CIBC FirstCaribbean International Bank

Bahamas Annual Report 2011


CIBC
FirstCaribbean
International Bank

Introducing our Wildey branch (see photo on cover and inside cover), a state-of-the-art facility that serves as a prototype for our regional branch redesign project. This full-service banking model creates value and efficiency for our clients by offering Corporate, Retail, Wealth and Small Business services as well as electronic channels in one location. Select branches across the region will benefit from this redesign exercise. As a first option, it offers a range of electronic banking solutions giving our clients full service, all in quick time and free of charge. Services include:

1. Instant Teller™ Machines
2. In-branch Internet Banking service
3. Telephone Banking kiosks
4. Coin Counting Machines
5. Fast Deposit (Envelopes)
6. Night Wallets

Clients visiting our full-service branches will do so in a functional, ergonomic environment that features:

1. Teller cash recyclers for optimum service delivery
2. Fully-automated, self-service Q-Matic systems with voice and display recognition
3. Facility designed for easy access by the differently-abled
4. Digital and touch-screen marketing and media display units for electronic advertising of product information and rates

The prototype also offers our corporate banking clients:

1. Fully outfitted, dedicated corporate facilities for maximum efficiency and service, including priority parking
2. State-of-the-art electronic monitoring and surveillance for added safety and security
3. Fully-automated, self-service Q-Matic systems with voice and display recognition

Wealth Management services will be facilitated in an upscale lounge-type environment featuring:

1. WiFi and iPad usage for surfing www.cibcfcib.com and completing online applications for services
2. Private Banking platinum service delivered by dedicated teams
3. Client access to fully-outfitted meeting rooms and facilities

Contents

Section

Corporate Profile

CIBC FirstCaribbean International Bank is a relationship bank offering a full range of market-leading financial services through our Corporate Investment Banking and Retail Banking segments. We are located in 17 countries around the Caribbean, providing the banking services that matter to our clients through approximately 3,400 employees, in 100 branches and offices. We are the largest, regionally-listed financial services institution in the English and Dutch-speaking Caribbean, with over US$11.2 billion in assets and a market capitalisation of US$2.2 billion. The Bahamas Operating Company comprises operations in The Bahamas and the Turks and Caicos Islands where there are 20 branches and agencies, 21 Instant Tellers™ Machines, and Wealth Management and Corporate Investment Banking centers, spread over New Providence, Grand Bahama, Abaco, Eleuthera and Turks and Caicos.

Vision

To be the bank of first choice, leading the region in building quality relationships with our clients by providing them with innovative banking solutions to suit their needs.

Mission

To achieve our vision by fulfilling the commitments we have made to each of our stakeholders:

- First for Clients – Help our clients achieve what matters to them
- First for Employees – Create an environment where all of our employees can excel
- First for our Communities – Make a real difference in communities in which we operate
- First for Shareholders – Generate strong total returns for our shareholders

Values

As a member of the CIBC Group of Companies, we share an organisational culture based on core values of Trust, Teamwork, and Accountability.

Strategic Priorities

These five strategic priorities support our stated vision and mission:

- Enhancing client value by deepening relationships
- Diversification of our income streams
- Balance sheet management to optimise returns
- Improved productivity & control to improve the speed and quality of service to our clients
- Leveraging our relationship with our parent, CIBC, to bring new opportunities to benefit our stakeholders

These priorities are the cornerstones for delivering consistent and sustainable performance over the long term.

2011 HIGHLIGHTS

First for Clients

We concentrated on delivering excellent customer service and continued to enhance our client experience through new products and system enhancements to help clients achieve what matters to them.

Delivering tailored solutions to unique client groups -

- Enhanced our Internet Banking platform
- Improved our call centre to function as a central customer service channel

Providing advice and financial solutions for Retail and Wealth Clients -

- Enhanced Private Banking service for Domestic Wealth Management clients
- Introduced Platinum Service priority access in an upscale lounge-type environment in our flagship branches
- Launched Visa Debit Platinum Cards
- Launched Visa Debit Cards
- Introduced Financial Health Checks
- Introduced Axiom Managed Portfolios

Supporting Corporate clients with best-in-class relationship management products and services -

- Introduced commodity hedging products

Reaching new markets and clients -

- Implemented a SWITCH campaign to capture greater market share
- Introduced innovative derivatives products and solutions

First for Employees

We placed emphasis on outfitting employees with the skills and tools to execute their jobs with excellence.

Feedback from the E-voice Survey was also incorporated in our overall approach which was reflected in improved results for 2011, with employee satisfaction four (4) percentage points above 2010 and employee engagement improved by two (2) percentage points. This increase could be attributed, in part, to our 'One Team One Bank' initiatives designed to strengthen employee relationships.

Enhancing the training offer -

- Focused on technical enhancements for improved efficiency, including the automation of the account opening process

Creating an environment for enhanced productivity -

- Test piloted a new performance management system for fiscal 2011-2012
- Provided training to Wealth Management Relationship Managers
- Provided sales staff with increased earning opportunities through a 'Pay4Performance' sales management platform
- Continued to celebrate exemplary 'Helpful Partner' performance
- Mandated blended customer service training for all staff

Making personal development easy -

- Expanded the FirstCaribbean University curriculum
- Increased learning opportunities

First for Our Communities

In 2011, the CIBC FirstCaribbean Foundation worked to keep its promise of commitment to the people of the Bahamas and Turks and Caicos Islands. We focused on giving to the underprivileged and the youth, particularly in the areas of health and wellness, sports, and educational development. Our initiatives continue to reach out in a personal way, to those needing our assistance.

Strengthening our Corporate Social Responsibility partnerships -

- Increased our partnership with Junior Achievement (JA) Bahamas through greater sponsorship
- Continued sponsorship of the Bahamas Student of the Year Programme
- Maintained our JA Bahamas Scholarship

Nurturing the entrepreneurial spirit among our people -

- Officially sponsoring JA companies in New Providence and Abaco

Supporting our communities with pride -

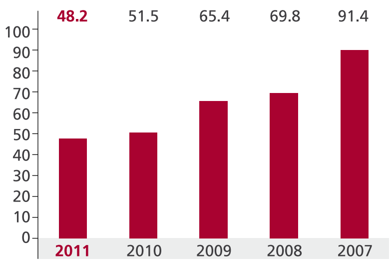
- Engendering the spirit of staff volunteerism through our Adopt-a-Cause programme
- Recognising the work of selfless individuals through our Unsung Heroes flagship initiative
- Sponsorship of several Junkanoo Groups
- Donation of computers to Project Read Bahamas

