contribution.

We also had the good fortune to welcome Mr. John D. Orr as our 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 and corporate development at CIBC, he has managed two significant North American retail banking organisations. Mr. Orr hit the ground running, having served as 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 important 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 the provision of the best level of customer service.

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

Michael Mansoor
Chairman

CEO's Report

John D. Orr

> "Our core franchise remains strong. Loan volumes grew by 12%; prudent expense management resulted in a respectable efficiency ratio of 57%; and our deposits remained steady. Net interest income was up 8% although the worsening economic environment did push up loan losses by $15.0 million to 0.46% of gross loans."

Our core financial performance this year was strong with many of our business units exceeding expectations. The loan portfolio achieved double-digit growth, prudent management of our Bank resulted in operating expenses being reduced compared to the prior year on a normalised basis, and our balance sheet remains strong.

As a testament to the strength of the Bank, our Standard & Poors rating remains A-. FirstCaribbean also won several "Best Bank" awards from the likes of *The Banker* and *Global Finance*. Being an international bank, however, we were not immune to the turmoil in the global financial services markets and our investment portfolio did suffer some losses.

Group Financial Performance

Net income attributable to the equity holders of the parent was $175.3 million. Prior year income was higher, largely due to a one-time gain from the VISA restructuring of $52.4 million and the IAS19 release of $18.1 million.

The outsourced investment portfolio was negatively impacted by widening spreads resulting from the global credit crisis, with market values in the trading book decreasing by $16.3 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 $11.9 million.

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

Our core franchise remains strong. Loan volumes grew by 12%; prudent expense management resulted in a respectable efficiency ratio of 57%; and our deposits remained steady. Net interest income was up 8% although the worsening economic environment did push up loan losses by $15.0 million to 0.46% of gross loans. This percentage is low, re ecting our prudent and conservative approach to risk.

Customer

With the recent systems integrations behind us and our Helpful Partner programme embedded, our staff now truly live our universal service standards. Consequently, 2008 saw

FirstCaribbean's customer satisfaction ratings up 6% to 74%. We continued our branch network optimisation with the addition of a new branch in Liguanea, Jamaica. We also enhanced our web presence with a redesigned 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. First, with the deteriorating economic climate, attention was paid to early identification of problem situations and to working closely with customers on early remediation. Second, 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. Third, 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 highlighted 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 achieve continuous improvement in customer service we must have ongoing investment in our staff. This year the Bank continued its investment in the learning and development of staff. Our training efforts were focused on leadership development, core banking training and personal development. Employee satisfaction this year was up 4% to 73%. This is above regional and global benchmarks.

Community Partnership

This year, we again invested 1% of our pre-tax profits in the FirstCaribbean Community Trust, the Bank's foundation for charitable causes. This $2.0 million investment continues to support our cornerstone programmes of Unsung Heroes and Adopt-a-Cause. These programmes have gained increasing recognition and continue to make significant impact at the community level.

Strategy

In 2008, the Group completed the review of its strategy. 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 Banking & Wealth Management 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 are working closely with CIBC, to fully leverage all the advantages of our membership in the CIBC group.

Summary

Our core business is strong as indicated by growth in key profit drivers. This has been endorsed again by the capture of "Best Bank" awards from *The Banker* and from *Euromoney*. 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

Directors' Report

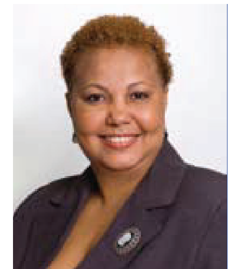
Directors

During the year Sir Kyffin Simpson resigned as a Director of the Company. The Board of Directors accepted his resignation and appointed Ms. Paula Rajkumarsingh to fill the casual vacancy created on the Company's Board of Directors by the resignation of Sir Kyffin.

Mr. Richard Venn and Mr. Ronn Lalonde indicated an interest to be rotated from their positions as Directors of the Company. In their stead the Directors have elected Mr. Richard Nesbitt and Ms. Sonia Baxendale to serve as Directors.

Mr. Venn and Mr. Lalonde who have served as directors since the formation of FirstCaribbean International Bank will serve as permanent alternate Directors to Mr. Nesbitt and Ms. Baxendale.

The shareholders are now being asked to re-appoint Ms. Rajkumarsingh, Mr. Nesbitt and Ms. Baxendale to the Board of Directors. They are also asked to re-appoint as directors to the Board of Directors Mrs. G. Diane Stewart and Mr. David Williamson for a period of two years, as well as Sir Allan Fields who retires by rotation and being eligible offers himself for re-election for a period of three years.


Ella Hoyos

Directors' Interest

As at October 31, 2008, particulars of Directors' shareholdings in the issued capital of the Company are as follows:

Common Shares of No Par Value

		Beneficial Interest	Non Beneficial Interest
1.	Michael Mansoor	203,196	nil
2.	Charles Pink	39,017	nil
3.	G. Diane Stewart		
	(Independent Director)	nil	nil
4.	Sir Allan Fields		
	(Independent Director)	1,000	nil
5.	Sir Fred Gollop	1,416	nil
6.	Thomas Woods	nil	nil
7.	Ron Lalonde	nil	1,000
8.	David Williamson	nil	nil
9.	David Ritch		
	(Independent Director)	nil	nil
10.	Paula Rajkumarsingh		nil
	(Independent Director)	nil	nil
11.	Richard Venn	nil	1,000
12.	John Orr	nil	nil

Financial Results and Dividends

The Directors report that the Company's consolidated profit after taxation and minority interest for the period ended October 31, 2008 amounted to US$175.3 million. All statutory requirements for the period ended October 31, 2008 have been fulfilled.

The Company has declared a final dividend of US$0.03 per Common Share for the period ended October 31, 2008. An interim dividend of US$0.03 per Common Share was also paid in the 2008 fiscal period. Total dividend for the period was US$0.06 per common share.

Share Capital

CIBC Investments (Cayman) Limited (CICL) is the majority shareholder of the Company now holding 91.39% of the Company's issued and outstanding shares.

Substantial interest as at October 31, 2008*

Common shares of no par value

1. CIBC Investments (Cayman) Limited	1,393,423,331	(91.39%)

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

Auditors

Messrs. Ernst & Young, Chartered Accountants, served as external auditors of the Company for the 2007-8 financial year. A resolution relating to the re-appointment of Ernst & Young as Auditors will be proposed at the Annual Meeting of the Shareholders of the Company.

By Order of the Board

Ella N. Hoyos
Corporate Secretary

Management Discussion and Analysis (expressed in United States dollars)

All Geographic Business Segments (All lines of Business)

The FirstCaribbean Group is managed by segments based on line of business and geographical location. The line of business segments are Retail, Credit Cards, Corporate, Capital Markets, Wealth Management and Treasury Sales & Trading, while the geographic segments are Barbados, Bahamas, Cayman, Jamaica and Trinidad & Tobago.

The following discussion and analysis is therefore presented based on the Group's geographical segments, with some reference to the line of business segments.

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

	2008	*2007
Income Statement Highlights		
Net Interest Income	458,287	424,981
Total Operating Income	92,256	181,048
Total Revenue	**550,543**	**606,029**
Total Operating Expenses	313,592	301,607
Intangibles	2,963	2,960
Loan Loss Expense	32,015	17,029
Total Expenses	**348,570**	**321,596**
Net income attributable to the equity holders of the parent	**175,276**	**255,667**
Balance Sheet Highlights		
Loans and advances to customers	**6,814,278**	**6,079,959**
Customer deposits	**9,196,049**	**9,275,685**
Total assets	**10,940,154**	**11,855,675**

* Includes a realised gain of $52.4 million on the non-monetary exchange of the Bank's membership interest in VISA for a share interest

Fiscal 2008 was a challenging year for the Group with tightening conditions in the global and regional economies. Despite this our core performance was strong, evidenced by many of our business units exceeding expectations. The Group's net income for the year amounted to $175.3 million which was behind the prior year by $80.4 million or 31%. The prior year however included a one-off gain from a change in the Group's benefits policy of $18.1 million and a one-off gain relating to VISA membership restructuring of $52.4 million, versus a loss on disposal of the VISA shares of $3.5 million in the current fiscal.

Net interest income was up year on year by $33.3 million or 8% resulting primarily from increased spreads with interest expenses declining by $95.2 million or 26% versus a decline in interest income by $61.9 million or 8%. The decline in interest income was due to both lower average volumes and yields for cash placements and investments, but to lower yields only for loans, partially offset by the effect of higher average volumes. The decline in interest expenses was due primarily to lower cost of funds on deposits, partially offset by increased average volumes and the repayment of other borrowings.

Gross loans were $6.9 billion at the end of the year, re ecting year on year growth of $769 million or 12% driven primarily by the Cayman, Barbados (Domestic), and Bahamas geographic segments and stemming mainly from the Corporate and Capital Markets line of business segments.

Investments were however down by $1.0 billion or 29% year on year, closing at $2.5 billion, due to business as usual disposals but also due to the decline in market values on both the trading and non-trading portfolios and management's decision to reduce the holdings in the trading portfolios.

Deposits, excluding other borrowed funds, amounted to $9.2 billion which was at to the prior year, with increases in Jamaica, Trinidad, and Barbados (Domestic) being offset by decreases in the other geographic business segments. The increases were in Treasury Sales & Trading and Corporate; offset by decreases in the other line of business segments.

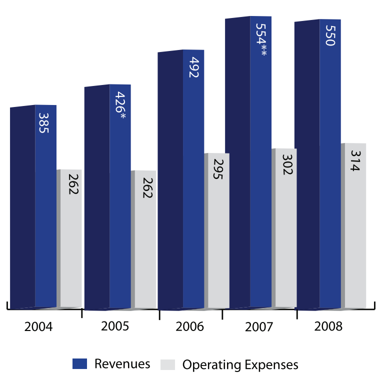
Operating income (excluding VISA restructuring in prior year and disposal in current year) was down by $32.8 million or 25% primarily due to the performance of the Group's trading investment portfolios and hedging relationships which were severely impacted by the effect of the US economic downturn on market values, interest rates and credit spreads.

Management Discussion and Analysis (expressed in United States dollars)

Operating expenses (normalised for the benefits gain) were below the prior year by $6.1 million or 2% mainly due to strong cost management, lower non-credit losses and lower depreciation due to accelerated depreciation on computer software in the prior year. These were partially offset by increases in remuneration and benefits, in line with our performance-driven reward system, and higher professional fees due to expected year on year in ation and new and ongoing projects to improve the Bank's overall service to customers. The Group's efficiency ratio (ratio of costs to revenues) was 56.6% versus 57.7% in the prior year (excluding the benefits gain, VISA restructuring and VISA disposal).

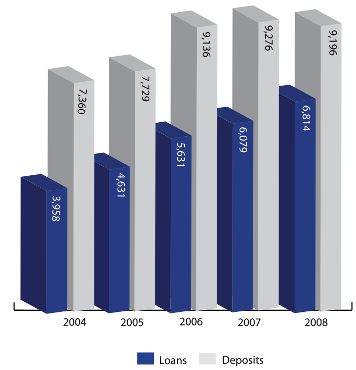
Loan loss expenses were substantially up year on year by $15.0 million or 88% due primarily to the overall increase in loan volumes which increased the inherent risk provisions, as well as, increases in specific non-performing loans, with some large one-offs in the Bahamas geographic segment. Our ratio of loan loss expenses to gross loans has consequently increased from 0.28% in the prior year to 0.46% at the end of this year. However, the ratio of non-performing loans to total loans has remained at 5% and continues to re ect our strong credit and adjudication policies and procedures.

Total Revenue and Operating Expenses
US$'000

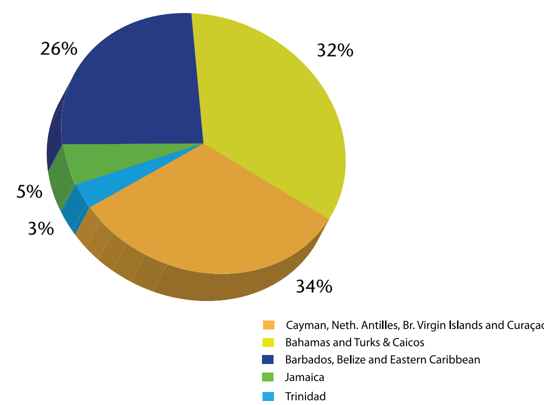


* Excludes gain on sale of Republic Bank Limited shares $117m
** Excludes VISA gain of $52m

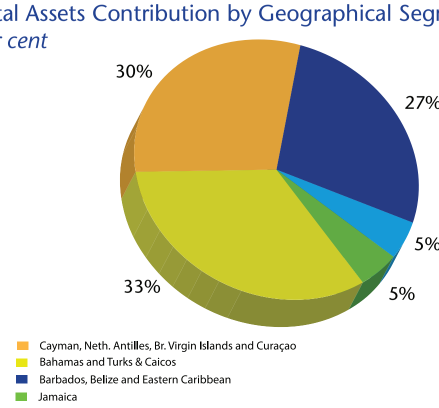
Net Loans and Advances to Customers and Customer Deposits
US$'000



Net Income Contribution by Geographical Segment
Per cent



Total Assets Contribution by Geographical Segment
Per cent



Bahamas Geographic Business Segment (All lines of Business)

The Bahamas geographical segment comprises the Group's operations in Bahamas and Turks & Caicos Islands (TCI).

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

	2008	2007
Income Statement Highlights		
Net Interest Income	155,575	147,161
Total Operating Income	16,018	32,143
Total Revenue	**171,593**	**179,304**
Total Operating Expenses	64,339	57,106
Loan Loss Expense	23,350	12,340
Total Expenses	**87,689**	**69,446**
Net income attributable to the equity holders of the parent	**83,904**	**109,858**
Balance Sheet Highlights		
Loans and advances to customers	**2,539,073**	**2,428,086**
Customer deposits	**3,445,011**	**3,668,011**
Total assets	**4,136,876**	**4,657,799**

Bahamas continues to be a major contributor to the Bank's overall bottom line, although net income of $83.9 million was down from the prior year by $26.0 million or 24%. The prior year however included a one-off gain from a change in the Group's benefits policy of $8.2 million, which when excluded would result in net income being below the prior year by $17.7 million or 17%. The decline in net income (excluding the benefits gain) was primarily driven by lower operating income and higher loan loss expenses; partially offset by higher net interest income.

Net interest income was up year on year by $8.4 million or 6% resulting primarily from increased spreads with interest expenses declining by $33.4 million or 24% versus a decline in interest income by $25.0 million or 9%. The decline in interest income was due to both lower average volumes and yields for interest lines, but mainly due to lower yields for loans and cash placements and due to lower average volumes for investments. The decline in interest expenses was due primarily to lower cost of funds on deposits, partially offset by increased average volumes and the repayment of other borrowings.

Gross loans amounted to $2.6 billion at the end of the year which was up by $133 million or 5% year on year. The majority of the increase was in the Bahamas Islands which increased by $111 million, with the remainder in TCI and was mainly due to Capital Markets, Corporate and Wealth Management line of business segments.

Investments declined by $0.6 billion or 36% year on year to close at $1.1 billion due to the normal course of business disposals but also due to the decline in market values on both the trading and non-trading portfolios and management's decision to reduce the holdings in the trading portfolios.

Deposits stood at $3.4 billion re ecting a year on year decline of $223 million or 6% which was primarily in the Bahamas Islands and mainly due to Wealth Management, Corporate and Retail line of business segments.

Operating income was down year on year by $16.1 million or 50% mainly due to the performance of the trading investment portfolios and hedging relationships which were severely impacted by the effect of the US economic downturn on market values, interest rates and credit spreads.

Operating expenses (excluding the benefits gain) were below the prior year by $1.0 million or 1% due primarily to strong cost management, lower non-credit losses and a provision write-back. The ratio of cost to revenues has remained relatively stable at 37.5% versus 36.4% in the prior year.

Loan loss expenses were significantly higher than the prior year by $11.0 million or 89% due primarily to the overall increase in loan volumes which increases the inherent risk provisions, as well as increases in specific non-performing loans. The ratio of loan loss expenses to gross loans has consequently increased from 0.50% in the prior year to 0.89% at the end of this year, with an increase in the ratio of non-performing loans to total loans from 6% to 8%.

Cayman Geographic Business Segment (All lines of business)

The Cayman geographical segment comprises the Group's operations in Cayman, British Virgin Islands (BVI), St. Maarten and Curaçao.

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

	2008	2007
Income Statement Highlights		
Net Interest Income	130,026	114,791
Total Operating Income	10,129	22,401
Total Revenue	**140,155**	**137,192**
Total Operating Expenses	44,915	41,659
Intangibles	2,963	2,960
Loan Loss Expense	1,410	6
Total Expenses	**49,288**	**44,625**
Net income attributable to the equity holders of the parent	**89,485**	**91,146**
Balance Sheet Highlights		
Loans and advances to customers	**1,807,379**	**1,467,969**
Customer deposits	**2,956,453**	**3,192,587**
Total assets	**3,674,319**	**4,324,226**

This geographic business segment was the largest contributor to the Group's bottom line this fiscal. Net income amounted to $89.5 million for the year which was marginally down year on year by $1.7 million or 2%. The prior year, however, included a one-off gain from a change in the Group's benefits policy of $3.7 million, which when excluded would result in net income exceeding the prior year by $2.1 million or 2%. The marginal increase in net income (excluding the benefits gain) was primarily driven by higher net interest income; partially offset by lower operating income and higher loan loss expenses.

Net interest income was up year on year by $15.2 million or 13% resulting primarily from increased spreads with interest expenses declining by $60.7 million or 42% versus a decline in interest income by $45.5 million or 18%. The decline in interest income was due to lower yields for loans, partially offset by higher average volumes; due to both lower yields and average volumes for cash placements; and due to lower average volumes for investments. The decline in interest expenses was due primarily to lower cost of funds on deposits, partially offset by increased average volumes; the repayment of other borrowings; and lower cost of funds on the debt.

Gross loans amounted to $1.8 billion at the end of the year which were up by $341 million or 23% primarily in the Cayman Islands and St. Maarten and resulted from Corporate and Retail line of business segments.

Investments declined by $0.4 billion or 31% year on year to close at $0.9 billion due to business as usual disposals but also due to the decline in market values on both the trading and non-trading portfolios and management's decision to reduce the holdings in the trading portfolios.

Deposits stood at $2.9 billion re ecting a year on year decline of $236 million or 7%. Most of the decline was due to Curaçao and BVI and was mainly due to the Wealth Management line of business segment.