First for our Shareholders

- Maintained our capital strength, with Tier 1 capital ratio of 24%

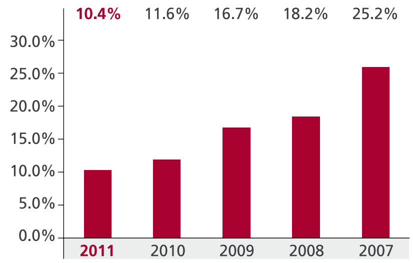
Financial Highlights

Basic Earnings per Share (EPS) – B$ cents

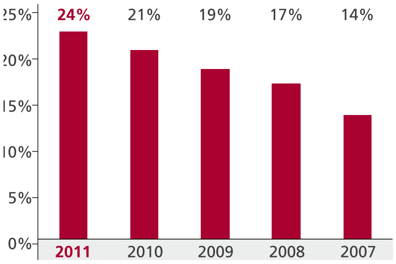


Basic EPS is a measure of net income divided by the weighted average number of common shares.

Return on Equity (%)



Tier 1 Capital Ratio (%)



The Tier I capital ratio is calculated by dividing Tier I capital by risk weighted assets.

$ millions, except per share amounts, as at or for the year ended October 31, 2011	**2011**	2010	2009	2008	2007
Common share information					
Earnings per share-basic (B$ cents)	**48.2**	51.5	65.4	69.8	91.4
Share price - closing	**8.14**	9.74	9.87	11.60	14.65
Shares outstanding (thousands) - end of period	**120,216**	120,216	120,216	120,216	120,216
Market capitalisation	**978,558**	1,170,904	1,186,532	1,394,506	1,761,164
Value measures					
Price to earnings multiple (share price/earnings per share)	**16.9**	18.9	15.1	16.6	16.0
Dividend yield (dividends per share/share price)	**3.4%**	3.2%	3.5%	3.9%	3.2%
Dividend payout ratio (dividends/net income)	**58.1%**	60.2%	53.5%	64.4%	51.4%
Financial results					
Total operating income	**173,318**	173,025	168,235	171,594	179,303
Loans loss impairment expense	**32,223**	34,068	18,519	23,350	12,339
Operating expenses	**83,208**	77,094	71,079	64,340	57,104
Net income	**57,887**	61,863	78,637	83,904	109,860
Financial measures					
Efficiency ratio (operating expenses/total revenue)	**48.0%**	45.6%	42.2%	37.5%	31.8%
Return on equity (net income/average equity)	**10.4%**	11.6%	16.7%	18.2%	25.2%
Net interest margin	**3.9%**	3.5%	3.6%	3.5%	3.2%
Balance sheet information					
Loans and advances to customers	**2,327,794**	2,418,836	2,541,756	2,539,072	2,415,975
Total assets	**3,537,096**	3,598,996	3,762,672	4,137,990	4,668,455
Deposits & other borrowed funds	**2,712,978**	2,767,359	2,985,964	3,445,010	3,939,577
Total equity	**758,225**	730,854	707,181	645,812	643,332
Balance sheet quality measures					
Common equity to risk weighted assets	**31%**	29%	26%	23%	21%
Risk weighted assets	**2,409,543**	2,543,580	2,712,548	2,848,214	3,085,406
Tier I capital ratio	**24%**	21%	19%	17%	14%
Tier I and II capital ratio	**24%**	21%	19%	16%	15%
Other information					
Full time equivalent employees	**743**	788	775	798	784

Chairman's Letter

Michael K. Mansoor
Executive Chairman

In 2011 the Bank achieved a profit of $57.9 million compared to $61.9 million last year. Excluding the variance in securities gains of $4.8 million, there would have been an increase year on year of $0.8 million primarily the result of an increase in net interest income and reduced loan loss impairment allowances, which were partially offset by increases in operating expenses, mainly driven by remuneration & benefits.

EPS is $0.48 per share versus $0.52 per share in 2010. In these circumstances, the Board has approved a final dividend of thirteen cents ($0.13) per share which means that the total dividend per share for 2011 is twenty-six cents ($0.26) per share versus thirty-one cents ($0.31) per share in the prior year.

These results need to be considered in the context of a set of very difficult conditions being faced by regional economies whose primary business is tourism and wealth management international activities, both of which have suffered considerably in the prevailing global climate. While it remains difficult to forecast when conditions will revert to acceptable levels of growth, there are indications that lead me to expect that the economies of the region are adjusting to the global down turn and that all sectors are responding in a constructive fashion to optimise our prospects.

CIBC Co-Branding

During the year, we changed the logo and brand collateral of the Bank to reflect more accurately the majority ownership, support and infrastructural backing of CIBC. We believe that this change to the "CIBC FirstCaribbean" brand collateral has been welcomed by our staff and customers and brings with it a plethora of benefits because of the overt association and identity with CIBC.

Product Enhancements and Acquisitions

During the year, we introduced enhancements to our electronic product suite, including the payment systems and merchant services. In addition, our Parent Company acquired CIBC Bank and Trust Company (Cayman) Limited and CIBC Trust Company (Bahamas) Limited and expect that we will be able to integrate their trust and fund administration services to private and institutional customers to augment our growth strategy in our Wealth segment.

Our People

We have continued to invest in the training and development of all levels of staff. For the first time we have been able to more readily access training opportunities for our people at CIBC. We have successfully provided our executives access to management development programmes initially developed and delivered to CIBC executives.

Governance

I can report that the Board of Directors has met quarterly and continues to function effectively to monitor business performance, and our governance and control systems and most importantly, to provide guidance and leadership in determination and prosecution of our strategic agenda.

Appreciation

During the year, Mr. John D. Orr, CEO of our Parent Company, returned to CIBC on the completion of three years at CIBC FirstCaribbean. John took over the management of the Group in 2008 and has made important contributions to the development of the infrastructure and co-branding efforts at a time of strongly adverse economic headwinds. We thank him for his leadership and wish him well in his new position at CIBC.

In September 2011, Mr. Rik Parkhill was appointed CEO of the Group. Rik has already visited our staff and clientele in most of our key markets and I am happy to report that he enjoys the support and commitment of all our people.

In conclusion, I wish to place on record our appreciation to our host governments, our regulators, our customers and staff for their support and loyalty during the year. Despite the less than satisfactory financial results, I believe that the Bank has made considerable progress during the year; that our people are motivated to improve our performance, and that without a doubt, we will grasp every opportunity to return the Bank to the level of profitability that our shareholders and employees expect.