Operating income decreased year on year by $12.3 million or 55% mainly due to the performance of the trading investment portfolios and hedging relationships which were severely impacted by the effect of the US economic downturn on market values, interest rates and credit spreads.

Operating expenses (excluding the benefits gain) were at year on year at $45 million. Marginal improvement in the ratio of costs to revenues from 33% to 32% year on year re ects good cost management practices.

Loan loss expenses exceeded the prior year by $1.4 million due primarily to the overall increase in loan volumes which increased the inherent risk provisions, as well as increases in specific non-performing loans. The ratio of non-performing loans to gross loans stood at 3.1% compared to the prior year of 3.4% which re ects our continued strong credit and adjudication policies and procedures.

Taxes declined year on year by 3% due to lower taxable net income in St. Maarten.

Barbados Geographic Business Segment (All lines of business)

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

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

	2008	2007
Income Statement Highlights		
Net Interest Income	121,040	117,141
Total Operating Income	58,907	61,484
Total Revenue	**179,947**	**178,625**
Total Operating Expenses	88,136	93,383
Loan Loss Expense	5,018	2,479
Total Expenses	**93,154**	**95,862**
Net income attributable to the equity holders of the parent	**69,405**	**65,176**
Balance Sheet Highlights		
Loans and advances to customers	**1,844,678**	**1,683,235**
Customer deposits	**2,991,934**	**2,858,224**
Total assets	**3,342,214**	**3,197,287**

Net income for the Barbados business segment amounted to $69.4 million which was up year on year by $4.2 million or 6%. The increase was due to the domestic business which was up by $7.8 million or 16% year on year, partially offset by a decrease in the offshore business by $3.6 million or 24% year on year. The prior year however includes a one-off gain from a change in the Group's benefits policy of $5.0 million, which when excluded would result in net income exceeding the prior year by $9.2 million or 15%. The increase in net income (excluding the benefits gain) was primarily driven by higher net interest income and lower operating expenses; partially offset by lower operating income and higher loan loss expenses.

Net interest income exceeded the prior year by $3.9 million or 3% resulting primarily from a marginal increase in spreads with interest expenses declining by $3.4 million or 4% versus at interest income. Although interest income remained at year on year at $198 million, there was a decline in interest on cash placements due to both lower average volumes and yields, which was offset by increases in loans and investments interest due mainly to higher average volumes, partially offset by lower yields. The decline in interest expenses was due primarily to lower cost of funds on deposits, partially offset by higher average volumes.

Gross loans amounted to $1.9 billion at the end of the year which was up by $168 million or 10% primarily in the Barbados Island and the Eastern Caribbean and resulted mainly from the Corporate and Retail line of business segments.

Investments stood at $345 million at the end of the year, re ecting an increase year on year of $31.9 million or 10% mainly in Barbados Island and Belize.

Deposits at the end of the year amounted to $3.0 billion re ecting a year on year increase of $133 million or 5%. Most of the increase was due to the Barbados Island and the Eastern Caribbean and was mainly due to Treasury Sales & Trading and Retail line of business segments.

Operating income was down from the prior year by $2.6 million or 4% due to lower foreign exchange earnings, card revenues, and equity brokerage fees; partially offset by higher deposit fee and other income.

Operating expenses (excluding the benefits gain) were below the prior year by $10.3 million or 10% primarily due to lower non-credit losses, lower depreciation, lower benefits costs and overall cost management initiatives. The ratio of costs to revenues has significantly improved from 55% to 49%.

Loan loss expenses were up year on year by $2.5 million due primarily to the overall increase in loan volumes which increased the inherent risk provisions, as well as, increases in specific non-performing loans. The ratio of non-performing loans to gross loans stood at 5.5% compared to the prior year of 5.6% which re ects our continued good credit and adjudication policies and procedures.

Taxes were at year on year at $17 million.

Jamaica Geographic Business Segment (All lines of business)

Jamaica Geographical Business Segment Financial Highlights (USD'000)

	2008	2007
Income Statement Highlights		
Net Interest Income	43,706	38,257
Total Operating Income	8,710	10,031
Total Revenue	**52,416**	**48,288**
Total Operating Expenses	32,243	29,560
Loan Loss Expense	1,826	1,799
Total Expenses	**34,069**	**31,359**
Net income attributable to the equity holders of the parent	**12,260**	**11,357**
Balance Sheet Highlights		
Loans and advances to customers	**464,670**	**445,372**
Customer deposits	**546,125**	**472,155**
Total assets	**654,370**	**586,912**

The Jamaica segment produced net income of $12.3 million, an increase year on year by $0.9 million or 8%. The prior year, however includes a one-off gain from a change in the Group's benefits policy of $1.2 million, which when excluded would result in net income exceeding the prior year by $2.2 million or 22%. The increase in net income (excluding the benefits gain) was primarily driven by higher net interest income; partially offset by lower operating income and higher operating expenses.

Net interest income exceeded the prior year by $5.4 million or 14% resulting primarily from increased spreads with interest expenses remaining at at $26 million versus an increase in interest income by $5.6 million or 9%. The increase in interest income was primarily driven by cash placements interest resulting from higher yields. Although interest expenses were at, deposit interest decreased mainly due to lower costs of funds, partially offset by higher average volumes; but was offset by increased debt interest due to higher average volumes and cost of funds.

Gross loans amounted to $466 million at the end of the year which was up by $18 million or 4% primarily due to Corporate, Wealth Management and Retail line of business segments.

Investments stood at $17 million at the end of the year re ecting an increase year on year by $4 million or 33%.

Deposits at the end of the year amounted to $546 million, re ecting a year on year increase of $74 million or 16%. Most of the increase was due to Treasury Sales & Trading, Corporate and Retail line of business segments.

Operating income was below the prior year by $1.3 million or 13% mainly due to hedging relationships which were severely impacted by the effect of the US economic downturn on credit spreads and lower foreign exchange earnings; partially offset by higher fees and commissions.

Operating expenses (normalised for the benefits gain) exceeded the prior year by $1.4 million or 4% due mainly to remuneration and benefits expenses which included a write-back of $1.1 million of the pension asset because of the limit placed on the economic value of the plan surplus; and occupancy costs. The ratio of costs to revenues has however improved, moving from 64% in the prior year to 61% at year end, re ecting strong cost management strategies throughout the year.

Loan loss expenses were relatively at year on year holding at $1.8 million, with non-performing loans to gross loans at 2.2% compared to prior year of 2.0% showing our continued good credit and adjudication policies and procedures.

Taxes increased over the prior year by $0.5 million or 9% mainly due to higher taxable income.

Management Discussion and Analysis (expressed in United States dollars)

Trinidad & Tobago Geographic Business Segment (All lines of business)

Most of the business in Trinidad & Tobago is conducted in the Corporate and Capital Markets lines of business.

Trinidad & Tobago Geographical Business Segment Financial Highlights (USD'000)

	2008	2007
Income Statement Highlights		
Net Interest Income	10,819	7,747
Total Operating Income	466	2,635
Total Revenue	**11,285**	**10,382**
Total Operating Expenses	4,203	4,006
Loan Loss Expense	570	349
Total Expenses	**4,773**	**4,355**
Net income attributable to the equity holders of the parent	**8,524**	**5,050**
Balance Sheet Highlights		
Loans and advances to customers	**254,361**	**144,069**
Customer deposits	**481,084**	**213,847**
Total assets	**593,728**	**340,495**

The Trinidad & Tobago operations contributed net income of $8.5 million, which was above the prior year by $3.5 million or 69%. The increase was mainly attributable to higher net interest income and lower taxes; partially offset by lower operating income.

Net interest income was up by $3.1 million or 40% mainly due to higher average loan volumes and yields; partially offset by higher cost of funds and average volumes on debt.

Gross loans amounted to $253 million at the end of the year which was up by $110 million or 77% primarily due to Capital Markets, but also arising from the Corporate line of business segments.

Investments stood at $188 million at the end of the year, re ecting an increase year of year of $18 million or 11%. Deposits at the end of the year amounted to $481 million, re ecting a year on year increase of $268 million or greater than 100%. Most of the increase was due to the Corporate line of business segment.

Operating income was significantly down year on year by $2.2 million or 82% mainly due to hedging relationships which were severely impacted by the effect of the US economic downturn on credit spreads; partially offset by higher foreign exchange earnings.

Operating expenses exceeded the prior year by $0.2 million or 5% due mainly to higher remuneration and benefits as a result of the increase in staff numbers.

Loan loss expenses were above the prior year by $0.2 million or 63% due primarily to the overall increase in loan volumes which increased the inherent risk provisions, as well as, increases in specific provisions. The ratio of non-performing loans to gross loans stood at 0.8% compared to the prior year of 1.6% which re ects our continued strong credit and adjudication policies and procedures.

Taxes were significantly below the prior year by $2.9 million due to a prior year correction.

Strategic Business Units

Corporate Investment Banking

"We continue to partner with our customers throughout the region to help them advance and realise on business opportunities. As a result, our outstanding loan balances registered a 21% increase to $4.4 billion at the year end."

A Challenging But Successful Year

The financial downturn, with roots in the US sub-prime market, has severely impacted the global financial markets. The sharp decline in bank and investor credit risk appetite and liquidity constraints have made loans, private placements and bond issues more expensive and more difficult to arrange. Here in the Caribbean as elsewhere, companies, financial institutions and governments have scaled back their investments to focus only on projects that have the highest and most predictable rates of return. In spite of this challenging environment, Corporate Investment Banking put in a credible performance. This performance is testimony to the sound business principles and risk policies which are the hallmark of our Group, as well as the professionalism and innovativeness of our people.

In 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 on a US$100 million Commonwealth of Bahamas 30-year financing. Other highlights for the year included the arranging of a US$50 million dual-tranche, dual-currency, cross-border facility for a large regional conglomerate to facilitate the acquisition of a subsidiary in Europe, a fully underwritten US$81 million short-term facility for a sovereign-related entity and a landmark $124 million financing for the Turks & Caicos Islands Hospitals Public Private Partnership project.

Our Hospitality and Distribution financing teams have further cemented their positions as the regional industry leaders in those segments, having secured mandates for and executed on several major transactions in 2008. Corporate Investment Banking has also broadened its offering to include energy financing; the Energy Financing Unit (EFU) focuses on arranging financing for projects to assist governments throughout the region to attain greater energy independence.

Financial Performance

In 2008, Corporate Investment Banking issued new loans in excess of US$1 billion; this marks the fourth consecutive year that we have achieved this milestone. We continue to partner with our customers throughout the region to help them advance and realise on business opportunities. As a result, our outstanding loan balances registered a 21% increase to $4.4 billion at the year end.

Net Interest Income for the year increased by 3% to $216 million as the impact of the growth of our loan portfolio was partially offset by shrinking interest margins. The falling US interest rates also negatively impacted earnings on our investments. However, our efforts to grow our fee-based income were successful as we recorded strong growth in this area. Total revenues for the year grew by 7% to $273 million. Operating costs grew by almost 5%. Overall contribution from Corporate Investment Banking grew by 7% to $243 million.

Customer

We took significant steps in 2008 to reposition FirstCaribbean as a truly customer-focused organisation; the changes were designed to better align our organisation's structure to our strategy. By combining all of the lines of business which serve our corporate, institutional and sovereign clients, we have reduced the complexity of our business. We have given our customers multi-levels of access to our services and enhanced our ability to nimbly respond to changes in the competitive environment.

FirstCaribbean continues to leverage its relationships to provide its customers access to the international capital markets. In 2008, FirstCaribbean and the Inter-American Development Bank announced the establishment of a $200 million risk-sharing facility through which our customers can now tap into long-term, multilateral financing.

Our independently conducted customer satisfaction survey completed in October 2008 reported increases in customer satisfaction, customer loyalty and advocacy. However, far from resting on our laurels, 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 of our staff. By customising offerings to our clients' needs, providing multiple delivery channels and a senior coverage team comprising the Managing Director of the Subsidiary, dedicated Relationship Managers, Sector and Product Specialists, we aim to take our customer satisfaction to new levels.

People

Our 300-plus staff members across the region continued to show their engagement, commitment and passion for the business and through them we produced solid results in 2008 under challenging market conditions.

Our Employee satisfaction survey (conducted by independent consultants) showed a 4% improvement over the previous year to 72%, well in excess of the Caribbean and International benchmarks. The improvement over the prior year is a re ection of the Group's commitment to our employees and our strides to make FirstCaribbean the employer of choice.

The creation of the Corporate Investment Banking unit has not only created greater customer focus, it has also generated opportunities for staff in terms of career path development. Furthermore, by facilitating greater collaboration and sharing of knowledge, we will improve the productivity and innovation agility of our staff.

The journey to be employer of choice is a continuous one and the Corporate Investment Banking segment remains committed to the investment and training of our staff to enable them to achieve alignment between their career objectives and FirstCaribbean's goals and objectives.

Outlook

The year 2009 will be a challenging year for all. The global recession is deepening; and while the Caribbean has not felt the full impact thus far, tourism, the key contributor to GDP in the region, has shown clear signs of slowdown. Oil and gas prices are less than 30% of their previous highs, which will ease some of the economic burden for most countries in the region but has already negatively impacted the spending plans of oil producing countries including those in the Caribbean.

In spite of these challenges, Corporate Investment Banking remains committed to our customers and employees. Our goal is to build on our performance of 2008 by increasing the level of deal conversion on the robust deals pipeline that we have generated from the significant number of mandates which we were awarded by our clients.

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, our international relationships, including our parent CIBC, to provide tailored, competitive value-adding solutions to our customers.

Retail Banking & Wealth Management

"Looking ahead, 2009 promises to be another challenging year for the Retail Wealth Business. Our focus will remain on making conservative lending decisions and managing against the potential for increased delinquency risk if the economic climate continues to deteriorate."

Our most significant development in 2008 was the combination of the Retail Banking Personal Wealth Management and Cards Business Units to form a single Retail Banking and Wealth Management Division.

The new division also includes Marketing & Product Development, Insurance and Electronic Banking Channels and is geared to provide a complete set of personal banking services to meet the needs of all segments of our personal customer base. Although the combination took place on November 1, 2008, our comments have been constructed to present a view of what the performance of the combined business would have been if the event had taken place on November 1, 2006.

We made significant improvements in the management of our network of regional branches leading to improvements in controls, efficiency and customer service and are now well positioned to deliver increased value to our customers by bundling Cards, Lending, Savings, Payments and Investment products to match the specific requirements of particular groups of customers.

With regard to the financial performance of our business, 2008 was a very challenging financial year. Gross revenue fell by 9.97% driven primarily by lower than plan loan growth; a direct impact of weakening economic conditions. Interest expense was substantially lower than plan (26%) due to lower hard currency interest rates, and expenses were managed at 8% below fiscal 2007, resulting in direct contribution of $183 million against $162 million on a comparative basis in 2007.

Total loans including Credit Cards, Consumer Loans and Mortgages were relatively at over 2007 and total deposits including hard currency international deposits fell by 11% over 2007. The latter was a direct result of some out ows of hard currency deposits towards the end of fiscal 2008 as some International clients sought to rebalance their financial positions at the peak of the economic crisis. Our strong capital ratio served us in good stead to retain most of our international client relationships during this turbulent period.

Looking ahead, 2009 promises to be another challenging year for the Retail Wealth Business. Our focus will remain on making conservative lending decisions and managing against the potential for increased delinquency risk if the economic climate continues to deteriorate. We will continue to look for opportunities to decrease our operating cost with particular focus on achieving synergies from the Retail, Wealth, Card and Marketing combination.

> "We will continue to look for opportunities to decrease our operating cost with particular focus on achieving synergies from the Retail, Wealth, Cards and Marketing combination."

We will continue to focus on further embedding our Customer Centric Sales & Service model, refining our product offering and processes and streamlining and improving our channel delivery as we seek to continue to deliver on our promise to be first for our Shareholders, Staff and Customers.

We are sincerely grateful for the outstanding efforts of our teams of regional business leaders and staff to protect our customers and brand in the face of a very challenging environment. We will need an even greater effort in this regard in 2009 and beyond!

Centenarian customer celebrated by FirstCaribbean's Oistins Branch.

Our Employees

"Employee satisfaction at the enterprise level was 73%, a mere two percentage points below the coveted top quartile of 75%. These results compare very well with global and Caribbean high performing companies and out-perform the global and regional averages."

First for Employees

Our vision of being the Number One Financial Services Institution in the Caribbean wisely identified the four major players as Customers, Employees, Shareholders which by design include employees, and the Caribbean Community. The vision of being First for employees which was further proposed as being "Employer of Choice", is a challenge in itself, but made more so because of the rich diversity of our employee population and complexity of the community in which we are cradled. These lofty ideals provide our leaders with the challenge of ensuring that our commercial objectives are balanced with the interest of our employees and community, as are demonstrated in strong financial results, employee satisfaction and our well-recognised support for our communities.

In a year when we were severely tested by a challenging global economic environment requiring innovation and almost single-minded focus on economic results and customer loyalty, our employees not only responded with creative excitement but also reported improved levels of satisfaction, as reported in our E-voice results of October, 2008. Employee satisfaction at the enterprise level was 73%, a mere two percentage points below the coveted top quartile of 75%. These results compare very well with global and Caribbean high performing companies and out-perform the global and regional averages.

When examined the E-Voice results showed improvements in the following two critical areas:

a) Satisfaction Index, up from 69 to 73%, combines the areas of pride in our company, loyalty and endorsement and re ects the level of employee emotional engagement with the company.

b) Engagement Index, also up from 69 to 73%, combines satisfaction with other factors of well-being including a sense of belonging, motivation, satisfaction with role, personal growth, and a feeling of being treated fairly.

c) Helpful Partner Universal Standards Index, best described as how well we deliver customer satisfaction, increased 2 points to 78%. This is the first year that we are tracking this index given that it was first measured in 2007.

Training and Development

Despite our challenges the 2007-8 fiscal saw a strong demonstration of FirstCaribbean's commitment to its employees and its belief in sustainable performance through its continued investment in leadership development, core banking training, and personal development programmes. Our Executive Development Programme, in which we partner with the Wharton Business School, continues and is positioned to make a difference in increasing the leadership bench strength of the organisation.

Our new Leadership standards are designed to be embeded within the organisation core capabilities which are developed to help evolve pertinent leadership skills, combined with our core values at all levels. We also significantly increased our core banking training programmes, especially in systems and processes in response to changes in the control environment, and to fill operational gaps.

Positive Work Environment

In pursuit of our Employer of Choice proposition, FirstCaribbean continues its efforts to ensure that our people are valued, trusted and empowered, within a sensible governance framework, to make the right decisions. This has been borne out in our E-Voice survey.

We continue to ensure that our Code of Conduct serves its intended purpose and is observed in a robust manner. Additionally, we've branded our reward and recognition programme to re ect our Helpful Partner Universal Standards. "Watch us doing the right things for our customers and tell it abroad," is the idea.

FirstPartnership, our agreement with 11 trade unions across the Caribbean, continues to grow and is showing signs of maturing. To further strengthen our industrial relations environment, we rolled out an IR framework designed to increase employee trust, improve administrative rigour and build IR capabilities in all our locations. This agreement covers our commitment to our employees and guides the way we manage the IR processes.

It is evident that the combination of creating the right environment in which our people can function at optimum levels, and nurturing the right relationships in which that environment can develop and ourish, therefore, is paying handsome dividends for FirstCaribbean.

This is essential as we tackle the task of focusing on the customer while managing the trying economic conditions which we currently face, and will continue to face for the next several months.

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 af uent 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 ow 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 re ect 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 Financial Institutions 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 33 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 33 to the audited statements.

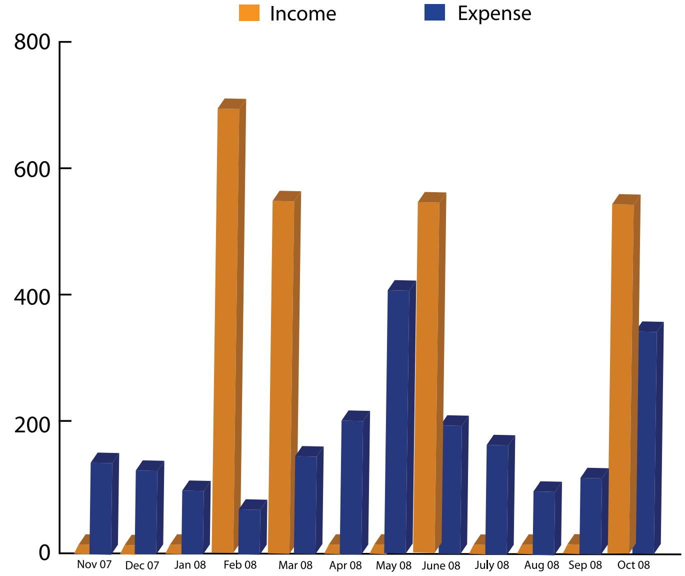
Our Communities

FirstCaribbean International Comtrust Foundation

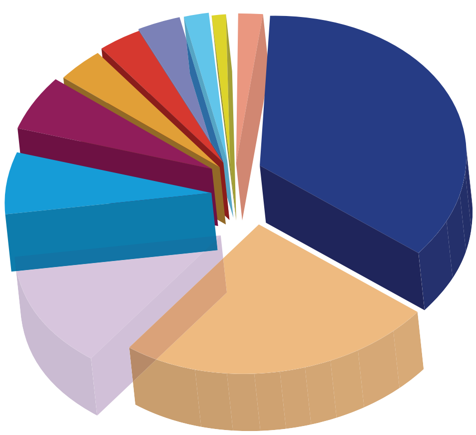
In 2008, FirstCaribbean's charitable foundation was again active supporting worthwhile causes in the region. Led by the Bank's employees, the Foundation spent more than US$1.9 million on its Unsung Heroes, Adopt-a-Cause and community relations programmes. Its partnership with regional educational institutions 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 Relief	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

FirstCaribbean Assists in Developing Skills in Case Writing

The Case Study Development project, developed under FirstCaribbean's Memorandum of Understanding with the University of the West Indies, has entered a new phase with the launch in March of a case writing competition for UWI faculty. The goal is to develop case writing skills within the university, and increase the available regional case studies for use by the study population.

In 2008, the Bank provided a grant of US$87,000 towards the continuation and expansion of the project. This programme started with the first set of cases being written by faculty on the establishment of FirstCaribbean. The funds also support the annual hosting of a Case Analysis Competition for University students.

Over the next year, writing will begin on a new series of cases documenting the experience of several Caribbean companies.

Professor Paul Beamish provided valuable tips to the UWI Case Writers

Unstoppable Mona!

The Mona Campus of the University of the West Indies is building quite a reputation for itself in the field of public oratory and business case analysis.

Mona was chosen as undeniable champion when the curtain came down on the second UWI/FirstCaribbean International Bank Regional Case Analysis Competition, held in Trinidad at the UWI's St. Augustine Campus in May of 2008.

The annual competition was the culmination of a selection process which produced the best teams from Mona, Cave Hill and St. Augustine campuses. These teams met to put their skills to the test in presenting the case, "FirstCaribbean International Bank – Marketing & Branding Challenges of a Start-up."

An excited Mona team on hearing the final results!

More Scholarships Awarded

The FirstCaribbean scholarship programme continues to be an essential avenue through which young scholars attending the University of the West Indies receive much needed financial help to complete their studies.

In 2008, the Bank awarded one-year scholarships to 13 students, valued at US$2,500 each. FirstCaribbean has pledged over US$100,000 in scholarships for the period 2007-2009. Twenty-five scholarships have been awarded to UWI students on the three campuses since 2006.

Law student Kyle Kentish receives his scholarship from Director, Wealth Management, Mark St. Hill.

Business Support Manager (Barbados OPCO), Paul Ashby, in discussion with researcher, Dr. Winston Moore

Funding Caribbean Research

Over the next year, seven Caribbean researchers will be conducting research on issues of importance to the banking and financial services sector.

The Bank provided a grant of US$70,000 to support this research across the UWI campuses. At Cave Hill, among those benefiting from the programme were Dr. Justin Robinson, Head, Department of Management Studies and Dr. Winston Moore, Lecturer, Department of Economics. Dr. Robinson will be conducting research on "Internet Banking in the Caribbean: An Exploratory Analysis" and Dr. Moore, along with Dr. Robinson, will be researching "The Management Practices of Mutual Fund Managers in the Caribbean". The amounts awarded for both grants were US$3,000 and US$15,000, respectively.

Similar presentations were made at the Mona and St. Augustine campuses.

Standing – Senior Manager and Corporate Secretary, Teresa Williams; Domestic Payments Manager, Gaye Dean; Director, Wealth Management, Dennis Govan and Head of Human Resources, Siobhan Lloyd. *Sitting, l-r:* LaNadia Davis, Dominic Stubbs and Delia Ferguson.

President's Scholars Programme

Students in The College of The Bahamas' President's Scholars Programme (PSP) honed their professional business skills during a period of internship at the Bank.

A major donor to the programme, FirstCaribbean is providing three scholarships for students. In addition to financial support, for the past two summers the three scholars have interned in several of the Bank's business segments.

Delia Ferguson, a history major, wishes to pursue a career in law or diplomacy. She was able to gain valuable experience working in the managing director's office, alongside the Bank's legal counsel and the corporate secretary.

A third year Economics and Finance major, Dominic Stubbs 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.

Another third year student, LaNadia Davis is pursuing studies in accounting. As a result of her FirstCaribbean internship, LaNadia is now considering combining her accounting major with banking and finance.

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 field trips abroad.

Ms. Linda Rimer, l, and Managing Director, Bahamas, Sharon Brown.

Junior Achievement Worldwide – our new partners

FirstCaribbean has signed a four-year Memorandum of Understanding (MOU) with Junior Achievement (JA) Worldwide valued at US$204,000, in recognition of the need to provide resources and opportunities for the youth of the region.

JA Worldwide has provided solid business and economic education programmes to young people since 1919, as part of its overarching mission to inspire and prepare young people to succeed in the global economy.

Ms. Linda Rimer, Ph.D., Senior Vice President Asia/Pacific and Americas Region for JA Worldwide, accepted the cheque on the organisation's behalf, said, "We are so pleased and encouraged by FirstCaribbean's generosity and commitment to developing the youth. These funds will go a long way toward enhancing what we do around the region and in The Bahamas."

Financial support of JA Caribbean's capacity building and member start-up and collaboration in the decision-making process for the roll-out of Junior Achievement Programmes throughout the Caribbean are among key features of the MOU, which runs from 2008 to 2011.

Antigua, The Bahamas, Belize, British Virgin Islands, Cayman Islands, Grenada, Netherlands Antilles, St. Lucia, St. Vincent & the Grenadines and Trinidad & Tobago are among 12 Caribbean countries to benefit from funding.

New partners: Former Managing Director Jamaica, Milton Brady, seals the deal with David Clarke, Chairman of the Jamaica Youth Business Trust.

Caribbean Youth entrepreneurs receive US$345,000

Through FirstCaribbean's involvement, youth businesses in the region have also been given a much-needed financial boost. The Bank will be spending US$350,000 over the next three years to support young men and women in the region with good business ideas. Managing Director, Corporate Investment Banking, Milton Brady, presented the first portion of funding – a cheque of US$30,000 to David Clarke, Chairman of the Jamaica Youth Business Trust.

Through the programme, the Bank has agreed to fund programmes administered by the Caribbean Association of Youth Business Programmes, of which HRH Prince Charles is patron, through Youth Business International (YBI).

YBI is the coordinating body of a global network of independent Youth Business Programmes (YBPs), which deliver YBI's programme of support including loan funding and mentorship to young people ages 18-30. To date, 40 countries have Youth Business Programmes.

Jamaica and Barbados are the first to receive funding to establish YBPs and in 2009, St. Lucia, Antigua and Dominica and the Turks & Caicos, will be adopting the model already implemented in Barbados, Trinidad, Belize and Guyana. A start-up programme is being planned for The Bahamas.

Milton Brady (second from left), former Managing Director, Jamaica presents a cheque for J$1.4M to defray the cost of repairs to Hampton High School, St. Elizabeth, by Hurricane Dean damage. Receiving the cheque are (l-r) Heather Murray, Principal; students Kelly Anglin, Randah Higgins and Chemoya Evans. Board Director Trevor Blake is at right.

Helping our neighbours

Haiti, The Bahamas, the Turks & Caicos Islands and Jamaica received over US$150,000 for disaster relief following the passage of several severe weather systems in 2008.

Jamaica received funds to assist with repairs to schools, senior citizens' and children's homes and affected farming communities. Funds for Turks & Caicos Islands are being administered by the National Disaster Relief Fund and the Red Cross, while the National Emergency Management Agency (NEMA) is in charge of funds to assist with the rebuilding of Morton Salt located on Great Inagua in The Bahamas.

The Foundation also teamed up with the Barbados Red Cross Society to assist with the Haiti Hurricane Appeal. The Bank donated US$25,000 to Haiti to assist with general recovery efforts.

Milton Brady, former Managing Director, FirstCaribbean International Bank Jamaica Limited presents a cheque for J$1.4 million to Grace Duncan, Executive Director, Jamaica Association on Mental Retardation and Christine Rodriguez, to help defray expenses associated with damage sustained from Hurricane Dean last year.

Roché Mahon presents a copy of her thesis to coordinator, CDERA, Jeremy Collymore.

Scholarship recipient giving back

Roché Mahon, one of the first recipients of the joint FirstCaribbean International Bank (FirstCaribbean)/Caribbean Disaster Emergency Response Agency (CDERA) Disaster Management Scholarship in 2006, has joined CDERA's staff after successfully completing graduate studies in Planning and Development.

As Programme Officer to the Tsunami and Other Coastal Hazards Warning System Project, Miss Mahon will be active in empowering coastal communities to prepare for and respond to tsunamis and other coastal hazards. The FirstCaribbean/CDERA Disaster Management Scholarship was launched in 2005 as part of a collaborative initiative to help advance disaster management in the Caribbean.

A national of Trinidad and Tobago, Miss Mahon received the FirstCaribbean/CDERA grant of US$4,000 to assist her in conducting research in Grand Anse, Grenada, for her M.Sc. thesis. She used Grenada's experience in reconstructing its coastal tourism belt to investigate the role that physical planning plays in linking disaster risk reduction to sustainable development.

When FirstCaribbean conceptualised its agship community relations programme, Unsung Heroes, in 2003, it was a bold attempt to give prominence to persons who typically do not receive media attention and public acknowledgement for their service to their communities. FirstCaribbean decided that it was no longer good enough to keep the good deeds of these hidden gems locked away in remote villages and communities, but to share, celebrate and tangibly reward their work, giving them the comfort of knowing that they are not alone in their struggle.

In 2008, FirstCaribbean was again proud to award more sel ess individuals whose qualities have made their communities all the better for their involvement. For the second consecutive year, an additional person was selected for special commendation by the judging panel. Several nominations were received from throughout the region in 2008, all of them worthy of consideration.

Veoland Cupid – St. Vincent and the Grenadines

Say the name Veoland Cupid and the rural community of Lauders warms to its sound. The 2008 Regional Unsung Hero has spent most of her life in service to country and community. What 61-year-old would learn to sew because of missed educational opportunities, share her craft by teaching others and then unselfishly offer her services to her entire community for free?

A happy Veoland Cupid at the awards ceremony in her homeland.

Her accomplishments do not end there. She is foster mother to over a dozen, has opened her home to those needing shelter, clothed the poor, offers her home to the Peace Corps, is a literacy advocate and village counsellor and ministers to the incarcerated.

In 1999 she started a pre-school when she saw the high number of unemployed mothers. Many of these young mothers had no one to baby-sit their children. No child was turned away, even if its mother could not afford to pay. Today, with the help of two young persons, Veoland cares for approximately 43 children each term. Her work, characterised by personal sacrifice, has had an immeasurable effect on all whom she has served.

Thomas Watts gets a well-deserved commemorative gift from FirstCaribbean's Director, Wealth Management, Mark St. Hill.

Thomas Watts – Barbados

Thomas Watts has spent his pension income to establish his prison outreach project. For the past 29 years he has been working to reintegrate convicts released from the local prison back into mainstream society. With limited resources he has opened his home and heart to a group of persons which many in society prefer to shun. Former inmates have worn his clothes, eaten his food, slept in his bed, and as if becoming at one with their plight, he has empathised with and embraced them when they had nowhere else to turn.

With no reward other than the joy of seeing someone set free from the vicious cycle of recidivism, Mr. Watts has continued consistently providing this positive avenue to many who could offer him nothing in return. The programme also targets the children of inmates and has been at the forefront of providing selected beneficiaries with items such as books and uniforms to assist them in returning to school.

An elated Patsy Thomas holding her award.

Patsy Thomas – Dominica

The work of Patsy Thomas is considered truly remarkable. She began a pre-school programme for a small group of children from the Carib community, the country's indigenous people, and a vulnerable part of the community.

The school began in 1977 and housing for this project was first provided by her church. Patsy was so determined to see that the children were educated that sometimes the responsibility of getting the children home safely after school was left to her. Years later, after her sister took over, she began to seek ways to raise funds for the construction of a building to house the school.

Many young persons have received early childhood education through this school. Today, it boasts a student body of 28 pre-schoolers and 13 young people in the Special Needs Department.

A fervent AIDS awareness advocate, Patsy also established the "Committee of Concerned Women." This group's emphasis is on providing humanitarian services.

A portion of the press ad announcing Gwendolyn Chambers' feat.

Gwendolyn Chambers – Special Commendation – Antigua

She could well be considered the "Mother Teresa" of Antigua. "Aunty Gwen" as she is more familiarly known, made an early commitment to establish an orphanage to care for the less fortunate children in her community. It is this love of children, combined with the fact that she never had any children of her own, which has made her dedication to this cause even stronger.

Being barely able to make ends meet on her teacher's salary did not stop Aunty Gwen from opening the doors to her home in the late 1960s when her orphanage was first established.

To date, she has adopted and cared for at least 14 less fortunate children and opened the doors of her home during the Easter, summer and Christmas vacations to many more children in her community whose parents weren't able to afford supervised day care services. There's just no stopping Aunty Gwen who today still teaches music to children and adults from the living room of her orphanage and has recently commenced a community outreach programme, providing guidance and counselling to community members.

Aunty Gwen embodies the phrase – No Child Left Behind.

Staff assisted in preparation of meals and serving members of the community.

Adopt-a-Cause encourages volunteerism among FirstCaribbean's staff around the region.

Those located at the Soufriere Branch in St. Lucia partnered with The Soufriere Soup Kitchen, an organisation which donates its time and resources to ensure that disadvantaged members of the community of Soufriere do not go hungry.

The staff provided food items to the Soup Kitchen for preparation of meals and then took care of the feeding programme for the day.

The project was a great success. Staff of the Soup Kitchen expressed their gratitude for the Bank's assistance and gained immense joy from hearing similar sentiments by programme recipients. Soufriere Branch Manager and Sales Team Leader – Norbert Joseph – said the exercise created warmth and contentment in the hearts of staff, who went home much richer for the experience.

Staff among some of the the learning materials and other school supplies they donated to the Department.

Anguilla's team assists Social Welfare Department

In Anguilla, the Bank partnered with the government of Anguilla Social Welfare Department by donating EC$8,440 for school supplies as part of its Adopt-a-Cause Programme.

Senior Branch Manager and Head of Country, Marie Rey said "The education of our people is a priority for us at FirstCaribbean and we are honoured to have been able to assist our less fortunate children through our Adopt-a-Cause initiative. We do hope that they will use the material obtained wisely and we will continue to follow their progress and look forward to great academic achievements from them."

Staff getting down to the business of a much-needed spruce up.

Staff of FirstCaribbean and the Leo Club of Dominica joined forces to refurbish, renovate and repaint the Morne Prosper Pre-School.

According to Adopt-a-Cause coordinator Glenna Williams, the school received high priority after the Leo Club approached the Bank for assistance in refurbishing that institution. Williams noted that apart from the painting, two new doors, windows and a new toilet were also donated to the school. Ms. Williams also stated that such projects are selected based on need, and therefore the pre-school in that community met the Bank's criteria for urgent assistance.

A team effort by the Good Shepherd PTA and branch staff resulted in this playground's facelift.

Sunset Crest helps at play park for Good Shepherd Primary School

Students of the Good Shepherd Primary School in Barbados now have a fully refurbished play park and some aesthetic improvement to the school building.

Staff members of the Sunset Crest Branch assisted in completing the job by painting equipment in the play park, and with that completed, the eager painters turned their attention to the school building and repainted an entire block.

Branch Manager, Granville Estwick, said staff members were already looking forward to next year when they would be helping the school's PTA to erect a tree house and to establish a 4H Group with a view to growing vegetables and rearing rabbits.

Bank officials and their government & ministry counterparts at the groundbreaking ceremony.