Michael K. Mansoor
Executive Chairman

Managing Director's Message

Marie A. Rodland-Allen
Managing Director

Financial Performance

Despite a challenging economic environment, the Bank delivered net income of $57.9 million or 48.2 cents per share. The 2011 financial results were $4 million (6.5%) lower than the prior year primarily due to the variance in security gains.

Net interest income and operating income were both impacted by the Bank's difficulty in achieving meaningful growth. However, an increase in net interest income, despite declining interest income, reflects lower volumes on deposits and hedging instruments, combined with lower deposit costs. Operating expenses were subject to upward pressure by increased remuneration and benefits costs and business license fees, along with new products and campaign costs. All the important balance sheet aggregates are comparable with the prior year and in particular, the Tier 1 capital ratio is 24%.

Retail, Wealth and Small Business

At the beginning of the year, we launched a successful 'Switch and Gain' campaign which allowed us to offer our products and services to a wider customer base. We also continued to invest in our most important and critical resource – our people. Staff were given the opportunity to earn additional incentives under our sales management performance programme, "Pay4Performance", and some participated in additional training opportunities.

Our product suite was augmented with the successful introduction of Visa Debit Cards. We also re-launched our Internet Banking platform, which now allows customers to conveniently view and pay bills, and access credit cards and account statements online. Security over these channels continues to be our priority.

We continue to deepen and strengthen our relationships with our Wealth clients, who now experience priority service in our branch network and call centre. Our Visa Debit Platinum product has created a superior and specialized client service experience and we also introduced a comprehensive set of products including Financial Health Checks and our Axiom Managed Portfolios.

Customers now benefit from our new account opening process which allows us to automatically provide them with access to our entire suite of convenience banking products.

Corporate Investment Banking

This year was not without its challenges. Between increasing our lending book and managing our risk appetite, Corporate Investment Banking still produced a solid performance, thanks to our concentration on deepening our client relationships by better aligning individual customer needs with our enhanced products and services. The Transaction Banking and Treasury units significantly partnered with us in this process.

The partnership between our Corporate and Investment Banking teams also continues to be fruitful. This year, the focus on infrastructure financing paid off with the successful funding of several major expansion projects.

Going forward, our efforts will continue to be on providing timely solutions to our clients and improved customer service, in our effort to continuously deliver a high level of service.

Community Partnership

Living up to our corporate social responsibility, we focused on giving to the underprivileged and the youth, particularly in the areas of health and wellness, sports, and educational development.

Our commitment to Junior Achievement (JA) Worldwide remains strong, reflected in the Bank-sponsored JA companies in New Providence and Abaco winning Company of the Year on their respective islands, along with several other coveted awards. In addition, through the Bank's flagship Unsung Heroes Programme, three more humanitarians were honoured for their unsolicited contributions to the betterment of their communities. We also donated $10,000 to the Ranfurly Home for Children and fulfilled our $30,000 commitment to the Bahamas National Trust Discovery Club Programme.

Through our active community relations, we assisted several community organisations and initiatives, including Project Read Bahamas, Teen Challenge Bahamas and several Junkanoo groups.

People

Our energetic and loyal employees are the backbone of this organisation and we are committed to providing them with an environment where their strengths and abilities can be optimised. The 2011 Employee Voice Survey results revealed a four (4) percent increase in overall employee satisfaction over the previous year's results, indicating a marked positive change in our employees' pride, loyalty, endorsement, and emotional engagement with the company. These results reflect success in our continued emphasis on strengthening employee relationships through our "One Team One Bank" programmes.

We introduced a new Customer Service training programme that included both online and classroom components. Though very successful to date, we will continue to monitor our customer service metrics and feedback from our clients to determine the depth of these positive results.

Last year, we enhanced our Helpful Partner Reward and Recognition programme, allowing employees at all levels to be recognised as helpful partners, and for performance excellence in the areas of leadership, sales, process improvement, risk mitigation, relationship management and customer service. These changes took root, and this year, the following three individuals were recognised as annual Player of the Series winners for the Bahamas Operating Company:

- Jennifer Brown, Operations – Exemplary Leader Award
- Shantell Hall, Operations – Helpful Partner Award
- Alphonza Ward, Retail, Wealth and Small Business – Helpful Partner Award

Appreciation

In closing, I would like to thank all of our valued customers, staff and shareholders for their continued support and loyalty. I would also like to thank the members of our Board of Directors for their guidance throughout the year. CIBC FirstCaribbean will continue to be a leader in the financial services sector by developing new and innovative products, improving and diversifying channel experiences within a world class banking environment as we seek to deliver on our promise of "Service Excellence, Every Customer, Every Time".

Marie Rodland-Allen

Marie A. Rodland-Allen
Managing Director

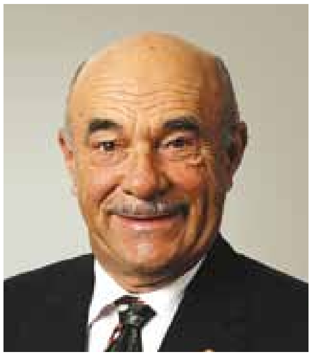
"We seek to deliver on our promise of Service Excellence, Every Customer Every Time."

Board of Directors

Michael Mansoor
Chairman

Sharon Brown
Deputy Chairman

Marie Rodland-Allen
Managing Director



Terence R. Hilts
Chairman, Colina Insurance Company Limited

Joseph W. P. Krukowski
Chairman, Doctors Hospital Health System Limited

Willie Moss
Attorney-at-Law

G. Diane Stewart
Attorney-at-Law

Senior Management & Advisors

Country Management Committee

Pictured seated left to right, are:
Basil Longley
Marie Rodland-Allen
Catherine Gibson
Richard Phillips

Standing left to right are:
Teresa Williams
Siobhan Lloyd
Andrew McFall
Stacia Williamson
Lakeisha Moss
Jennifer Brown

Paul Major is missing from photo.

Corporate Secretary
Teresa S. Williams

Senior Management
Marie Rodland-Allen
Managing Director

Jennifer Brown
Director, Regional Operations Northern Caribbean

Catherine Gibson
Director, Origination & Capital Markets Product Northern Caribbean

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

Basil Longley
Regional Manager, Branch Infrastructure Support

Andrew McFall
Senior Manager, Receivables Management

Paul Major
Head of International Corporate Banking

Lakeisha Moss
Country Treasurer

Richard Phillips
Director, Retail, Wealth and Small Business

Teresa Williams
Senior Manager, Managing Director's Office

Stacia Williamson
Controller & Chief Financial Officer

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

Regional Audit Committee
Kevin Glass - Chairman
Lincoln Eatmon
Sir Allan Fields
Sir Fred Gollop
Michael Mansoor
Richard Nesbitt
Paula Rajkumarsingh
David Ritch
G. Diane Stewart

Auditors
Ernst & Young

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

Registrar and Transfer Agents
CIBC Trust Company (Bahamas) Limited

Section 2

Our Communities

For fiscal 2011, the Bank focused on giving to the underprivileged and the youth, particularly in the areas of health and wellness, sports and educational development.