Towards More Green Spaces in The Bahamas

FirstCaribbean has broken ground to create a newly enhanced landscape at the Oakes Field Roundabout in The Bahamas. The bank has "adopted" the roundabout which is the focal point in Oakes Field and located near the College of The Bahamas. "The roundabout, once enhanced, will provide motorists and pedestrians with beautiful surroundings in a high traffic area, and will cement our reputation as a socially responsible institution," noted Senior Manager and Corporate Secretary, Teresa Williams.

A patient at the Kew Park Clinic being attended to by Dr. McLeod.

Helping Provide Free Dental Care in Jamaica

For almost 10 years, residents of rural communities in western Jamaica have been benefiting annually from high-quality, free dental care from a team of dentists led by Jamaica-born, US-based dentist, Dr. Dwight McCleod. This display of philanthropy has been endorsed and supported over the past two years by FirstCaribbean, which continues to assist the mission with transportation to the Kew Park All Age School, the site of the mission's largest dental clinic. Since the programme's inception, over 5,500 Jamaicans have received free dental care worth some US$3.6 million.

Eager students look on as Relationship Manager Valentine Fraser (r) presents one of the first aid kits to Principal of J.W. Fletcher Memorial School, Dudley Hunte. Witnessing the presentation is Marlene Lander, Business Support Manager.

First Aid Kits for Grenada School

Teachers at the J. W. Fletcher Memorial School are more equipped to handle emergencies requiring first aid treatment. The Bank donated two first aid kits to the school. Relationship Manager Valentine Fraser, said the kits, developed by the Grenada Red Cross, would help support the school's health care needs. The Bank has committed to replenish the kits for the next three years.

Country Manager Derek Downes, second right, presents the Bank's commitment which will allow students to study in The Hague.

Committed to hospitality industry

The Bank became the benefactor of the first group of students of St. Maarten's Hospitality programme. The Bank donated US$25,000, its largest donation to any single entity. The funds will be used to offset the cost of the students' two-month studies at the Hotel School in The Hague. Country Manager Derek Downes noted it was impressive that the island offered such a programme that directly enhanced its main economic pillar: tourism.

Corporate Relationship Manager Richard Sutherland handing over the Bank's donation to a representative of the St. Joseph's Convent.

Helping Those in Need in St. Lucia

Following damage sustained during the November 2007 earthquake, Forms 1 and 2 of St. Joseph's Convent were temporarily relocated to the Girls' Vocational School. The Convent requested assistance in ensuring that the Girls' Vocational institute is fully equipped to meet the needs of the students from the Convent. Several items including computers, refrigerators and cooking stoves were on their wish list. FirstCaribbean donated a refrigerator to assist in the restoration effort.

Zharea takes a firm grip on the cheque from Karia Christopher, Relationship Manager.

BVI hope for Zharea

Zharea, age three (centre), suffers from sensory-neural hearing loss which affects her speech and comprehension of spoken language. She has been enrolled in a three-year treatment programme in the UK and mother, Ms. Michelle Freeman-Burke, was at the forefront of raising much needed funds for the costs of the treatment. Ms. Freeman-Burke was delighted with the donation and the media publicity generated by FirstCaribbean for her daughter.

Financial Statements 2008

ERNST & YOUNG

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Independent Auditors' Report

To the Shareholders of FirstCaribbean International Bank Limited.

We have audited the accompanying consolidated financial statements of FirstCaribbean International Bank Limited ("the Company") which comprise the consolidated balance sheet as of October 31, 2008 and the consolidated statements of income, changes in equity and cash   ows 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 consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated 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 consolidated financial position of the Company as of October 31, 2008 and its financial performance and its cash   ows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young

CHARTERED ACCOUNTANTS

Barbados
January 27, 2009

Consolidated Statement of Income

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

	Notes	2008 $	2007 $
Interest and similar income		**722,971**	784,857
Interest and similar expense		**264,684**	359,876
Net interest income	3	**458,287**	424,981
Operating income	4	**92,256**	181,048
		550,543	606,029
Operating expenses	5	**313,592**	301,607
Loan loss impairment	14	**32,015**	17,029
Amortisation of intangible assets	18	**2,963**	2,960
		348,570	321,596
Income before taxation		**201,973**	284,433
Income tax expense	6	**22,220**	23,092
Net income for the year		**179,753**	261,341
Attributable to:			
Equity holders of the parent		**175,276**	255,667
Minority interest		**4,477**	5,674
		179,753	261,341
Earnings per share for net income attributable to the equity holders of the parent during the year:	7		
(expressed in cents per share)			
- basic		**11.5**	16.8
- diluted		**11.5**	16.8

Consolidated Balance Sheet

As of October 31, 2008
(expressed in thousands of United States dollars)

	Notes	2008 $	2007 $
ASSETS			
Cash and balances with Central Banks	8	**488,810**	495,926
Due from banks	9	**496,076**	1,022,724
Derivative financial instruments	10	**2,144**	40,161
Financial assets at fair value through profit or loss	11	**536,217**	1,123,589
Other assets	12	**59,934**	82,190
Taxation recoverable		**6,184**	769
Investment securities	13	**2,004,269**	2,471,004
Loans and advances to customers	14	**6,814,278**	6,079,959
Property and equipment	15	**127,156**	136,002
Deferred tax assets	16	**15,768**	8,568
Retirement benefit assets	17	**44,805**	47,307
Intangible assets	18	**344,513**	347,476
TOTAL ASSETS		**10,940,154**	11,855,675
LIABILITIES			
Derivative financial instruments	10	**55,580**	20,305
Customer deposits	19	**9,196,049**	9,275,685
Other borrowed funds	20	**23,735**	758,156
Other liabilities	21	**66,965**	145,910
Taxation payable		**14,031**	8,349
Deferred tax liabilities	16	**1,520**	3,898
Debt securities in issue	22	**238,532**	274,161
Retirement benefit obligations	17	**7,947**	8,391
TOTAL LIABILITIES		**9,604,359**	10,494,855
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			
Issued capital	23	**1,117,349**	1,117,349
Treasury shares	24	**(500)**	(1,418)
Reserves	25	**(371,997)**	(300,248)
Retained earnings		**565,889**	520,310
		1,310,741	1,335,993
MINORITY INTEREST		**25,054**	24,827
TOTAL EQUITY		**1,335,795**	1,360,820
TOTAL LIABILITIES AND EQUITY		**10,940,154**	11,855,675

Approved by the Board of Directors on January 27, 2009

Michael Mansoor	Don Coulter	John Orr
Chairman	Chief Financial Officer	Chief Executive Officer

Consolidated Statement of Changes in Equity

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

	Notes	Attributable to equity holders of the parent				Minority interest	Total equity
		Issued capital	Treasury shares	Reserves	Retained earnings		
		$	$	$	$	$	$
Balance at October 31, 2006		1,117,349	(426)	(336,159)	396,166	22,369	1,199,299
Foreign currency translation differences	25	-	-	1,053	(6,829)	(233)	(6,009)
Net change in available-for-sale investment securities	25	-	-	(4,023)	-	(279)	(4,302)
Total income and expense for the year recognised directly in equity		-	-	(2,970)	(6,829)	(512)	(10,311)
Net income for the year		-	-	-	255,667	5,674	261,341
Total income and expense for the year		-	-	(2,970)	248,838	5,162	251,030
Transfer to reserves	25	-	-	34,860	(34,860)	-	-
Net purchase of treasury shares	24	-	(992)	-	-	-	(992)
Share based payment reserves	25	-	-	902	-	-	902
Contributed surplus	25	-	-	3,119	-	-	3,119
Equity dividends		-	-	-	(89,834)	-	(89,834)
Dividends of subsidiaries		-	-	-	-	(2,704)	(2,704)
Balance at October 31, 2007		1,117,349	(1,418)	(300,248)	520,310	24,827	1,360,820
Foreign currency translation differences	25	-	-	483	(6,533)	(206)	(6,256)
Net change in available-for-sale investment securities	25	-	-	(100,543)	-	(1,455)	(101,998)
Total income and expense for the year recognised directly in equity		-	-	(100,060)	(6,533)	(1,661)	(108,254)
Net income for the year		-	-	-	175,276	4,477	179,753
Total income and expense for the year		-	-	(100,060)	168,743	2,816	71,499
Transfer to reserves	25	-	-	29,573	(29,573)	-	-
Net disposal of treasury shares	24	-	918	-	-	-	918
Share based payment reserves	25	-	-	(1,262)	-	-	(1,262)
Equity dividends		-	-	-	(93,591)	-	(93,591)
Dividends of subsidiaries		-	-	-	-	(2,589)	(2,589)
Balance at October 31, 2008		1,117,349	(500)	(371,997)	565,889	25,054	1,335,795

Consolidated Statement of Cash Flows

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

	2008 $	2007 $
Cash flows from operating activities		
Income before taxation and minority interest	**201,973**	284,433
Provision for loan loss impairment	**32,015**	17,029
Depreciation of property and equipment	**24,947**	28,572
Amortisation of intangible assets	**2,963**	2,960
Net gains on sale of property and equipment	**(1,019)**	(247)
Net gains on sale and redemption of investment securities	**(380)**	(54,403)
Net hedge relationship losses	**6,425**	-
Share based payment reserve	**(1,262)**	902
Interest income earned on investment securities	**(109,030)**	(54,555)
Interest expense incurred on borrowed funds and debt securities	**20,651**	69,177
Cash ows from operating profits before changes in operating assets and liabilities	**177,283**	293,868
Changes in operating assets and liabilities:		
-net decrease/(increase) in due from banks	**186,317**	(157,377)
-net decrease in financial assets at fair value through profit or loss	**587,372**	37,729
-net increase in loans and advances to customers	**(766,922)**	(466,319)
-net decrease/(increase) in other assets	**62,775**	(47,465)
-net (decrease)/increase in customer deposits	**(79,636)**	139,735
-net (decrease)/increase in other liabilities	**(56,217)**	48,482
Corporate taxes paid	**(26,461)**	(12,868)
Net cash from/(used in) operating activities	**84,511**	(164,215)
Cash flows from investing activities		
Purchases of property and equipment	**(17,504)**	(27,317)
Proceeds from sale of property and equipment	**2,422**	2,669
Purchases of investment securities	**(1,220,334)**	(1,437,693)
Proceeds from sale of investment securities	**1,587,186**	590,465
Interest income received on investment securities	**108,491**	44,461
Net cash from/(used in) investing activities	**460,261**	(827,415)
Cash flows from financing activities		
Net (repayments)/proceeds from other borrowed funds and debt securities	**(758,507)**	86,866
Interest expense paid on other borrowed funds and debt securities	**(32,194)**	(58,618)
Dividends paid to equity holders of the parent	**(93,591)**	(93,325)
Dividends paid to minority interest	**(2,589)**	(2,704)
Net disposal/(purchase) of treasury shares	**918**	(992)
Contributed surplus by parent	-	3,119
Net repayments to related parties	-	(1,293)
Net cash used in financing activities	**(885,963)**	(66,947)
Net decrease in cash and cash equivalents for the year	**(341,191)**	(1,058,577)
Effect of exchange rate changes on cash and cash equivalents	**(6,256)**	(6,009)
Cash and cash equivalents, beginning of year	**1,012,377**	2,076,963
Cash and cash equivalents, end of year (note 8)	**664,930**	1,012,377

1. General information

FirstCaribbean International Bank Limited and its subsidiaries ("the Group") are registered under the relevant financial and corporate legislations of 17 countries in the Caribbean to carry on banking and other related activities. The Group's parent company, FirstCaribbean International Bank Limited ("the Bank"), is a company incorporated and domiciled in Barbados with Registered Office at Warrens, St. Michael. The major shareholders of the Bank were jointly Canadian Imperial Bank of Commerce ("CIBC"), a company incorporated in Canada, and Barclays Bank PLC, a company incorporated in England until December 22, 2006. On that date, CIBC acquired Barclays' interest in the Bank and now owns 91.4% of the shares of FirstCaribbean International Bank Limited.

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

2. Accounting policies

2.1 Basis of presentation

These consolidated financial statements are prepared under the historical cost convention as modified by the revaluation of available-for-sale investment securities, financial assets at fair value through the profit and loss and all derivative contracts. The carrying value of recognised assets 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 United States dollars, and all values are rounded to the nearest thousand.

Statement of compliance

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

Basis of consolidation

Subsidiary undertakings, which are those companies in which the Bank directly or indirectly has an interest of more than one half of the voting rights or otherwise has power to exercise control over the operations, have been fully consolidated. The principal subsidiary undertakings are disclosed in note 35. Subsidiaries are consolidated from the date on which the effective control is transferred to the Group. They are de-consolidated from the date that control ceases.

All inter-company transactions, balances and unrealised surpluses and deficits on transactions and balances have been eliminated. The financial statements of the subsidiaries are prepared for the same reporting year as the Bank, using consistent accounting policies.

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

2. Accounting policies (continued)

2.1 Basis of presentation (continued)

If the cost of the acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Minority interests represent the portion of profit or loss and net assets not owned, directly or indirectly, by the Group and are presented separately in the income statement and within equity in the consolidated balance sheet, separately from parent shareholders' equity.

2.2 Significant accounting judgements and estimates

The preparation of financial statements in conformity with IFRS requires management to make certain significant estimates and judgements that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates. The areas requiring a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 34.

2.3 Adoption of new accounting policies

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

The Group has adopted the following IFRS and 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 Group. They did however give rise to additional disclosures:

<u>IFRS 7 Financial Instruments: Disclosures</u>

This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group'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 where needed.

<u>IAS 1 Amendment Presentation of Financial Statements</u>

This amendment requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. These new disclosures are shown in note 23.

2. Accounting policies (continued)

2.4 Summary of significant accounting policies

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

(1) Foreign currency translation

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

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

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

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

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

2. Accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

(2) Derivative financial instruments and hedge accounting

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

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a trading or hedging instrument, and if so, the nature of the item being hedged.

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

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

(i) formal documentation of the hedging instrument, hedged item, hedging objective, strategy, and relationship, at the inception of the transaction;

(ii) the hedge documentation shows that it is expected to be highly effective in offsetting the risk in the hedged item throughout the reporting period; and

(iii) the hedge is highly effective on an ongoing basis.

(a) Fair value hedge

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

If the hedge no longer meets the criteria for hedge accounting, an adjustment to the carrying amount of a hedged interest-bearing financial instrument is amortised to net profit or loss over the period to maturity.

(b) Cash flow hedge

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

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

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

Changes in the fair value of derivatives held-for-trading are included in net trading income or losses in the income statement.

2. Accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

(3) Interest income and expense

Interest income and expense are recognised in the income statement for all interest bearing instruments on an accrual basis using the effective interest yield method based on the actual purchase price or estimated recoverable amount. Interest income includes coupons earned on fixed income investment and trading securities and accrued discount and premium on treasury bills and other discounted instruments.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the original effective interest rate for the purpose of measuring impairment loss.

(4) Fee and commission income

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

(5) Financial instruments

The Group classifies its financial assets into the following categories:

(i) Financial assets at fair value through profit or loss
(ii) Loans and receivables
(iii) Available-for-sale financial assets

Management determines the classification of its investments at initial recognition.

(i) Financial assets at fair value through profit or loss
This category comprises financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges.

(ii) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

2. Accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

(5) Financial instruments (continued)

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

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

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

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently re-measured at fair value based on quoted bid prices or amounts derived from cash ow models. Loans and receivables are carried at amortised cost using the effective interest yield method, less any provision for impairment. Unrealised gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognised in equity. When the securities are disposed of or impaired, the related accumulated fair value adjustments are included in the income statement as gains and losses from investment securities. All realised and unrealised gains and losses arising from changes in the fair value of securities classified as financial assets at fair value through profit or loss are included in operating income.

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

Dividends are recorded on the accrual basis when declared.

(6) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(7) Sale and repurchase agreements

Securities sold subject to linked repurchase agreements (“repos”) are retained in the financial statements as investment securities and the counter party liability is included in other borrowed funds. Securities purchased under agreements to resell are recorded as loans and advances to other banks or customers as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of repurchase agreements using the effective interest yield method.

2. Accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

(8) Impairment of financial assets

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

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

If there is objective evidence that an impairment loss on loans and receivables 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 ows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate.

When a loan is uncollectible, it is written off against the related provision for impairment; subsequent recoveries are credited to the statement of income and included in loan loss impairment. 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 statement of income and included in loan loss impairment.

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

2. Accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

(9) Intangible assets

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

(ii) Customer-related intangible assets
Customer-related intangible assets represent the fair value of each customer relationship acquired in a business combination, as of the acquisition date, which met the contractual-legal criterion for identification as an intangible asset in the balance sheet separated from goodwill. The fair value of the customer relationships is amortised on a straight line basis over its expected useful life of six years. At each reporting date, an assessment is made to determine whether there are any indications of impairment, and if such an indication exists, then the recoverable amount shall be estimated. If no indicators exist then the test for impairment is not necessary.

(10) 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.

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

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

The annual rates used are:

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

2. Accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

(10) Property and equipment (continued)

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

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

(11) Leases

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

(12) Cash and cash equivalents

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

(13) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more than likely that an out ow 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. Accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

(14) Retirement benefit obligations

(i) Pension obligations

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

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

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

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

(ii) Other post retirement obligations

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

2. Accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

(15) Deferred tax

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

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

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

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

(16) Borrowings

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

(17) Share capital

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

(ii) Dividends on ordinary shares
Dividends on ordinary shares are recognised in equity in the period in which they are declared. Dividends for the year that are declared after the balance sheet date are not re ected in these financial statements.

2. Accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

(17) Share capital (continued)

(iii) Treasury shares

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

(18) Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the parent by the weighted average number of Common Shares (excluding treasury shares) outstanding during the year. For the diluted earnings per share, the weighted average number of Common Shares in issue is adjusted to assume conversion of all dilutive potential shares.

(19) Share-based payments to employees

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

(20) Fiduciary activities

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

(21) Segment reporting

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

(21) Comparatives

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

2. Accounting policies (continued)

2.5 Future changes in accounting policies

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

Certain new standards, interpretations and amendments to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after November 1, 2008 or later periods but which the Group has not early adopted, as follows:

- IAS 1 (Revised), Presentation of Financial Statements (effective from annual periods beginning on or after January 1, 2009) will require the disclosure of all non-owner changes in equity either in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income), will require additional disclosures about an entity's capital and will change the titles of financial statements.
- IAS 23 (Revised), Borrowing Costs (effective from annual periods beginning on or after January 1, 2009) 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. The transitional provisions of the standard require prospective application from the effective date. This is not applicable to the Group.
- IAS 27 (Revised), Consolidated and Separate Financial Statements (effective from annual periods beginning on or after July 1, 2009) has resulted from amendments to IFRS 3 and changes the accounting for acquisitions and disposals that do not result in a change of control and the attribution of profit or loss to non-controlling interest. Additional amendments have been made relating to the cost of a subsidiary in the separate financial statements of a parent on first-time adoption of IFRSs, which are not applicable to the Group.
- IAS 28 (Revised), Investment in Associates (effective from annual periods beginning on or after July 1, 2009) has resulted from amendments to IFRS 3 but is not applicable to the Group.
- IAS 31 (Revised), Interests in Joint Ventures (effective from annual periods beginning on or after July 1, 2009) has resulted from amendments to IFRS 3 but is not applicable to the Group.
- IAS 32 (Revised), Financial Instruments Presentation (effective from annual periods beginning on or after January 1, 2009) will require amendments regarding puttable instruments and obligations arising on liquidation which are not applicable to the Group.
- IFRS 1 (Revised), First–time Adoption of International Financial Reporting Standards (effective from annual periods beginning on or after January 1, 2009) requires amendments relating to the cost of an investment on first-time adoption.
- IFRS 2 (Revised), Share-based Payment (effective from annual periods beginning on or after January 1, 2009) requires amendments relating to vesting conditions and cancellations, and clarifies that vesting conditions are service conditions and performance conditions only, while other features of a share-based payment are not vesting conditions.
- IFRS 3 (Revised), Business Combinations (effective from annual periods beginning on or after July 1, 2009) has made a comprehensive revision on applying the acquisition method.
- IFRS 8, Operating Segments (effective from annual periods beginning on or after January 1, 2009) will replace IAS 14 Segments Reporting and increases the level of disclosure required, as well as, replace the requirement to determine primary (business) and secondary (geographical) reporting segments for the Group and extends the scope to include entities that meet certain requirements.

2. Accounting policies (continued)

2.5 Future changes in accounting policies (continued)

- IFRIC 12, Service Concession Arrangements (effective from annual periods beginning on or after January 1, 2008), which is not applicable to the Group.
- IFRIC 13, Customer Loyalty Programmes (effective from annual periods beginning on or after July 1, 2008) 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. It requires that award credits granted to customers as part of a sales transaction are accounted for as a separate component of the sales transaction.
- 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) 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.
- IFRIC 15, Agreements for the Construction of Real Estate (effective from annual periods beginning on or after January 1, 2008), which is not applicable to the Group.
- IFRIC 16, Hedges of a Net Investment in a Foreign Operation (effective from annual periods beginning on or after October 1, 2008) deals with the risks arising from foreign currency exposures associated with foreign operations, hedging such risk and accounting for both sides.

(expressed in thousands of United States dollars)

2. Accounting policies (continued)

2.5 Future changes in accounting policies (continued)

Additionally, in May 2008, the International Accounting Standards Board issued "Improvements to IFRSs", as part of its annual improvements project, and a vehicle for making non-urgent but necessary amendments to various IFRSs. These amendments primarily become effective for annual periods beginning on or after January 1, 2009. The following table shows the IFRSs and topics addressed by these amendments. Management has not yet assessed the impact of these changes.

Standard	Subject of the Amendment
Part I	**Amendments that result in accounting changes for presentation, recognition and measurement purposes**
IFRS 5	Plan to sell the controlling interest in a subsidiary
IAS 1	Current/non-current classification of derivatives
IAS 16	Recoverable amounts
IAS 19	Curtailments and negative past-service costs. Plan administration costs. Replacement of term "fall due". Guidance on contingent liabilities.
IAS 20	Government loans with a below market interest rate.
IAS 23	Components of borrowing costs.
IAS 27	Measurement of subsidiary held for sale in separate financial statements.
IAS 28	Required disclosures when investments in associates are accounted for at fair value through profit or loss.
IAS 29	Description of measurement basis in financial statements.
IAS 31	Required disclosures when investments in jointly controlled entities are accounted for at fair value through profit or loss.
IAS 36	Disclosure of estimates used to determine recoverable amounts.
IAS 38	Advertising and promotional activities. Unit of production method of amortisation.
IAS 39	Reclassification of derivatives into or out of the classification at fair value through profit or loss. Designating and documenting hedges at segment level. Applicable effective interest rate on cessation of fair value hedge accounting.
IAS 40	Property under construction or development for future use as investment property.
IAS 41	Discount rate for fair value calculations.
Part II	**Amendments that are terminology or editorial changes only**
IFRS 7	Presentation of finance costs.
IAS 8	Status of implementation guidance.
IAS 10	Dividends declared after the end of the reporting period.
IAS 18	Costs of originating a loan.
IAS 20	Consistency of terminology with other IFRSs.
IAS 29	Consistency of terminology with other IFRSs.
IAS 34	Earnings per share disclosures in interim financial statements.
IAS 40	Consistency of terminology with IAS 8. Investment property held under lease.
IAS 41	Examples of agricultural produce and products. Point-of-sale costs.

(expressed in thousands of United States dollars)

3. Net interest income

	2008 $	2007 $
Interest and similar income		
Cash & short term funds and due from banks	**62,063**	114,785
Investment securities	**109,030**	54,555
Trading securities	**31,394**	86,591
Loans and advances to customers	**520,446**	528,730
Other	**38**	196
	722,971	784,857
Interest and similar expense		
Customer deposits	**240,754**	295,425
Debt securities in issue	**16,483**	17,037
Borrowed funds and other	**7,447**	47,414
	264,684	359,876
	458,287	424,981

4. Operating income

	2008 $	2007 $
Net fee and commission income	**69,684**	65,133
Foreign exchange transactional net gains	**55,185**	54,871
Foreign exchange revaluation net (losses)/gains	**(4,601)**	1,813
Net trading losses	**(28,243)**	(3,294)
Net investment securities gains	**380**	54,403
Net hedge relationship losses	**(6,425)**	-
Other operating income	**6,276**	8,122
	92,256	181,048

Net trading losses have arisen from either disposals and/or changes in the fair value, on both trading securities and derivatives held for trading.

Net investment securities gains have arisen from disposals, with the exception of 2007 which includes a realised gain of $52.4 million on the non-monetary exchange of the Bank's membership interest in Visa for a share interest.

(expressed in thousands of United States dollars)

4. **Operating income** (continued)

Analysis of net fee and commission income:

	2008 $	2007 $
Underwriting fees and commissions	**2,406**	3,896
Deposit services fees and commissions	**39,535**	30,915
Credit services fees and commissions	**10,632**	10,361
Card services net fees and commissions	**15,544**	18,501
Other fees and commissions	**1,567**	1,460
	69,684	65,133

5. **Operating expenses**

	2008 $	2007 $
Staff costs	**166,301**	142,984
Property and equipment expenses	**42,208**	41,327
Depreciation (note 15)	**24,947**	28,572
Other operating expenses	**80,136**	88,724
	313,592	301,607

Analysis of staff costs:

	2008 $	2007 $
Wages and salaries	**138,981**	135,456
Pension costs – defined contribution plans	**3,915**	1,612
Pension costs – defined benefit plans (note 17)	**1,910**	656
Other post retirement medical benefits income (note 17)	**(70)**	(16,465)
Share-based payments	**2,716**	2,907
Other staff related costs	**18,849**	18,818
	166,301	142,984

(expressed in thousands of United States dollars)

5. Operating expenses (continued)

Analysis of other operating expenses:

	2008 $	2007 $
Professional fees	**14,715**	10,830
Advertising and marketing	**7,642**	8,095
Business development and travel	**6,216**	9,504
Communications	**6,715**	7,952
Profit on sale of property and equipment	**(1,019)**	(247)
Other	**45,867**	52,590
	80,136	88,724

6. Taxation

	2008 $	2007 $
Taxation charge for the year:		
Current tax	**26,541**	22,566
Deferred tax	**(4,508)**	1,243
Prior year tax	**187**	(717)
	22,220	23,092

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

	2008 $	2007 $
Income before taxation and minority interest	**201,973**	284,433
Tax calculated at the statutory tax rate of 25%	**50,493**	71,108
Effect of different tax rates in other countries	**(41,486)**	(49,768)
Effect of change in tax rate	**24**	(203)
Effect of income not subject to tax	**(9,347)**	(19,848)
Effect of income subject to tax at 12.5%	**(1,509)**	(694)
Prior year tax reassessments	**-**	(717)
Under/(over) provision of prior year deferred tax liability	**905**	(534)
Over provision of current year corporation tax liability	**(111)**	(481)
Movement in deferred tax asset not recognised	**21,896**	19,705
Effect of expenses not deductible for tax purposes	**1,355**	4,524
	22,220	23,092

(expressed in thousands of United States dollars)

7. Earnings per share

The following table shows the income and share data used in the basic and dilutive earnings per share calculations:

Basic earnings per share

	2008 $	2007 $
Net income attributable to equity holders of the parent	**175,276**	255,667
Weighted average number of Common Shares in issue (thousands)	**1,524,848**	1,524,616
Basic earnings per share (expressed in cents per share)	**11.5**	16.8

Diluted earnings per share

	2008 $	2007 $
Net income attributable to equity holders of the parent	**175,276**	255,667
Weighted average number of Common shares for diluted earnings per share (thousands)	**1,525,639**	1,525,666
Diluted earnings per share (expressed in cents per share)	**11.5**	16.8

The share options are considered to be dilutive potential Common Shares (note 27).

8. Cash and balances with Central Banks

	2008 $	2007 $
Cash	**129,910**	132,598
Deposits with Central Banks – interest bearing	**93,179**	49,715
Deposits with Central Banks – non-interest bearing	**265,721**	313,613
Cash and balances with Central Banks	**488,810**	495,926
Less: Mandatory reserve deposits with Central Banks	**(232,824)**	(205,545)
Included in cash and cash equivalents as per below	**255,986**	290,381

(expressed in thousands of United States dollars)

8. Cash and balances with Central Banks (continued)

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

Cash and cash equivalents

	2008 $	2007 $
Cash and balances with Central Banks as per above	**255,986**	290,381
Due from banks (note 9)	**408,944**	721,996
	664,930	1,012,377

9. Due from banks

	2008 $	2007 $
Included in cash and cash equivalents (note 8)	**408,944**	721,996
Greater than 90 days maturity from date of acquisition	**87,132**	300,728
	496,076	1,022,724

The effective yield on these amounts during the year was 2.9% (2007 – 5.1%).

10. 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.

October 31, 2008	Contract / Notional Amount $	Assets $	Liabilities $
Interest rate swaps	620,210	1,966	(48,387)
Foreign exchange forwards	205,720	178	(7,193)
		2,144	(55,580)

(expressed in thousands of United States dollars)

10. Derivative financial instruments (continued)

October 31, 2007	**Contract / Notional Amount** $	**Assets** $	**Liabilities** $
Interest rate swaps	411,736	32,335	(20,305)
Foreign exchange forwards	408,552	7,826	-
		40,161	(20,305)

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 Forward Contracts
Foreign Exchange Forward 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.

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.

During the year, the Bank recognised losses on hedging instruments of $12,103 and gains on hedged items attributable to the hedged risk of $5,678, which is included in operating income. As at October 31, 2007 the derivatives were held for trading.

11. Financial assets at fair value through profit or loss

	2008 $	**2007** $
Trading securities		
Government bonds	**4,869**	5,744
Corporate bonds	**65,859**	14,926
Asset-backed securities	**464,203**	1,099,575
	534,931	1,120,245
Add: Interest receivable	**1,286**	3,344
	536,217	1,123,589

The effective yield on these securities during the year was 4.1% (2007 – 4.0%).

(expressed in thousands of United States dollars)

12. Other assets

	2008	2007
	$	$
Prepayments and deferred items	**6,566**	17,872
Other accounts receivable	**53,368**	64,318
	59,934	82,190

13. Investment securities

	2008	2007
	$	$
Available-for-sale		
Equity securities - unquoted	**571**	53,061
Government debt securities	**817,204**	1,626,146
Other debt securities	**1,147,904**	753,746
	1,965,679	2,432,953
Add: Interest receivable	**38,590**	38,051
	2,004,269	2,471,004

The effective yield during the year on debt securities and treasury bills was 5.2% (2007 – 6.0%). The Group has a regulatory reserve requirement to maintain a percentage of deposit liabilities in cash or in the form of Government securities. At October 31, 2008 the reserve requirement amounted to $393,794 (2007 - $437,698) of which $232,824 (2007 - $205,545) is included within cash and balances with Central Banks (note 8).

Available-for-sale securities in the amount of $15,037 (2007 - $15,140) were held as security for investment note certificates issued by the Group (note 20).

The movement in investment securities (excluding interest receivable) may be summarised as follows:

	2008	2007
	$	$
Balance at October 31, 2007	**2,432,953**	1,122,555
Additions (purchases and changes in fair value and foreign exchange)	**1,119,532**	1,477,412
Disposals (sales and redemptions)	**(1,586,806)**	(580,345)
Reclassification from held to maturity and loans & receivables	-	413,331
Balance at October 31, 2008	**1,965,679**	2,432,953

(expressed in thousands of United States dollars)

14. Loans and advances to customers

	Mortgages $	Personal Loans $	Business & Government $	2008 Total $
Performing loans	2,353,279	754,254	3,480,154	6,587,687
Impaired loans	142,905	69,167	161,849	373,921
Gross loans	2,496,184	823,421	3,642,003	6,961,608
Less: provisions for impairment	(28,911)	(37,322)	(67,756)	(133,989)
	2,467,273	786,099	3,574,247	6,827,619
Add: Interest receivable				30,017
Add: Unearned fee income				(43,358)
				6,814,278

	Mortgages $	Personal Loans $	Business & Government $	2007 Total $
Performing loans	2,020,905	729,775	3,124,434	5,875,114
Impaired loans	141,665	59,327	115,791	316,783
Gross loans	2,162,570	789,102	3,240,225	6,191,897
Less: provisions for impairment	(25,819)	(29,595)	(51,309)	(106,723)
	2,136,751	759,507	3,188,916	6,085,174
Add: Interest receivable				37,926
Add: Unearned fee income				(43,141)
				6,079,959

(expressed in thousands of United States dollars)

14. Loans and advances to customers (continued)

Movement in provisions for impairment for 2008 is as follows:

	Mortgages $	Personal Loans $	Business & Government $	2008 Total $
Balance, beginning of year	25,819	29,595	51,309	106,723
Identified impairment	2,657	7,694	18,921	29,272
Unidentified impairment	405	1,145	1,193	2,743
Recoveries of bad and doubtful debts	30	3,922	51	4,003
Bad debts written off	-	(5,034)	(3,718)	(8,752)
Balance, end of year	28,911	37,322	67,756	133,989

Movement in provisions for impairment for 2007 is as follows:

	Mortgages $	Personal Loans $	Business & Government $	2007 Total $
Balance, beginning of year	24,586	40,178	54,119	118,883
Identified impairment	4,407	13,249	2,600	20,256
Unidentified impairment	(1,158)	(2,102)	33	(3,227)
Recoveries of bad and doubtful debts	-	2,287	13	2,300
Bad debts written off	(2,016)	(24,017)	(5,456)	(31,489)
Balance, end of year	25,819	29,595	51,309	106,723

Ageing analysis of past due but not impaired loans for 2008

	Mortgages $	Personal Loans $	Business & Government $	2008 Total $
Less than 30 days	277,373	69,736	192,709	539,818
31 – 60 days	47,119	16,594	128,807	192,520
61 – 90 days	309	20	2,805	3,134
	324,801	86,350	324,321	735,472

Ageing analysis of past due but not impaired loans for 2007

	Mortgages $	Personal Loans $	Business & Government $	2007 Total $
Less than 30 days	279,641	68,672	215,986	564,299
31 – 60 days	52,534	14,847	63,756	131,137
61 – 90 days	4	24	276	304
	332,179	83,543	280,018	695,740

(expressed in thousands of United States dollars)

14. Loans and advances to customers (continued)

The average interest yield during the year on loans and advances to customers was 8.4% (2007 – 9.2%). Impaired loans as at October 31, 2008 amounted to $373,921 (2007 – $316,783) and interest taken to income on impaired loans during the year amounted to $3,671 (2007 – $1,438).

Loans and advances to customers include finance lease receivables:

	2008 $	2007 $
No later than 1 year	**21,004**	5,990
Later than 1 year and no later than 5 years	**2,872**	21,361
Later than 5 years	**13,233**	2,129
Gross investment in finance leases	**37,109**	29,480
Unearned future finance income on finance leases	**(9,703)**	(7,135)
Net investment in finance leases	**27,406**	22,345

(expressed in thousands of United States dollars)

15. Property and equipment

	Land and buildings $	Equipment, furniture and vehicles $	Leasehold improvements $	2008 Total $
Cost				
Balance, beginning of year	97,801	161,250	19,917	278,968
Purchases	44	12,106	5,354	17,504
Disposals	(1,199)	(1,681)	(90)	(2,970)
Balance, end of year	96,646	171,675	25,181	293,502
Accumulated depreciation				
Balance, beginning of year	24,737	107,311	10,918	142,966
Depreciation	3,034	20,423	1,490	24,947
Disposals	(479)	(1,023)	(65)	(1,567)
Balance, end of year	27,292	126,711	12,343	166,346
Net book value, end of year	69,354	44,964	12,838	127,156

	Land and buildings $	Equipment, furniture and vehicles $	Leasehold improvements $	2007 Total $
Cost				
Balance, beginning of year	91,740	146,138	17,970	255,848
Purchases	7,448	17,585	2,284	27,317
Disposals	(1,387)	(2,390)	(175)	(3,952)
Assets written off	-	(83)	(162)	(245)
Balance, end of year	97,801	161,250	19,917	278,968
Accumulated depreciation				
Balance, beginning of year	22,677	83,523	9,969	116,169
Depreciation	2,099	25,163	1,310	28,572
Disposals	(39)	(1,292)	(199)	(1,530)
Assets written off	-	(83)	(162)	(245)
Balance, end of year	24,737	107,311	10,918	142,966
Net book value, end of year	73,064	53,939	8,999	136,002

Included as part of equipment, furniture and vehicles is an amount for $13,527 (2007 - $11,740) relating to systems development costs and work in progress, on which no depreciation has been charged as these systems and works are not yet complete and in operation.