Educational Partnerships

For the first time, two JA companies that CIBC FirstCaribbean sponsored won Company of the Year. Led by Executive Advisor Sherwanda Jones and her team, P.H.R.E.S.H (Phenomenal Hardworking Respectful Entrepreneurs Soaring Higher) won the Company of Year Award, as well as: Executive Advisor of the Year - Sherwanda Jones; Most Distinguished President of the Year - Clifford Adderley; Most Distinguished Achiever Human Resource - D'Aesha Rahming; Most Distinguished Achiever Marketing - Marolandy Petit-Homme; Most Distinguished Achiever Production - Krystal Rolle; Top Sales Person of the Year - D'Aesha Rahming; Advisory Team of the Year; Top Sales Company of the Year with over $20,000 in Sales; Annual Report of the Year; Product of the Year ("Taste of Nature" Native Teas); Top Return on Investment of the Year (Return of $87.45 per share); and D'Aesha Rahming, Clifford Adderley, Marolandy Petit-Homme, and Boykin Smith were inducted into the Student Achievers $1,000 Club. Outstanding achiever Boykin Smith placed second in the Most Distinguished Achiever Public Relations category; second for Highest Retention of the Year and second for receiving the Top Company Exam Scores.

Some "P.H.R.E.S.H" students, pictured soon after having lunch with some CIBC FirstCaribbean staff members during JA Job Shadow Day.

Some of the students of CIBC FirstCaribbean-sponsored A.C.E., shortly after they won Company of the Year and several other awards at the close of the JA year in Abaco.

In Abaco, our Marsh Harbour Branch team mentored the students of A.C.E. (Achievers Chasing Excellence) who also won the coveted Company of the Year Award, as well as: the Step Show; Highest Return on Investment and Best Overall Company Reports. The company's President, R. Octavia Dean-McIntosh also won the Best Interview Award.

Unsung Heroes

With a select panel of judges reviewing the nominees, Carl Lynch and Diana Pinder of Nassau, and Dudley Seide of Freeport were adjudged the proud winners from the Bahamas in the Bank's flagship Unsung Heroes Programme. Diana Pinder was lauded for her efforts that gave birth to the Bahamas Diabetic Association and she has been termed "the backbone" of the organisation 25 years later, while Mr. Carl Lynch has made it his lifetime mission to mentor and train young footballers in the community. A Freeport native, Mr. Dudley Seide is touted as the founding father of the "Reach Out Youth Organisation" on the island of Grand Bahama and continues to make a big impact on the youth of that island, mentoring and teaching them to make smarter life choices.

Pictured l to r, are: Mr. Jerome Sawyer, Judge; The Honourable Loretta Butler-Turner, MP., Minister of State, Ministry of Labour and Social Services; Unsung Heroes: Mr. Carl Lynch and Mrs. Diana Pinder from Nassau and Mr. Dudley Seide from Freeport, Grand Bahama; and Mr. Martin Trotman CIBC FirstCaribbean's Corporate Director, Risk, Operations and Business Support.

Our select panel of judges who decided on the winners are: Patty Roker, Island FM; Jerome Sawyer, the Broadcasting Corporation of the Bahamas; Dr. P. Samuel Bain, Sojourner Douglas College; Jennifer Brown, Director - Regional Operations Northern Caribbean; Liacarla Adderley, Senior Corporate Manager, and Tiffany Forbes, Senior Sales Manager. The latter three persons are from CIBC FirstCaribbean.

Pictured at centre is Liacarla Adderley, Senior Corporate Manager at CIBC FirstCaribbean as she presents a donation to Junkanoo Group leaders.

Community Relations

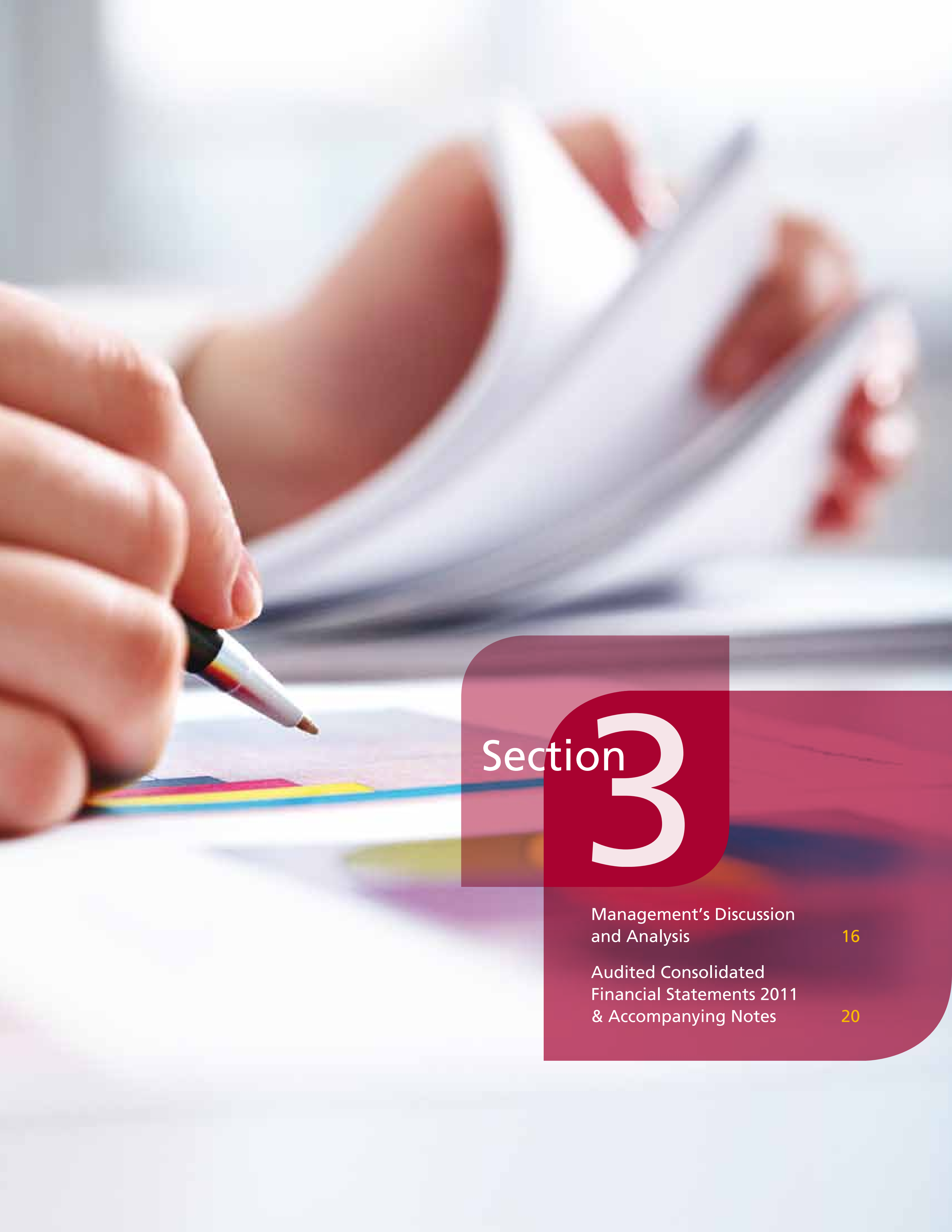
In addition to our $10,000 contribution to the Ranfurly Home, we continued to provide funds to several Junkanoo Groups. The Carifta Swim Team, the Bahamas Primary Student of the Year Programme, several summer programmes held by divisions within the Royal Bahamas Police Force, the Cancer Society of the Bahamas' Stride for Life Walk, the Bahamas Technical & Vocational Institute, the Training Centre for the Disabled, Youth Against Violence, the Junior Baseball League of the Nassau, Freedom Farm Baseball League, the Hopedale Centre, and several other organisations received CIBC FirstCaribbean's financial assistance. In fact, CIBC FirstCaribbean donated brand new computers, software and a printer to Project Read Bahamas, technology that has made a significant difference in the lives of adult learners. CIBC FirstCaribbean also assisted the Kingdor Parkinson Foundation, the Road Runners Track and Field Club, the PACE Foundation, and the Sandilands Rehabilitation Centre. For the first time, a donation to Teen Challenge Bahamas greatly helped that organisation defray the cost of hosting its Temperament, Anger Management and Drug Treatment Programme for Teenagers.