(expressed in thousands of United States dollars)

16. Deferred income taxes

Deferred income taxes are calculated on all temporary differences under the liability method using an effective rate of 30.7% (2007 – 26.6%).

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

	2008 $	2007 $
Deferred tax position, beginning of year	**4,670**	5,913
Deferred tax credit/(charge) to income statement for the year	**4,508**	(1,243)
Deferred tax credit to equity for the year	**5,070**	-
Net deferred tax position, end of year	**14,248**	4,670

	2008 $	2007 $
Represented by:		
Deferred tax assets	**15,768**	8,568
Deferred tax liabilities	**(1,520)**	(3,898)
Net deferred tax position, end of year	**14,248**	4,670

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

	2008 $	2007 $
Accelerated tax depreciation	**1,783**	1,205
Loan loss provisions	**1,032**	2,029
Other provisions	**5,492**	1,053
Tax losses carried forward	**7,046**	6,944
Pension assets and other post retirement benefit obligations	**(6,175)**	(6,561)
Changes in fair value of available-for-sale investment securities	**5,070**	-
	14,248	4,670

The deferred tax comprises of tax losses of $28,185 (2007 - $28,982), which will expire between 2012 and 2016.

The Group has tax losses of $366,042 (2007 - $299,271) for which no deferred tax assets have been recognised due to uncertainty of their recoverability. These losses will expire between 2009 and 2017.

(expressed in thousands of United States dollars)

17. Retirement benefit assets and obligations

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

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

	Defined benefit pension plans		**Post retirement medical benefits**	
	2008	**2007**	**2008**	**2007**
	$	**$**	**$**	**$**
Fair value of plan assets	**228,285**	269,205	-	-
Present value of funded obligations	**(194,733)**	(178,533)	**(6,882)**	(5,135)
	33,552	90,672	**(6,882)**	(5,135)
Unrecognised actuarial loss/(gain)	**12,749**	(43,365)	**(1,065)**	(3,256)
Limit on economic value of surplus	**(1,496)**	-	-	-
Net asset/(obligation)	**44,805**	47,307	**(7,947)**	(8,391)

The pension plan assets include the Company's Common Shares with a fair value of $2,359 (2007 - $1,721).

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

	2008	**2007**
	$	**$**
Opening fair value of plan assets	**269,205**	244,545
Expected return	**20,112**	19,492
Contributions by employer	**24**	258
Benefits paid	**(6,876)**	(5,386)
Foreign exchange translation losses	**(3,293)**	(923)
Actuarial (losses)/gains	**(50,887)**	11,219
Closing fair value of plan assets	**228,285**	269,205

(expressed in thousands of United States dollars)

17. Retirement benefit assets and obligations (continued)

Changes in the present value of the funded obligations for defined benefit pension plans are as follows:

	2008 $	2007 $
Opening funded obligation	**178,533**	166,505
Interest cost	**13,236**	12,325
Current service cost	**8,198**	8,216
Benefits paid	**(6,876)**	(5,386)
Foreign exchange translation gains	**(1,457)**	(380)
Actuarial losses/(gains) on obligations	**3,099**	(2,747)
Closing funded obligations	**194,733**	178,533

Changes in the present value of the funded obligations for post retirement medical benefits are as follows:

	2008 $	2007 $
Opening funded obligation	**5,135**	15,662
Interest cost	**340**	1,147
Current service cost	**149**	1,029
Gain on curtailment	**–**	(11,791)
Benefits paid	**(160)**	(132)
Foreign exchange translation (gains)/losses	**(17)**	4
Actuarial losses/(gains) on obligations	**1,435**	(784)
Closing funded obligations	**6,882**	5,135

As at October 31, 2008, the Bank expects to contribute $9,640 to its defined benefit pension plan in 2009.

(expressed in thousands of United States dollars)

17. Retirement benefit assets and obligations (continued)

The amounts recognised in the income statement are as follows:

	Defined benefit pension plans		Post retirement medical benefits	
	2008	**2007**	**2008**	**2007**
	$	**$**	**$**	**$**
Current service costs	8,198	8,216	149	1,029
Interest cost	13,236	12,325	340	1,147
Expected return on plan assets	(20,112)	(19,492)	-	-
Net actuarial gain recognised during the year	(908)	(393)	(559)	(456)
Limit on economic value of surplus	1,496	-	-	-
Curtailment gains	-	-	-	(18,185)
Total amount included in staff costs (note 5)	1,910	656	(70)	(16,465)
Actual (loss)/return on plan assets	(30,775)	30,711	-	-

Effective January 1, 2007 certain changes to the Group's health benefit scheme were made which resulted in the recognition of a curtailment gain.

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

	Defined benefit pension plans		Post retirement medical benefits	
	2008	**2007**	**2008**	**2007**
	$	**$**	**$**	**$**
Balance, beginning of year	47,307	48,528	(8,391)	(25,137)
Charge for the year	(1,910)	(656)	70	16,465
Contributions by employer	24	258	-	-
Benefits paid	-	-	160	132
Foreign exchange translation (losses)/gains	(616)	(823)	214	149
Balance, end of year	44,805	47,307	(7,947)	(8,391)

(expressed in thousands of United States dollars)

17. Retirement benefit assets and obligations (continued)

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

	Main Plan %		Bahamas Plan %		Jamaica Plan %	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**
Equity instruments	**59%**	63%	**60%**	64%	**20%**	14%
Debt instruments	**41%**	37%	**39%**	36%	**37%**	41%
Property	**0%**	0%	**0%**	0%	**28%**	15%
Other assets	**0%**	0%	**1%**	0%	**15%**	30%

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

	Defined benefit Pension plans	
	2008	**2007**
Discount rate	**6.0 – 13.0%**	6.5 – 12.0%
Expected return on plan assets	**7.0 – 12.5%**	8.0 – 14.0%
Future salary increases	**4.5 – 11.0%**	4.5 – 10.0%
Future pension increases	**0.0 – 4.0%**	0.0 – 4.0%

	Post retirement medical benefits	
	2008	**2007**
Discount rate	**6.0 – 13.0%**	6.5 – 12.0%
Premium escalation rate	**4.5 – 10.0%**	4.5 – 10.0%
Existing retiree age	**60 – 65**	60 – 65

Defined benefit pension plan amounts for the current and previous four years are as follows:

	2008	**2007**	**2006**	**2005**	**2004**
	$	**$**	**$**	**$**	**$**
Plan assets	**228,285**	269,205	244,545	230,550	192,000
Defined benefit obligation	**(194,733)**	(178,533)	(166,505)	(148,730)	(151,150)
	33,552	90,672	78,040	81,820	40,850

(expressed in thousands of United States dollars)

17. Retirement benefit assets and obligations (continued)

a) FirstCaribbean International Bank Limited Retirement Plan
The last actuarial valuation was conducted as at November 1, 2007 and revealed a fund surplus of $35,800.

b) FirstCaribbean International Bank (Bahamas) Limited Retirement Plan
The last actuarial valuation was conducted as at November 1, 2007 and revealed a fund surplus of $31,700.

c) FirstCaribbean International Bank (Jamaica) Limited Retirement Plan
The last actuarial valuation was conducted as at October 31, 2006 and revealed a fund surplus of $12,928.

18. Intangible assets

	2008 $	2007 $
i) Goodwill	**334,907**	334,907
ii) Customer-related intangible assets	**9,606**	12,569
	344,513	347,476

i) Goodwill	2008 $	2007 $
Carrying amount, beginning of year	**334,907**	333,889
Adjustment	–	1,018
Carrying amount, end of year	**334,907**	334,907

During 2006, the Group acquired 100% of the voting shares of ABN AMRO Bank Curaçao N.V., ABN AMRO Asset Management (Curaçao) N.V., and ABN AMRO Asset Management (N.A.) N.V.. The purchase price calculation was finalised during 2007 within twelve months after the initial acquisition date and resulted in an increase of $1,018 to goodwill.

(expressed in thousands of United States dollars)

18. Intangible assets (continued)

Impairment tests for goodwill

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

	2008 $	2007 $
St. Vincent	**946**	946
Barbados (Offshore Operations)	**17,040**	17,040
Bahamas	**177,920**	177,920
Cayman	**105,369**	105,369
Trinidad	**4,260**	4,260
Curaçao	**29,372**	29,372
	334,907	334,907

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

Key assumptions used for value-in-use calculations

A description of each assumption on which management has based its cash ow projections for the period covered by the most recent budgets/forecasts is noted below. Key assumptions are those to which the CGUs recoverable amount is most sensitive.

	Discount Rate		Growth Rate	
	2008	**2007**	**2008**	**2007**
St. Vincent	**12%**	16%	**3%**	3%
Barbados (Offshore Operations)	**12%**	14%	**7%**	5%
Bahamas	**13%**	16%	**4%**	6%
Cayman	**13%**	12%	**5%**	3%
Trinidad	**14%**	15%	**10%**	6%
Curaçao	**12%**	12%	**5%**	4%

(expressed in thousands of United States dollars)

18. **Intangible assets** (continued)

	2008 $	2007 $
ii) Customer-related intangible assets		
Gross carrying amount, end of year	**17,748**	17,748
Accumulated amortisation, beginning of year	**5,179**	2,219
Amortisation for the year	**2,963**	2,960
Accumulated amortisation, beginning of year	**8,142**	5,179
Net carrying amount, end of year	**9,606**	12,569

19. **Customer deposits**

	Payable on demand $	Payable after notice $	Payable at a fixed date $	2008 Total $	2007 Total $
Individuals	433,799	1,653,329	1,653,873	**3,741,001**	3,832,260
Business and Governments	2,117,734	342,284	2,793,963	**5,253,981**	5,364,287
Banks	39,888	552	130,603	**171,043**	53,310
	2,591,421	1,996,165	4,578,439	**9,166,025**	9,249,857
Add: Interest payable	3,263	2,049	24,712	**30,024**	25,828
	2,594,684	1,998,214	4,603,151	**9,196,049**	9,275,685

The effective rate of interest on deposits during the year was 2.5% (2007 – 3.2%).

(expressed in thousands of United States dollars)

20. Other borrowed funds

	2008 $	2007 $
Investment note certificates	**21,813**	27,539
Repurchase agreements	–	718,508
	21,813	746,047
Add: Interest payable	**1,922**	12,109
	23,735	758,156

Investment certificates issued by the Company amounting to $15,037 (2007 - $15,140) are secured by debt securities referred to in note 13. The effective rate of interest on these borrowings during the year was 4.0% (2007 – 6.2%).

The repurchase agreements were related to US Treasury bonds included in available-for-sale investment securities. The effective rate of interest on these instruments during 2007 was 4.3%.

21. Other liabilities

	2008 $	2007 $
Accounts payable and accruals	**65,971**	144,929
Amount due to related parties	**994**	981
	66,965	145,910

The amount due to related parties is due to CIBC entities and is interest-free with no fixed terms of repayment.

(expressed in thousands of United States dollars)

22. Debt securities in issue

	2008 $	2007 $
USD$200 million guaranteed subordinated oating rate notes due 2015	**199,420**	198,991
BSD$20 million unsubordinated oating rate notes due 2011	**–**	20,000
JMD$1,500 million unsubordinated oating rate notes due 2012	**6,600**	21,127
TT$195 million subordinated fixed rate notes due 2017	**31,240**	31,415
	237,260	271,533
Add: Interest payable	**1,272**	2,628
	238,532	274,161

In 2005, the Group issued oating-rate notes with a face value of $200,000 through its Cayman subsidiary. The notes are denominated in United States dollars. The interest rate on the notes is reset every 3 months at the USD 3 month LIBOR interest rate plus 70 basis points during the first 5 years. The notes are payable at the option of the Bank in 2010 and are guaranteed on a subordinated basis by the Parent and two fellow subsidiary companies. The notes are listed on the Luxembourg Exchange. The average effective interest rate during 2008 was 4.8% (2007 – 6.3%).

In November 2006, the Group issued unsubordinated term redeemable oating rate notes with a face value of BSD $20,000 (USD$20,000) through its Bahamas subsidiary due November 2011. These notes were repaid in full during the year. Interest on the notes was payable at a rate of Bahamas Prime plus 0.75% per annum. The average effective interest rate during 2008 was 6.3% (2007 – 7.7%).

In April 2007, the Group issued unsubordinated term redeemable oating rate notes with a face value of JMD $1,500,000 (USD $23,000) through its Jamaica subsidiary due April 2012. During the year, a portion of these notes were repaid. The interest on the notes is payable at a rate of weighted average Government Growth Treasury plus 1.65% per annum. The average effective interest rate during 2008 was 14.9% (2007 – 12.7%).

In March 2007, the Group issued subordinated term notes with a face value of TT $195,000 (USD $31,000) through its Trinidad subsidiary due in March 2017. The interest on the notes will be fixed for the first two years at 7.90%; then fixed for the next three years at 8.15%; thereafter fixed at 8.75% for the remaining term. The average effective interest rate during 2008 was 7.9% (2007 – 7.9%).

(expressed in thousands of United States dollars)

23. Issued capital

	2008 $	2007 $
Balance, beginning and end of year	**1,117,349**	1,117,349

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

As at October 31, 2008, the Company had 1,525,176,762 shares issued and outstanding (October 31, 2007 - 1,525,176,762 shares).

Capital

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

Our objective is to employ a strong and efficient capital base. We manage capital in accordance with policies established by 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, which encompass 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.

Regulatory requirements
Our regulatory capital requirements are determined in accordance with guidelines issued by the Central Bank of Barbados. 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 of Barbados has established that Barbadian deposit-taking financial institutions maintain Tier 1 and Total capital ratios of the same respectively. During the year, we have complied in full with all of our regulatory capital requirements.

(expressed in thousands of United States dollars)

23. Issued capital (continued)

Capital (continued)

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 17% and 20% respectively (2007 – 14% and 17% respectively).

24. Treasury shares

	2008 $	2007 $
Balance, beginning of year	**(1,418)**	(426)
Net disposals/(purchases) of treasury shares	**918**	(992)
Balance, end of year	**(500)**	(1,418)

As at October 31, 2008, the Company held 267,587 treasury shares (October 31, 2007 – 758,929 treasury shares).

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

25. Reserves

	2008 $	2007 $
Statutory and general banking reserves	**194,895**	165,322
Revaluation reserve – available-for-sale investment securities	**(99,753)**	790
Translation reserve	**(7,255)**	(7,738)
Share-based payment reserve	**625**	1,887
Contributed surplus reserve	**3,119**	3,119
Reverse acquisition reserve	**(463,628)**	(463,628)
Total reserves	**(371,997)**	(300,248)

(expressed in thousands of United States dollars)

25. Reserves (continued)

The movements in reserves were as follows:

	2008	**2007**
	$	**$**
Statutory and general banking reserve		
Balance, beginning of year	**165,322**	130,462
Transfers from retained earnings	**29,573**	34,860
Balance, end of year	**194,895**	165,322

Statutory reserves represents accumulated transfers from net income in accordance with local legislation and general banking reserves represents transfers from retained earnings to meet qualifying capital requirements under local legislation which are not distributable.

	2008	**2007**
	$	**$**
Revaluation reserve – available-for-sale investment securities		
Balance, beginning of year	**790**	4,813
Net change in fair value of available-for-sale investment securities	**(100,543)**	(4,023)
Balance, end of year	**(99,753)**	790

Unrealised gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognised in equity through the revaluation reserve.

	2008	**2007**
	$	**$**
Translation reserve		
Balance, beginning of year	**(7,738)**	(8,791)
Currency translation difference arising during the year	**483**	1,053
Balance, end of year	**(7,255)**	(7,738)

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are recorded in equity through the translation reserve.

(expressed in thousands of United States dollars)

25. Reserves (continued)

Share-based payment reserve	2008 $	2007 $
Balance, beginning of year	**1,887**	985
Shares (issued)/vested during the year	**(1,262)**	902
Balance, end of year	625	1,887

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

Contributed surplus reserve	2008 $	2007 $
Balance, beginning of year	**3,119**	–
Contributed surplus by parent during the year	–	3,119
Balance, end of year	**3,119**	3,119

During 2007, certain obligations were settled by the parent on behalf of the Bank and were credited to the contributed surplus reserve.

Reverse acquisition reserve	2008 $	2007 $
Balance, beginning and end of year	**(463,628)**	(463,628)

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

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

26. Dividends

As at October 31, 2008 the Directors recommended a final common share dividend, which is not re ected in these financial statements, of three cents ($0.0300) per common share (2007 - $0.0325), bringing the total dividend payout for 2008 to six cents ($0.0600) per common share (2007 - $0.0625).

27. Share-based payments

Stock option plan

One of the predecessor organisations, CIBC West Indies, had a stock option plan. Under the rules of the Plan, options to purchase Common Shares in the Company were granted to employees that entitled the employee to purchase Common Shares of the Company at the market price (strike price) of the shares on the date of granting the options. The options vest over a four-year period and the maximum period within which an option may be exercised is ten years. In February 1999, 1,775,000 options were granted to current employees at a strike price of one dollar and seventy two cents ($1.72) per share.

To date no further options have been granted. During 2008, 550,000 options were exercised (2007 – Nil) and no options (2007 – Nil) were forfeited. Number of options outstanding as at October 31, 2008 amounted to 500,000 (2007 – 1,050,000).

There are no expenses arising from this plan as the vesting period has passed and liabilities at October 31, 2008 amounted to $57 (2007- $472).

Long Term Incentive Plan

The Group operates a long term incentive plan whereby under the rules of the Plan, awards are granted to employees on a discretionary basis and vest over a three year period. Prior to 2008, these awards were share-based awards whereby Common Shares in the Company were granted to employees on a discretionary basis and the shares vested over a three year period. Effective from 2008, the Plan was changed to a cash based award instead whereby cash is granted to employees on a discretionary basis and vests over a three year period.

Cash granted as at October 31, 2008 amounted to $2,610 (2007 – Nil), of which $1,740 has not yet vested. The number of shares granted as at October 31, 2008 was 1,662,164, of which 297,085 shares have not yet vested with a carrying value of $579.

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

The expense arising from this plan in 2008 was $1,772 (2007 - $1,708).

(expressed in thousands of United States dollars)

28. Related party transactions and balances

The Group's major shareholder is CIBC.