Managing Director, Marie Rodland-Allen is pictured at centre as she presents a cheque to members of the Bahamas Swimming Federation to participate in the Carifta Games.

CIBC FirstCaribbean's District Manager, Inger Johnson (l) meets Barbara Lockhart (r) of Teen Challenge Bahamas. Mrs. Lockhart is accompanied by Andre Chappelle (2nd from right) and Eric Fox (3rd from right), both of Teen Challenge.

Pictured l to r, are: Project Read's Administrator Arthurlue Rahming; CIBC FirstCaribbean's Branch Infrastructure Support Manager and Senior Project Manager, Basil Longley, and Project Read's Board member, Bob McDonald.

This picture captures Martin Trotman (r), Corporate Director, Risk, Operations and Business Support, as he presents Minister Butler-Turner (l) with a token of the Bank's appreciation for her attendance at the Unsung Heroes Luncheon and Awards Ceremony.



Section 3

Management's Discussion and Analysis

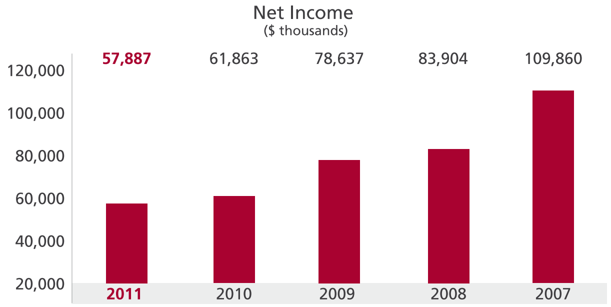
Financial Highlights B$(000)	2011	2010	2009	2008	2007
Net Income	**57,887**	61,863	78,637	83,904	109,860
Earnings per share (cents)	**48.2**	51.5	65.4	69.8	91.4
Total assets	**3,537,096**	3,598,996	3,762,672	4,137,990	4,668,455
Total equity	**758,225**	730,854	707,181	645,812	643,332
Return on assets*	**1.6%**	1.7%	2.0%	1.9%	2.4%
Return on equity*	**10.4%**	11.6%	16.7%	18.2%	25.2%
Ratio of operating expenses to revenues	**48.0%**	45.6%	42.2%	37.5%	31.8%
Dividends per share (cents)	**28.0**	31.0	35.0	45.0	47.0
Dividend pay-out ratio	**58.1%**	60.2%	53.5%	64.4%	51.4%
Dividend times covered	**1.72**	1.66	1.87	1.55	1.94

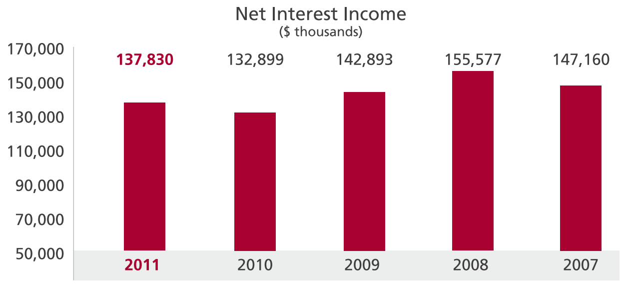
* Based on four quarters rolling averages

Management's discussion and analysis (MD&A) should be read in conjunction with the audited consolidated financial statements included in this Annual Report. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and are expressed in Bahamian dollars. Certain comparative amounts have been reclassified to conform with the presentation adopted in the current year.

OVERVIEW

The Bank reported net income of $57.9 million compared to $61.9 million in 2010, a 6.5% decline. The current depressed economic conditions, and resultant slowdown of business activity and delinquencies, continued to impact the Bank's results. Excluding the decline in securities gains income of $4.8 million, net interest and other operating income for 2011 was $5.1 milion higher than prior year. Conversely, operating expenses increased $6.1 million over prior year, primarily due to increased staff related costs and other general expenses. The Bank continued to maintain focus on loan delinquency containment, improved and innovative product offerings and client solutions, and client service excellence.





REVIEW OF CONSOLIDATED STATEMENT OF INCOME

Net interest income and margin

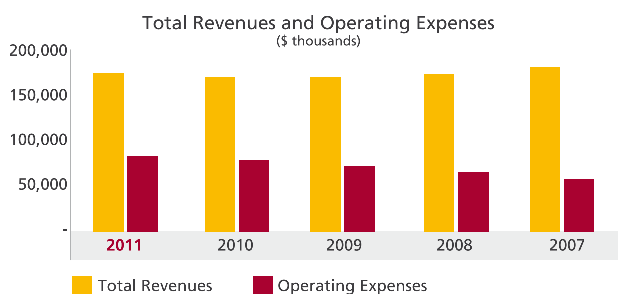
Net interest income (NII) represents interest earned on loans, securities and deposits with other banks, less interest paid on deposits from customers and banks and other borrowings. NII for the year increased by $4.9 million or 3.7%, from $132.9 million last year to $137.8 million in 2011. Interest income was $13.4 million or 6.8% less than prior year, primarily driven by declines in loan and cash placements interest, due to lower average volumes and yields; and a decline in securities interest as a result of the Bank's decision to lower the risk profile by selling higher yielding investment securities in 2010 and re-investing in lower risk and lower yielding securities. Interest expense declined by $18.3 million or 28.6% due to a decline in deposit and hedging instrument volumes, combined with lower rates on deposits.

Other operating income

Other operating income decreased by $4.6 million or 11.5% from the previous year. This was primarily due to a decline in net securities gains and credit fees, as the Bank realised both gains on the sale of investment securities and fees on a single credit transaction in 2010. There were no similar, significant transactions in the current year.

Operating expenses

Operating expenses increased year over year by $6.1 million, or 7.9%, primarily due one-time restructuring costs, increased pension costs, and increased other operating expenses, including business license fees. As a result of the increase in operating expenses, combined with the decrease in revenues, the Bank's efficiency ratio (operating expenses as a percentage of total revenue) increased to 48.0%, compared to 45.6% in the prior year.



Loan loss impairment

As the Bank continued to service and assist clients struggling through a protracted global downturn and challenging local circumstances by working closely with customers to develop business strategies to help manage their debt obligations, loan loss impairment decreased by $1.8 million, or 5.3%, year over year. The ratio of loan loss impairment to gross loans was 1.3% at the end of 2011 (2010: 1.4%). The ratio of provision to non performing loans was 22%, compared to 23% in 2010.

REVIEW OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

B$(000), as at October 31	**2011**	2010
Assets		
Cash and due from banks	**290,628**	238,119
Securities	**646,988**	687,462
Loans and advances	**2,327,794**	2,418,836
Other assets	**271,686**	254,579
	3,537,096	3,598,996
Liabilities and Equity		
Customer deposits	**2,712,978**	2,767,359
Other liabilities	**65,893**	100,783
Equity	**758,225**	730,854
	3,537,096	3,598,996

Total assets were $3.5 billion, a decrease of $61.9 million or 1.7% from last year. The decrease primarily reflects decreases in loans and securities, partially offset by increases in cash resources and other assets. Liabilities decreased by $89.3 million or 3.1%, reflecting a decrease in corporate funding deposits.

Cash and due from banks

Cash and due from banks increased by $52.5 million, or 22.1%. The increase was due to maturity of investments in local government securities and repayment of loan balances.

Investment securities

Investment securities decreased by $40.5 million, or 5.9%, from the previous year, reflecting the redemption of corporate bonds and maturities of some of the Bank's investments in local government debt securities.

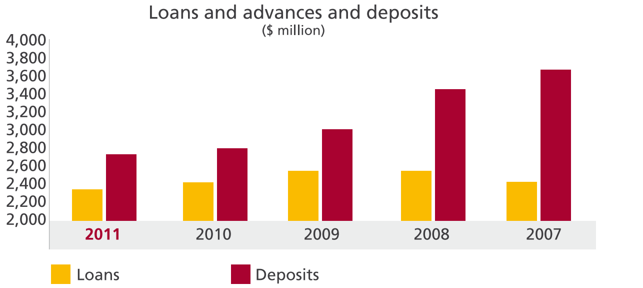
Loans and advances

Net loans and advances to customers were $2.3 billion compared to $2.4 billion in the prior year. The resulting decline was primarily due to a slowdown of the demand for loans. The Business and government, which account for 41% of the Bank's gross loans, decreased by $87.7 million or 8.1% year over year. Personal loans also declined, by $22.7 million, while mortgages increased by $12.7 million.

Productive loans were $2.0 billion, down $110 million or 5.2%, from the prior year. This decrease primarily reflects a combination of paydowns and repayments of loans, and a shift of loans from productive to non-productive (impaired) classification. Impaired loans increased by $13 million or 3.3%, represented mainly by a net increase in non-productive mortgages, of 15.7%.

Customer Deposits

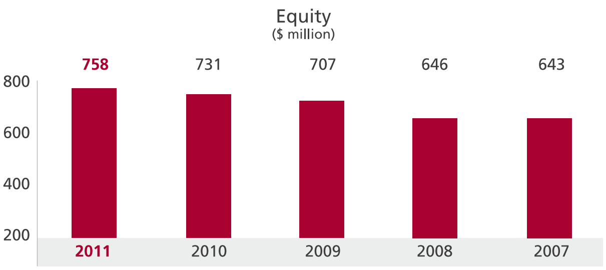
Customer deposits decreased by $54.4 million or 2.0% from the previous year. Deposits placed by individuals decreased by $42.8 million, while Bank deposits, primarily related party balances, decreased by $134.5 million, or 29.7%, primarily due to related party balances. Business and government deposits increased by 10.3%, as more funds were placed with the Bank due to excess liquidity in the local market place.



	2011	2010	2009	2008	2007
Loans to deposits	86%	87%	85%	74%	66%

Equity

The Bank continues to maintain a strong capital base, with capital ratios well above the regulatory requirement of 17%. At October 31, 2011, the Tier I capital ratio and the Total capital ratio of the Bank, were 24% (2010 – 21%) and 24% (2010 – 21%), respectively, both showing improvements over the previous year-end positions.



RISK MANAGEMENT APPROACH

CIBC 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 Bank; increase earnings or cash flow volatility; reduce capital; threaten business reputation or viability; and/or breach regulatory or legal obligations.

The Bank's approach to risk management is based on sound banking principles and a robust governance structure. Risk is managed within tolerance levels established by our management committees and approved by the Board of Directors and its committees (the Board). This is achieved through a comprehensive framework of measurement, monitoring and control policies, procedures and processes. Further information on credit, market and liquidity risks within the Bank can be found in note 27 of the audited consolidated financial statements section.