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

	Directors and key management personnel		Major shareholder	
	2008	**2007**	**2008**	**2007**
	$	**$**	**$**	**$**
Asset balances:				
Cash and due from banks	-	-	**19,647**	426,866
Loans and advances to customers	**4,638**	4,643	-	-
Derivative financial instruments	-	-	**285**	-
Liability balances:				
Customer deposits	**8,055**	5,899	**8,414**	11,112
Derivative financial instruments	-	-	**39,660**	-
Revenue transactions:				
Interest income earned	**147**	269	**9,445**	22,216
Other revenue	-	-	-	1,511
Expense transactions:				
Interest expense incurred	**221**	243	**199**	-
Other expenses for banking and support services	-	-	**652**	35

	2008	**2007**
	$	**$**
Key management compensation		
Salaries and other short-term benefits	**7,658**	8,050
Post-employment benefits	**421**	461
Long term incentive benefits	**1,388**	2,048
	9,467	10,559

Non-Executive Directors' remuneration

A listing of the members of the Board of Directors is included within the Group's Annual Report. In 2008, the total remuneration for the non-executive directors was $108 (2007 - $158). The Executive Directors' remuneration is included under key management compensation.

(expressed in thousands of United States dollars)

29. Commitments, guarantees and contingent liabilities

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

	2008 $	2007 $
Letters of credit	**95,878**	86,562
Loan commitments	**813,123**	869,375
Guarantees and indemnities	**160,297**	143,521
	1,069,298	1,099,458

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

30. Future rental commitments under operating leases

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

	2008 $	2007 $
Not later than 1 year	**7,142**	14,130
Later than 1 year and less than 5 years	**15,210**	24,683
Later than 5 years	**1,942**	3,163
	24,294	41,976

31. Fiduciary activities

The Bank provides custody and trustee discretionary investment management services to third parties. Those assets that are held in a fiduciary capacity are not included in these financial statements. At the balance sheet date, the Group had investment assets under administration on behalf of third parties amounting to $2,218,723 (2007 - $2,002,700).

32. Business segments

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

Retail Banking (Retail) is organised along three product lines: Home Finance (mortgages), Consumer Finance and Asset Management & Insurance.

Credit Card Banking (Cards) is responsible for both the issuance and acceptance of credit cards. The issuing side of Cards offers four (4) key product types, namely VISA Classic, VISA Gold, VISA Platinum and MasterCard and the acceptance side of Cards accepts/acquires on behalf of the global leading Card associations, namely VISA, MasterCard, American Express and Discover. All customer segments are served with a range of Commercial and Consumer Cards, including Co-Branded Cards.

Corporate Banking (Corporate) comprises two customer sub-segments: Corporate Business and Small Business Banking. Corporate Banking offers deposit and investment products, borrowing and cash management products, point of sale and on demand services, foreign exchange and trade finance products and services.

Wealth Management (WM) is organised into three segments: International and Domestic Wealth Management clients, International Mortgages and International Corporate. For Personal Wealth Management clients, the Bank offers traditional day-to-day banking services; Investment advice; and a relationship management offering of being pro-active on client needs. This extends to our International clientele and Domestic clients who meet the Wealth Management criteria. The International Mortgage group provides funding in U.S. dollars, and other "hard currencies" typically to non-residents of the Caribbean seeking to purchase homes in the Caribbean for personal/investment use. The International Corporate Banking segment specialises in providing banking services to businesses and professional intermediaries who use international financial centres.

The Capital Markets (CM) segment provides issuers and investors with access to larger pools of capital resources and greater investment opportunities. It acts for, and on behalf of, large businesses, institutions and sovereign clients who seek both equity and debt capital instruments and facilitates the development and expansion of available investment banking products in the region.

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

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

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

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

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

(expressed in thousands of United States dollars)

32. **Business segments** (continued)

	Retail $	Corporate $	WM $	CM $	TST $	Cards $	Other $	Group $
October 31, 2008								
External revenues	205,155	365,101	130,843	9,904	61,468	36,271	6,485	815,227
Revenues from other segments	405	(32,250)	128,418	(4,419)	32,175	(5,804)	(118,525)	–
Total revenues	205,560	332,851	259,261	5,485	93,643	30,467	(112,040)	815,227
Segment result	(18,132)	141,062	116,012	1,521	(17,365)	14,819	(35,944)	201,973
Taxation								(22,220)
Net income for the year								**179,753**
Segment assets	3,220,539	4,299,361	3,483,137	35,508	2,119,432	132,048	(2,716,336)	10,573,689
Unallocated assets								366,465
Total assets								**10,940,154**
Segment liabilities	2,095,066	3,208,001	3,946,121	481	3,031,215	2,843	(2,694,919)	9,588,808
Unallocated liabilities								15,551
Total liabilities								**9,604,359**

(expressed in thousands of United States dollars)

32. Business segments (continued)

	Retail $	Corporate $	WM $	CM $	TST $	Cards $	Other $	Group $
October 31, 2007								
External revenues	214,983	344,505	107,262	18,374	183,485	39,144	58,152	965,905
Revenues from other segments	31,607	(23,128)	163,149	(5,696)	(52,836)	(5,995)	(107,101)	-
Total revenues	246,590	321,377	270,411	12,678	130,649	33,149	(48,949)	965,905
Segment result	(8,322)	147,046	93,634	4,626	(3,034)	19,187	31,296	284,433
Taxation								(23,092)
Net income for the year								**261,341**
Segment assets	3,189,752	3,839,035	4,289,829	121,371	2,406,141	96,135	(2,443,401)	11,498,862
Unallocated assets								356,813
Total assets								**11,855,675**
Segment liabilities	2,149,303	2,939,123	4,759,283	91,100	2,936,572	2,197	(2,394,970)	10,482,608
Unallocated liabilities								12,247
Total liabilities								**10,494,855**

Geographical segments are set out in note 33 (c).

33. Financial risk management

A. Strategy in using financial instruments

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

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

B. Credit risk

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 Group'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 ows from the Board of Directors and are further delegated to the Chairman and the Chief Risk Officer (CRO). The Credit Executive Committee (CrExCo) is responsible for informing the CRO and Chairman of credit risk decisions. The department is guided by the Group'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 (CC) is responsible for the final decision.

The Risk and Conduct Review Committee (R&CRC) is responsible for approving policy requirements and key risk limits.

Credit Risk Limits
Credit Limits are established for all loans (mortgages, personal and business & 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 Group does not have excessive concentration in any single borrower, or related group of borrowers, industry sector or country.

(expressed in thousands of United States dollars)

33. Financial risk management (continued)

B. Credit risk (continued)

Collateral
The Group 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 Group 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; and
- Charges over financial instruments such as debt securities and equities.

The Group'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 Group's credit exposure.

Geographic distribution
The following table provides a geographic distribution of gross drawn and undrawn loans and advances to customers, that is, before provisions for impairment, interest receivable and unearned fee income.

	Drawn $	Undrawn $	Gross Maximum Exposure 2008 $	Drawn $	Undrawn $	Gross Maximum Exposure 2007 $
Barbados	**898,521**	**169,126**	**1,067,647**	788,709	167,766	956,475
Bahamas	**2,300,990**	**174,353**	**2,475,343**	2,189,647	203,050	2,392,697
Cayman	**1,417,776**	**117,693**	**1,535,469**	1,126,015	255,157	1,381,172
Eastern Caribbean	**907,732**	**115,311**	**1,023,043**	856,684	112,090	968,774
Jamaica	**469,374**	**49,516**	**518,890**	449,156	45,899	495,055
BVI	**170,804**	**18,338**	**189,142**	169,106	19,151	188,257
Belize	**91,932**	**15,223**	**107,155**	83,500	19,503	103,003
Curaçao	**59,869**	**11,837**	**71,706**	43,244	7,903	51,147
Other	**644,610**	**141,726**	**786,336**	485,836	38,856	524,692
	6,961,608	**813,123**	**7,774,731**	6,191,897	869,375	7,061,272

(expressed in thousands of United States dollars)

33. Financial risk management (continued)

B. Credit risk (continued)

Exposures by Industry Groups

The following table provides an industry-wide break down of gross drawn and undrawn loans and advances to customers, that is, before provisions for impairment, interest receivable and unearned fee income.

	Drawn $	**Undrawn $**	**Gross Maximum Exposure 2008 $**	**Drawn $**	**Undrawn $**	**Gross Maximum Exposure 2007 $**
Agriculture	**55,801**	**6,362**	**62,163**	51,228	3,410	54,638
Governments	**638,453**	**42,756**	**681,209**	397,636	186,396	584,032
Construction	**857,953**	**94,063**	**952,016**	454,015	66,034	520,049
Distribution	**488,445**	**105,671**	**594,116**	419,529	106,538	526,067
Education	**90**	**-**	**90**	106	-	106
Electricity, gas & water	**89,230**	**5,091**	**94,321**	63,261	19,365	82,626
Fishing	**73,746**	**6,343**	**80,089**	77,411	5,500	82,911
Health & social work	**618**	**-**	**618**	217	3	220
Hotels & restaurants	**577,772**	**18,512**	**596,284**	479,881	24,332	504,213
Individuals & individual trusts	**2,088,714**	**285,019**	**2,373,733**	2,036,342	250,018	2,286,360
Manufacturing	**184,677**	**45,179**	**229,856**	138,856	30,375	169,231
Mining & quarrying	**31,275**	**803**	**32,078**	26,380	997	27,377
Miscellaneous	**950,115**	**96,851**	**1,046,966**	1,138,132	113,628	1,251,760
Other financial corporations	**50,940**	**30,715**	**81,655**	71,617	13,551	85,168
Real estate, renting & other business activities	**722,035**	**66,100**	**788,135**	685,482	33,904	719,386
Transport, storage & communication	**151,744**	**9,658**	**161,402**	151,804	15,324	167,128
	6,961,608	**813,123**	**7,774,731**	6,191,897	869,375	7,061,272

33. Financial risk management (continued)

B. Credit risk (continued)

Impaired financial assets and provision for credit losses

The Group takes on exposure to credit risk, which is the risk that a counter party will be unable to pay amounts in full when due. The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one 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 one counter party including banks and brokers is further restricted by sub-limits covering on and off-balance sheet exposures and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral including corporate and personal guarantees.

Derivatives

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

Master netting arrangements

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

33. Financial risk management (continued)

B. Credit risk (continued)

Credit related commitments

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

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

(expressed in thousands of United States dollars)

33. Financial risk management (continued)

B. Credit risk (continued)

Maximum exposure to credit risk

The following table shows the maximum exposure to credit risk for the components of the balance sheet. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting and collateral arrangements.

	Gross maximum exposure 2008 $	2007 $
Balances with Central Banks	**358,900**	363,328
Due from banks	**496,076**	1,022,724
Derivative financial instruments	**2,144**	40,161
Financial assets at fair value through profit or loss		
-Government bonds	**4,869**	5,744
-Corporate bonds	**65,859**	14,926
-Asset-backed securities	**464,203**	1,099,575
-Interest receivable	**1,286**	3,344
Investment securities		
-Government debt securities	**817,204**	1,626,146
-Other debt securities	**1,147,904**	753,746
-Interest receivable	**38,590**	38,051
Loans and advances to customers		
-Mortgages	**2,496,184**	2,162,570
-Personal loans	**823,421**	789,102
-Business and government loans	**3,642,003**	3,240,225
-Interest receivable	**30,017**	37,926
Other assets	**59,934**	82,190
Total	**10,448,594**	11,279,758
Off-balance sheet exposures	**1,069,298**	1,099,459
Total credit risk exposure	**11,517,892**	12,379,217

(expressed in thousands of United States dollars)

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

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

The following table re ects additional geographical concentration information.

	Total assets $	Total liabilities $	Off-balance sheet items $	Revenue $	Capital expenditure $
October 31, 2008					
Barbados	2,907,070	2,001,867	211,409	220,290	6,795
Bahamas	3,553,576	2,970,085	302,620	241,723	2,419
Cayman	2,134,771	1,821,835	147,487	126,383	540
Eastern Caribbean	1,083,681	1,002,136	140,362	102,857	1,520
Jamaica	663,842	570,813	71,020	81,075	2,297
BVI	702,439	626,482	24,434	38,324	1,352
Belize	130,340	108,974	21,223	15,446	184
Curaçao	536,729	475,075	28,448	39,464	957
Other	1,477,409	1,347,742	122,295	81,418	1,440
	13,189,857	10,925,009	1,069,298	946,980	17,504
Eliminations	(2,249,703)	(1,320,650)	-	(131,753)	-
	10,940,154	9,604,359	1,069,298	815,227	17,504

	Total assets $	Total liabilities $	Off-balance sheet items $	Revenue $	Capital expenditure $
October 31, 2007					
Barbados	1,801,265	1,742,005	51,331	284,954	9,955
Bahamas	4,049,888	3,467,362	260,836	275,800	1,411
Cayman	3,182,169	2,458,925	154,653	189,057	811
Eastern Caribbean	1,252,200	1,205,777	59,261	108,235	4,303
Curaçao	734,678	682,724	317,383	50,149	3,272
Jamaica	595,459	508,825	89,699	76,534	2,917
BVI	234,631	643,831	50,213	27,377	668
Belize	115,268	96,770	8,282	13,657	432
Other	1,121,158	915,625	107,800	82,233	3,548
	13,086,716	11,721,844	1,099,458	1,107,996	27,317
Eliminations	(1,231,041)	(1,226,989)	-	(142,091)	-
	11,855,675	10,494,855	1,099,458	965,905	27,317

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

33. Financial risk management (continued)

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

Credit quality
A mapping between the Group's internal ratings and the ratings used by external agencies is shown in the table below. As part of the Group's risk-rating methodology, the risk assessed includes a review of external ratings of the obligor. The obligor rating assessment takes into consideration the Group'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.

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 and an ageing 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.

(expressed in thousands of United States dollars)

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

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

Credit quality (continued)

The table below shows the credit quality by class of asset for gross loans and advances to customers, based on an ageing analysis of the portfolio, a key measure of credit quality as described above. Amounts provided are before provisions for impairment, interest receivable and unearned fee income.

	Notes	Performing				
		High Grade	Standard Grade	Sub Standard Grade	Impaired	2008 Total
		$	$	$	$	$
Loans and advances to customers						
-Mortgages		2,261,953	43,898	47,428	142,905	2,496,184
-Personal loans		724,847	12,793	16,614	69,167	823,421
-Business and government loans		3,324,418	24,124	131,612	161,849	3,642,003
Total	14	6,311,218	80,815	195,654	373,921	6,961,608

	Notes	Performing				
		High Grade	Standard Grade	Sub Standard Grade	Impaired	2007 Total
		$	$	$	$	$
Loans and advances to customers						
-Mortgages		1,929,224	39,143	52,538	141,665	2,162,570
-Personal loans		703,884	11,020	14,871	59,327	789,102
-Business and government loans		3,022,158	38,243	64,033	115,791	3,240,225
Total	14	5,655,266	88,406	131,442	316,783	6,191,897

33. Financial risk management (continued)

E. Market Risk

Market risk is the risk that the fair value or future cash ows of financial instruments will uctuate 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 Group are foreign exchange, interest rate and credit spread. Market Risk within the Group is a centralised function. This mirrors the way that the hard currencies are managed by Treasury Sales and Trading. Although the local currency exposures are managed in their respective geographic regions, these exposures are still monitored, measured and controlled centrally. The Group classifies market risk exposures into trading and non-trading, with all of the former represented by products traded and managed by an external global investment manager. During fiscal 2008, the Group reduced its trading assets under management and decided to maintain just one single manager. Due to the relatively small size of the trading portfolio the key types of measures used for market risk are not segregated from the non-trading book therefore the following sections give a comprehensive review of the Group's entire exposures.

Policies and Standards
The 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 limits which is used by the 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 Group. The highest level is set by the Board, the second level, which includes a "haircut" from the Board limits, are the Chief Risk Officer limits, and the third level is for the Treasury Sales and Trading Group, which limits traders to a specific size of deal, documented through a formal delegation letter and these are monitored.

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 income statement 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 Board.

33. Financial risk management (continued)

E. Market Risk (continued)

Risk Measurement
The Group has four main measures of market risk:

- 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
- Stress scenarios based upon a combination of theoretical situations and historical events

Position
This risk measurement is used predominantly for the 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.

Sensitivity
The two main measures utilised by the Bank 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 value 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, namely a pre-structural basis and a post-structural basis. The pre-structural basis focuses upon predominantly contractual date positions. The post-structural basis considers core balances for non-contractual maturities, assigns risk to capital and non-product general ledger accounts, and considers market specific pricing situations, such as in the Bahamas and Barbados. The post-structural methodology, although calculated and reported at the Group for a number of years, was significantly enhanced during 2008.

The CSDV01 sensitivity was a new measure introduced in 2008, 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 .

33. Financial risk management (continued)

E. Market Risk (continued)

Value at Risk

The Group's Value at Risk ("VaR") methodology utilises the tested and validated CIBC parent models. It is a statistically 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 percent 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 moves is not a significant issue for the 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 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 Group has two distinct approaches to this. For the hard currency testing it sends its position 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, re ecting the decreased liquidity that frequently accompanies market shocks. The scenario analysis approach again for the 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.

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 sixty day and single day periods. These are then applied to the existing positions/sensitivities of the Group. This is performed and reported on a monthly basis as they do not tend to change rapidly. For foreign exchange stresses the 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.

(expressed in thousands of United States dollars)

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

E. Market Risk (continued)

Interest Rate Risk

Interest rate risk in the trading book arises from the changes in interest rates affecting the future cash ows 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 re-pricing dates of assets both on and off-balance sheet.

The following table shows the potential impact of an immediate one hundred basis point increase or decrease in interest rates over the next twelve months. This is a standard measure produced for both local management and consolidation into the parent's Management, Discussion and Analysis Report.

	2008	**2007**
	$	**$**
100bp increase in interest rates		
Impact on net interest income	**5,100**	7,130
Impact on equity	**(10,700)**	39,510
100bp decrease in interest rates		
Impact on net interest income	**(5,100)**	(7,130)
Impact on equity	**10,700**	(39,510)

Additionally, the Group utilises a combination of high level Board measures and limits to monitor risk and the more granular measurements and limits of the Chief Risk Officer. These are shown in the tables below with the CRO table being a subset highlighting the higher interest rate risk currencies.