Primary responsibility for the management of risk lies with line management in our various individual businesses. The Risk Management department, which reports to the Chief Risk Officer, develops risk policies and procedures and provides independent oversight and analysis through its seven centrally based teams - Credit Risk, Market Risk, Receivables Management, Corporate Security, Compliance, Portfolio Management and Operational Risk.

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 risk management practices to reflect changes in markets, products and evolving best practice.

A risk and control governance structure is embedded within each strategic business unit. Representatives from the risk teams interact with the senior leadership of each business unit in order to identify and manage risks in the respective businesses. This approach is supported by comprehensive enterprise reporting.

In addition, the Board of Directors oversees management's responsibilities for internal controls through the Audit & Governance Committee (the Committee). This Committee is responsible for review of the overall adequacy and the effectiveness of internal controls and the control environment, including controls over the risk management process. The Chief Auditor conducts these reviews and is responsible to this Committee with full and independent access to the Committee. The Audit & Governance Committee reviews the qualifications, independence and performance of the internal auditors as well as the shareholders' auditors. Other key responsibilities of the Committee include the monitoring of compliance with legal and regulatory requirements, and the review of interim and annual consolidated financial statements and approval recommendation to the Board of Directors.

Credit Risk

Credit risk is the risk a customer or counterparty will be unable or unwilling to meet a commitment that it has entered into and that the security pledged in support of the credit does not cover the customer's liabilities to the Bank in the event of a repayment default. The credit risks in the Bank 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 policies operating within a framework of delegated authorities. In addition to approving the Bank's key credit policies and setting credit risk appetites and tolerances, the Risk and Conduct Review Committee of the Board also delegates credit approval limits to the Credit Committee of the Bank. The Credit Committee is chaired by the Chief Risk Officer, who also delegates lending authority to individual members of the

Credit Risk Management Department, and also to frontline lenders, chairs the credit committee. There is appropriate segregation of duties between customer-facing functions responsible for originating and managing exposures, the Credit Risk Management function responsible for credit adjudication and oversight and the operations function responsible for disbursing loans and safekeeping security.

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 Internal Audit. Delinquent facilities are subject to separate and additional oversight. 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 Central Bank guidelines.

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 treasury activities, as well as in the natural course of wholesale and retail business. The principal aim of the Bank'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 report risk within their recommended defined limits.

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

There is no single risk measure that captures all aspects of market risk. The Bank 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 the Bank is involved, as well as the amount of the Bank's capital at risk. These measurement methodologies utilise international best practices. 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.

Compliance Risk

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.

Primary responsibility for compliance lies with line management. The compliance team within the Risk Management department is tasked with identifying the compliance obligations in each segment. It also provides advice and guidance to the business lines on compliance risks and the development of appropriate policies and procedures to ensure compliance with all legislation and internal code of conduct and ethics policies. It independently assesses and monitors compliance and reports to the Audit & Governance Committee of the Board.

Operational Risk

The Bank 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 Bank'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 its outsourced activities and in all interactions with external parties.

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 and monitors compliance. Operational risk management activities across the Bank are reported regularly to the Audit & Governance Committee and Risk and Conduct review Committee.

The Bank's operational risk management framework includes ongoing monitoring through self-assessment of control deficiencies and weaknesses, and the tracking of incidents and loss events to ensure that, once identified, control deficiencies are communicated and remedied in a timely fashion across the Bank.

Liquidity Risk

Liquidity risk is defined as the risk that the Bank 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. The Bank is exposed to liquidity risk through our general funding activities and in the management of our assets and liabilities.

The Bank'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 Bank's ALCO is 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 Bank specific and systemic risk level. The results are reported to the Board quarterly and independently reviewed by the market risk function.

FirstCaribbean International Bank
(Bahamas) Limited

Audited Consolidated Financial Statements

Year ended October 31, 2011
with Independent Auditors' Report

Contents

One Montague Place
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Independent Auditors' Report to the Shareholders of FirstCaribbean International Bank (Bahamas) Limited

We have audited the accompanying consolidated financial statements of FirstCaribbean International Bank (Bahamas) Limited (the "Bank") which comprise the consolidated statement of financial position as of October 31, 2011 and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 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 auditor considers internal control relevant to the Bank'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 financial position of the Bank as of October 31, 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst + Young

December 13, 2011

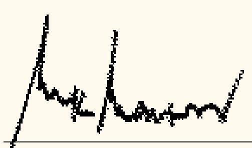
Consolidated Statement of Financial Position

As of October 31, 2011

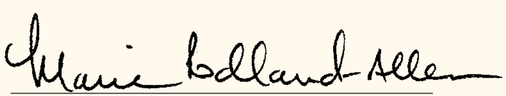
(Expressed in thousands of Bahamian dollars)

	Notes	2011 $	2010 $
ASSETS			
Cash and balances with The Central Bank	3	148,518	89,193
Due from banks	4	142,110	148,926
Derivative financial instruments	5	3,010	12,656
Financial assets at fair value through profit or loss	6	27,319	-
Other assets	7	20,603	18,791
Investment securities	8	646,988	687,462
Loans and advances to customers	9	2,327,794	2,418,836
Property and equipment	10	26,703	25,346
Retirement benefit assets	11	6,304	10,039
Goodwill	12	187,747	187,747
Total assets		3,537,096	3,598,996
LIABILITIES			
Customer deposits	13	2,712,978	2,767,359
Derivative financial instruments	5	21,317	75,976
Financial liabilities at fair value through profit or loss	6	27,319	-
Other liabilities	14	12,840	20,334
Retirement benefit obligations	11	4,417	4,473
Total liabilities		2,778,871	2,868,142
EQUITY			
Share capital and reserves	15	449,410	442,483
Retained earnings		308,815	288,371
Total equity		758,225	730,854
Total liabilities and equity		3,537,096	3,598,996

Approved by the Board of Directors on December 13, 2011 and signed on its behalf by:



Michael Mansoor
Chairman



Marie Rodland-Allen
Managing Director

See accompanying notes.

Consolidated Statement of Income

For the Year Ended October 31, 2011

(Expressed in thousands of Bahamian dollars)

	Notes	2011 $	2010 $
Interest and similar income		183,493	196,854
Interest and similar expense		45,663	63,955
Net interest income	16	137,830	132,899
Other operating income	17	35,488	40,126
Total operating income		173,318	173,025
Operating expenses	18	83,208	77,094
Loan loss impairment	9	32,223	34,068
Total operating expenses		115,431	111,162
Net income for the year		57,887	61,863
Earnings per share (expressed in cents per share)			
- basic	19	48.2	51.5

See accompanying notes.