Board & VaR		**VaR**					**Consolidated IR - Board Exposure**			
		IR HC	**IR LC**	**IR Total**	**FX**	**Total**	**DV01 HC**	**DV01 LC**	**Stress HC 1 day**	**Stress HC 60 day**
Exposures	31 Oct 07	1,567	238	1,610	275	1,631	(28)	28	N/A	N/A
	31 Oct 08	1,038	95	945	217	1,002	(33)	36	2,728	10,262

IR – Interest Rate
HC – Hard Currency
LC – Local Currency

(expressed in thousands of United States dollars)

33. Financial risk management (continued)

E. Market Risk (continued)

Interest Rate Risk (continued)

	2008			2007		
	DV01	**VaR**	**Stressed loss**	**DV01**	**VaR**	**Stressed loss**
	$	**$**	**$**	**$**	**$**	**$**
Currency						
United States dollars	**30**	**984**	**-**	-	1,608	-
Trinidad & Tobago dollars	**11**	**12**	**1,201**	(2)	28	6
Barbados dollars	**53**	**156**	**2,834**	(42)	327	2,979
Bahamas dollars	**68**	**11**	**82**	(21)	76	487
Netherland Antilles guilders	**10**	**14**	**744**	6	58	471
Eastern Caribbean dollars	**(17)**	**317**	**326**	2	21	267

The Board approved a post-structural interest rate assumption approach as at August 31, 2008 and as a result measurement, limit monitoring and control were transferred to this approach. The USD position had already moved to the new approach at the September 2007 Board meeting. The numbers in the table above for 2008 re ect the use of the enhanced post-structural model, the 2007 numbers re ect the pre-structural, or contractual basis (for all but the USD) mirroring the way that the Bank monitored, measured and applied limits at the respective dates.

Credit Spread Risk

Credit spread exists as the benchmark curve and the reference asset curves either converge or diverge. The Group has two portfolios that have a material amount of credit spread risk. Currently the risk is measured using the CSDV01 and stress scenarios. The results of these are reported monthly to senior management, and the results of testing at October 31 are disclosed in the table below.

	2008		2007	
	CSDV01	**Stressed loss**	**CSDV01**	**Stressed loss**
	$	**$**	**$**	**$**
Loss issued hard currency denominated bond portfolio	**324**	**25,401**	194	15,213
Structural hedge portfolio	**283**	**N/A**	270	N/A

Derivatives held for Asset & Liability Management 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 treatment 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.

(expressed in thousands of United States dollars)

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

E. **Market Risk** (continued)

Foreign Exchange Risk
Foreign exchange (or currency) risk is defined as the risk that the value of a financial instrument will uctuate 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.

The following table highlights the currencies that the Bank had significant exposures to at each year end as viewed from a Risk Management perspective. This differs from the accounting position as disclosed in the table thereafter. It also highlights the measures used by the Group to measure, monitor and control that risk.

	2008			2007		
	Position long/(short) $	VaR $	Stressed loss $	Position long\(short) $	VaR $	Stressed loss $
Currency						
Cayman dollars	**133,273**	**N/A**	**13,327**	155,518	N/A	15,552
Trinidad & Tobago dollars	**(4,225)**	**44**	**340**	42,596	280	14,909
Barbados dollars	**(7,270)**	**N/A**	**582**	7,251	N/A	2,175
Netherland Antilles guilders	**8,043**	**N/A**	**1,609**	23,475	N/A	4,695
Eastern Caribbean dollars	**20,528**	**N/A**	**6,158**	3,091	N/A	927

During 2008, the 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 Group's presentation currency of United States dollars.

Due to the size of investments in the Bahamas, Barbados and Jamaica, the Group's long exposure to these currencies is significantly increased. New capital policies were also introduced during the year to ensure that both foreign currency retained and current year earnings are converted promptly.

The Group takes on exposure to effects of uctuations in the prevailing foreign currency exchange rates on its financial position and cash ows. The Board of Directors sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily. The table below summarises the Group's exposure to foreign currency exchange rate risk at October 31 from an accounting perspective.

(expressed in thousands of United States dollars)

33. Financial risk management (continued)

E. Market risk (continued)

Foreign Exchange Risk (continued)

Concentrations of assets, liabilities and off-balance sheet positions

October 31, 2008	**EC**	**BDS**	**CAY**	**BAH**	**US**	**JA**	**Other**	**Total**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Assets								
Cash and balances with Central Banks	92,424	78,350	3,237	16,484	100,529	90,822	106,964	488,810
Due from banks	9,600	(34,803)	(104)	75,036	(36,678)	(17,714)	500,739	496,076
Derivative financial instruments	-	-	-	-	2,144	-	-	2,144
Financial assets at fair value through profit or loss	-	-	-	-	536,217	-	-	536,217
Other assets	(24,944)	(62,107)	1,434	11,419	127,338	19,067	(12,273)	59,934
Taxation recoverable	5,718	466	-	-	-	-	-	6,184
Investment securities	29,600	240,447	4	182,734	1,306,092	16,613	228,779	2,004,269
Loans and advances to customers	745,830	712,157	465,097	1,407,954	3,062,379	202,348	218,513	6,814,278
Property and equipment	14,707	45,058	17,294	20,334	15,657	7,268	6,838	127,156
Deferred tax assets	2,643	6,497	-	-	-	127	6,501	15,768
Retirement benefit assets	6,800	9,806	-	10,845	4,535	11,203	1,616	44,805
Intangible assets	-	305,535	-	-	38,978	-	-	344,513
Total assets	882,378	1,301,406	486,962	1,724,806	5,157,191	329,734	1,057,677	10,940,154
Liabilities								
Derivative financial instruments	-	-	-	461	52,053	1,972	1,094	55,580
Customer deposits	731,861	1,248,628	201,569	1,735,907	4,001,906	212,268	1,063,910	9,196,049
Other borrowed funds	-	-	-	-	-	-	23,735	23,735
Other liabilities	21,132	13,730	131,897	(6,884)	49,284	10,056	(152,250)	66,965
Taxation payable	6,826	150	-	-	2,228	3,604	1,223	14,031
Deferred tax liabilities	58	173	-	-	9	2,290	(1,010)	1,520
Debt securities in issue	-	-	-	13	200,326	6,600	31,593	238,532
Retirement benefit obligations	719	1,353	-	4,113	871	808	83	7,947
Total liabilities	760,596	1,264,034	333,466	1,733,610	4,306,677	237,598	968,378	9,604,359
Net on-balance sheet position	121,782	37,372	153,496	(8,804)	850,514	92,136	89,299	1,335,795
Off-balance sheet position	132,187	167,371	34,008	147,695	462,574	41,148	84,315	1,069,298

(expressed in thousands of United States dollars)

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

E. Market risk (continued)

Foreign Exchange Risk (continued)

October 31, 2007	**EC** $	**BDS** $	**CAY** $	**BAH** $	**US** $	**JA** $	**Other** $	**Total** $
Assets								
Cash and balances with Central Banks	99,701	111,878	5,102	104,652	76,189	47,503	50,901	495,926
Due from banks	9,310	(66,417)	1,087	(484)	602,768	2,315	474,145	1,022,724
Derivative financial instruments	41	219	-	-	39,217	631	53	40,161
Financial assets at fair value through profit or loss	-	-	-	-	1,123,589	-	-	1,123,589
Other assets	(28,714)	(41,654)	1,937	10,287	118,709	548	21,077	82,190
Taxation recoverable	768	1	-	-	-	-	-	769
Investment securities	30,637	269,580	4	133,974	1,875,528	8,702	152,579	2,471,004
Loans and advances to customers	711,945	655,021	448,518	1,462,674	2,300,214	283,306	218,281	6,079,959
Property and equipment	19,438	44,925	17,929	20,779	17,261	7,087	8,583	136,002
Deferred tax assets	1,873	6,363	-	-	-	63	269	8,568
Retirement benefit assets	7,013	10,257	-	11,731	4,495	12,166	1,645	47,307
Intangible assets	-	305,535	-	-	41,941	-	-	347,476
Total assets	852,012	1,295,708	474,577	1,743,613	6,199,911	362,321	927,533	11,855,675
Liabilities								
Derivative financial instruments	124	295	-	-	19,886	-	-	20,305
Customer deposits	731,946	1,166,879	196,298	1,348,011	4,417,122	228,478	1,186,951	9,275,685
Other borrowed funds	-	-	-	-	727,942	-	30,214	758,156
Other liabilities	272	82,627	173,410	(651)	(72,270)	9,145	(46,623)	145,910
Taxation payable	2,741	(346)	-	-	1,911	1,278	2,765	8,349
Deferred tax liabilities	65	74	-	-	15	3,223	521	3,898
Debt securities in issue	-	-	-	20,620	200,702	21,158	31,681	274,161
Retirement benefit obligations	728	1,528	-	3,717	1,079	1,136	203	8,391
Total liabilities	735,876	1,251,057	369,708	1,371,697	5,296,387	264,418	1,205,712	10,494,855
Net on-balance sheet position	116,136	44,651	104,869	371,916	903,524	97,903	(278,179)	1,360,820
Off-balance sheet position	52,653	41,479	17,740	115,814	470,396	57,157	344,219	1,099,458

33. Financial risk management (continued)

F. Cash flow and fair value interest rate risk

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

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

G. Liquidity risk

Liquidity risk arises from the Group'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.

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

Process and Control

Actual and anticipated in ows and out ows 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 ows under various stress scenarios are modelled using balance sheet positions. On a consolidated basis, prescribed liquidity levels under a selected benchmark stress scenario are maintained for a minimum time horizon.

Risk Measurement

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

The Group 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. Each operational entity has internally established specific liquidity requirements that are approved by the Group ALCO and reviewed annually.

(expressed in thousands of United States dollars)

33. Financial risk management (continued)

G. Liquidity risk (continued)

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

October 31, 2008	**0-3 months $**	**3-12 months $**	**1-5 years $**	**Over 5 years $**	**Total $**
Assets					
Cash and balances with Central Banks	488,810	-	-	-	488,810
Due from banks	408,944	87,132	-	-	496,076
Derivative financial instruments	2,144	-	-	-	2,144
Financial assets at fair value through profit or loss	536,217	-	-	-	536,217
Other assets	58,076	1,858	-	-	59,934
Taxation recoverable	267	-	5,917	-	6,184
Investment securities	1,002,446	33,541	755,784	212,498	2,004,269
Loans and advances to customers	1,108,493	610,605	887,262	4,207,918	6,814,278
Property and equipment	-	-	20,817	106,339	127,156
Deferred tax assets	1	253	1,459	14,055	15,768
Retirement benefit assets	-	-	-	44,805	44,805
Intangible assets	740	2,219	6,647	334,907	344,513
Total assets	3,606,138	735,608	1,677,886	4,920,522	10,940,154
Liabilities					
Derivative financial instruments	50,428	5,152	-	-	55,580
Customer deposits	7,571,251	1,560,652	55,913	8,233	9,196,049
Other borrowed funds	4,104	2,119	708	16,804	23,735
Other liabilities	12,171	-	54,794	-	66,965
Taxation payable	13,754	277	-	-	14,031
Deferred tax liabilities	3	-	-	1,517	1,520
Debt securities in issue	66	31,450	6,600	200,416	238,532
Retirement benefit obligations	-	-	-	7,947	7,947
Total liabilities	7,651,777	1,599,650	118,015	234,917	9,604,359
Net on-balance sheet position	(4,045,639)	(864,042)	1,559,871	4,685,605	1,335,795
Off-balance sheet position	491,953	223,460	248,128	105,757	1,069,298

(expressed in thousands of United States dollars)

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

G. Liquidity risk (continued)

October 31, 2007	**0-3 months $**	**3-12 months $**	**1-5 years $**	**Over 5 years $**	**Total $**
Assets					
Cash and balances with Central Banks	495,926	-	-	-	495,926
Due from banks	721,996	300,728	-	-	1,022,724
Derivative financial instruments	40,161	-	-	-	40,161
Financial assets at fair value through profit or loss	1,123,589	-	-	-	1,123,589
Other assets	(46,671)	12,143	116,718	-	82,190
Taxation recoverable	769	-	-	-	769
Investment securities	99,163	178,773	682,766	1,510,302	2,471,004
Loans and advances to customers	694,021	596,521	1,032,511	3,756,906	6,079,959
Property and equipment	2,088	6,266	7,087	120,561	136,002
Deferred tax assets	1,528	116	6,749	175	8,568
Retirement benefit assets	-	-	-	47,307	47,307
Intangible assets	740	2,219	9,610	334,907	347,476
Total assets	3,133,310	1,096,766	1,855,441	5,770,158	11,855,675
Liabilities					
Derivative financial instruments	20,305	-	-	-	20,305
Customer deposits	7,967,684	1,245,509	55,471	7,021	9,275,685
Other borrowed funds	643,863	95,205	596	18,492	758,156
Other liabilities	42,474	27,490	75,946	-	145,910
Taxation payable	3,285	3,127	-	1,937	8,349
Deferred tax liabilities	73	-	653	3,172	3,898
Debt securities in issue	621	21,158	51,680	200,702	274,161
Retirement benefit obligations	-	-	-	8,391	8,391
Total liabilities	8,678,305	1,392,489	184,346	239,715	10,494,855
Net on-balance sheet position	(5,544,995)	(295,723)	1,671,095	5,530,443	1,360,820
Off-balance sheet position	624,853	413,893	24,848	35,864	1,099,458

(expressed in thousands of United States dollars)

33. Financial risk management (continued)

H. Fair values of financial assets and liabilities

Set out below is a comparison by class of the carrying amounts and fair values of the Bank's financial instruments that are carried in the financial statements. The table does not include the fair values of non-financial assets and non-financial liabilities.

	Carrying Value 2008 $	Fair Value 2008 $	Unrecognised gain/(loss) 2008 $	Carrying Value 2007 $	Fair Value 2007 $	Unrecognised gain/(loss) 2007 $
Financial assets						
Cash and balances with Central Banks	**488,810**	**488,810**	-	495,926	495,926	-
Due from banks	**496,076**	**496,076**	-	1,022,724	1,022,724	-
Derivative financial instruments	**2,144**	**2,144**	-	40,161	40,161	-
Financial assets at fair value through profit or loss	**536,217**	**536,217**	-	1,123,589	1,123,589	-
Investment securities	**2,004,269**	**2,004,269**	-	2,471,004	2,471,004	-
Loans and advances to customers	**6,814,278**	**6,759,152**	**(55,126)**	6,079,959	5,937,286	(142,673)
Financial liabilities						
Derivative financial instruments	**55,580**	**55,580**	-	20,305	20,305	-
Customer deposits	**9,196,049**	**9,200,907**	**(4,858)**	9,275,685	9,267,330	8,355
Other borrowed funds	**23,735**	**29,276**	**(5,541)**	758,156	757,988	168
Debt securities in issue	**238,532**	**209,250**	**29,282**	274,161	274,660	(499)
Total unrecognised change in unrealised fair value			**(36,243)**			(134,649)

33. Financial risk management (continued)

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

Loans and advances to customers

Loans and advances to customers are stated net of specific and other provisions for impairment. The estimated fair values of loans and advances to customers represents the discounted amount of estimated future cash ows expected to be received.

Investment securities

Investment securities are recorded at fair value based either on quoted market prices or valuation techniques, including model inputs that are either observable in the market or involves the use of non-market observable inputs.

Customer deposits and other borrowed funds

The estimated fair value of customer deposits and other borrowed funds is based on discounted cash ows using prevailing money-market interest rates for debts with similar credit risk and maturity.

Debt securities in issue

The fair value is calculated using a discounted cash ow model based on a current interest rate yield curve appropriate for the remaining term to maturity.

Financial assets and liabilities with carrying values that approximate fair value

For financial assets and liabilities that are liquid or have a short-term maturity, it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits savings accounts without a specific maturity and variable rate financial instruments.

34. Significant accounting estimates and judgements in applying accounting policies

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

i) Impairment losses on loans and advances

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

ii) Retirement benefit obligations

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

iii) Income taxes

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

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profits will be available against which the losses can be utilised. Management's judgement is required to determine the amount of the deferred tax asset that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

34. Significant accounting estimates and judgements in applying accounting policies (continued)

iv) 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 ow ratios, which have been refined to accommodate the specific circumstances of the issuer.

Where fair values of financial assets recorded on the balance sheet cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values.

v) Impairment of investments

Management makes judgements at each balance sheet date to determine whether investments are impaired. Investments are impaired when the carrying value is greater than the recoverable amount and there is objective evidence of impairment.

vi) Goodwill

The Bank's financial statements include goodwill arising from acquisitions. In accordance with IFRS 3, goodwill is reviewed for impairment annually using the "value in use" method. This requires the use of estimates for determination of future cash ows expected to arise from each cash-generating unit and an appropriate discount rate to calculate present value.

35. Principal subsidiary undertakings

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

All subsidiaries are wholly owned unless otherwise stated.

Management Proxy Circular

Barbados
The Companies Act, Chapter 308
[Section 140]

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

2. **Particulars of Meeting:**
   Fifteenth Annual Meeting of the Shareholders of the Company to be held at the Foyer Annex, Lloyd Erskine Sandiford Conference Centre, Two Mile Hill, St. Michael on Thursday, March 26, 2009 at 5 p.m.

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

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

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

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

Date	**Name and Title**	**Signature**
January 31, 2009	Ella N. Hoyos Corporate Secretary FirstCaribbean International Bank Limited	

Proxy Form

I/We, the undersigned shareholder/shareholders of FirstCaribbean International Bank Limited, hereby appoint Mr. Michael Mansoor or failing him, Mr. John Orr, or any Director of the Company or

As my/our proxy to vote for me/us on my/our behalf as indicated below on the Resolutions to be proposed at the Annual Meeting of the shareholders of the Company to be held on Thursday, March 26, 2009.

Dated this ___________________day of ___________________2009.

Name of shareholder(s) of the Company____

Signature____

Name(s) of signatory in block capitals____

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

FOR	AGAINST
Resolution 1 To approve the adoption of the audited consolidated Financial statements and balance sheet of the Company for the year November 01, 2007 to October 31, 2008.	
Resolution 2 To approve the election of the following person as a Director for the term hereinafter set forth: (i) Paula Rajkumarsingh for a period of one year. (ii) Richard Nesbitt for a period of one year. (iii) Sonia Baxendale for a period of one year And to re-elect the following persons as Directors: (iv) David Williamson for a period of two years. (v) G. Diane Stewart for a period of two years. (vi) Sir Allan Fields for a period of three years.	
Resolution 3 To approve the appointment of the Auditors, and to authorise the Directors to fix their remuneration.	

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

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FirstCaribbean
INTERNATIONAL BANK

Anguilla

Antigua & Barbuda

The Bahamas

Barbados

Belize

British Virgin Islands

The Cayman Islands

Curaçao

Dominica

Grenada & Carriacou

Jamaica

St Kitts & Nevis

St Lucia

St Maarten

St Vincent &
the Grenadines

Trinidad & Tobago

Turks & Caicos Islands

www.firstcaribbeanbank.com