Consolidated Statement of Comprehensive Income

For the Year Ended October 31, 2011
(Expressed in thousands of Bahamian dollars)

	Notes	2011 $	2010 $
Net income for the year		57,887	61,863
Other comprehensive income:			
Net gain/(loss) on available-for-sale investment securities	21	3,145	(924)
Total comprehensive income for the year		61,032	60,939

See accompanying notes.

Consolidated Statement of Changes in Equity

For the Year Ended October 31, 2011
(Expressed in thousands of Bahamian dollars)

	Notes	Share capital $	Reserves $	Retained earnings $	Total equity $
Balance at October 31, 2009		477,230	(35,171)	265,122	707,181
Total comprehensive income for the year		-	(924)	61,863	60,939
Dividends	20	-	-	(37,266)	(37,266)
Transfer to statutory reserve fund –Turks & Caicos Islands	15	-	4,703	(4,703)	-
Transfer from statutory loan loss reserve – Bahamas	15	-	(3,355)	3,355	-
Balance at October 31, 2010		477,230	(34,747)	288,371	730,854
Total comprehensive income for the year		-	3,145	57,887	61,032
Dividends	20	-	-	(33,661)	(33,661)
Transfer to statutory reserve fund – Turks & Caicos Islands	15	-	3,128	(3,128)	-
Transfer to statutory loan loss reserve – Bahamas	15	-	654	(654)	-
Balance at October 31, 2011		477,230	(27,820)	308,815	758,225

See accompanying notes.

Consolidated Statement of Cash Flows

For the Year Ended October 31, 2011

(Expressed in thousands of Bahamian dollars)

	Notes	2011 $	2010 $
Cash flows from operating activities			
Net income		57,887	61,863
Adjustments to reconcile net income to net cash provided by operating activities:			
Loan loss impairment	9	32,223	34,068
Depreciation of property and equipment	10	3,425	3,373
Gain on sale of property and equipment	18	(54)	(4)
Net gains on sale and redemption of investment securities	17	(348)	(4,847)
Interest income on investment securities	16	(32,550)	(35,224)
Loss from change in fair value unamortised premium		(2,872)	(3,176)
Interest expense on other borrowed funds	16	6,480	12,613
Cash flows from net income before changes in operating assets and liabilities		64,191	68,666
Changes in operating assets and liabilities:			
- net decrease in due from banks greater than 90 days		41,887	26,104
- net (increase)/decrease in mandatory reserves with The Central Bank		(2,087)	577
- net increase in financial assets at fair value through profit or loss		(27,319)	-
- net decrease in loans and advances to customers		58,819	88,852
- net decrease/(increase) in other assets		11,569	(25,956)
- net decrease in customer deposits		(54,381)	(218,605)
- net increase in financial liabilities at fair value through profit or loss		27,319	-
- net (decrease)/increase in other liabilities		(58,160)	31,256
Net cash from/(used in) operating activities		61,838	(29,106)
Cash flows from investing activities			
Purchases of property and equipment	10	(4,782)	(2,710)
Proceeds from sale of property and equipment		54	4
Purchases of investment securities	8	(243,055)	(752,845)
Interest paid on other borrowed funds		(10,529)	(12,664)
Interest income received on investment securities		32,830	35,718
Proceeds from sale and redemption of investment securities	8	289,614	652,298
Net cash from/(used in) investing activities		64,132	(80,199)
Cash flows from financing activities			
Dividends paid	20	(33,661)	(37,266)
Net cash used in financing activities		(33,661)	(37,266)
Net increase/(decrease) in cash and cash equivalents		92,309	(146,571)
Cash and cash equivalents, beginning of year		68,855	215,426
Cash and cash equivalents, end of year	3	161,164	68,855

See accompanying notes.

Notes to the Consolidated Financial Statements

October 31, 2011
(Expressed in thousands of Bahamian dollars)

1 General Information

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

The Bank is a subsidiary of FirstCaribbean International Bank Limited, formerly CIBC West Indies Holdings Limited (the "Parent" or "FCIB"), a company incorporated in Barbados, which owns 95.2% of the Bank. The Parent and its subsidiaries (collectively, the "Parent Group") is owned by CIBC (the "Ultimate Parent"). From October 11, 2002, the major shareholders of FirstCaribbean International Bank (Bahamas) Limited were jointly CIBC and Barclays Bank PLC, ("Barclays"), a company incorporated in England. On December 22, 2006, CIBC acquired Barclays' interest in the Parent and now owns 91.4% of the shares of FirstCaribbean International Bank Limited.

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

2 Accounting Policies

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

2.1 Basis of presentation

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

Statement of compliance

The consolidated financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries as at October 31, 2011 (the "reporting date"). The financial statements of the subsidiaries are prepared for the same reporting year as the Bank, using consistent accounting policies.

All subsidiaries, which are those companies in which the Bank directly or indirectly holds the majority of the voting rights and where it determines their financial and business policies and is able to exercise control over them in order to benefit from their financial and business activities, have been fully consolidated. The principal subsidiaries are disclosed in Note 28. Subsidiaries are consolidated from the date on which the effective control is transferred to the Bank. They are de-consolidated from the date that control ceases.

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

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

2.2 Significant accounting judgments and estimates

The preparation of consolidated financial statements in conformity with IFRS requires management to make certain significant estimates and judgments that affect amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from these estimates.

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

(i) Fair value of financial instruments

Certain financial instruments are recorded at fair value using valuation techniques in which current market transactions or observable market data are not available. Their fair value is determined using a valuation model that has been tested against prices or inputs to actual market transactions and using the Bank's best estimates of the most appropriate model assumptions. Models are adjusted to reflect the spread for bid and ask prices to reflect costs to close out positions, counterparty credit and liquidity spread and limitations in the model.

(ii) Impairment losses on loans and advances to customers

The Bank reviews its individually significant loans and advances to customers at each reporting date to assess whether an impairment loss should be recorded in the consolidated statement of income. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. In estimating these cash flows, the Bank makes judgments about the borrower's financial situation and the net realisable value of the collateral. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance for impairment losses.

Loans and advances to customers that have been assessed individually and found not to be impaired and all individually insignificant loans and advances are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether provisions should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident.

The collective assessment takes account of data from the loan portfolio such as credit quality, levels of arrears, credit utilisation, loan to collateral ratios, concentrations of risks and economic data, country risk and the performance of different individual groups.

(iii) Retirement benefit obligations

Accounting for some retirement benefit obligations requires the use of actuarial techniques to make a reliable estimate of the amount of benefits that employees have earned in return for their service in the current and prior periods. These actuarial assumptions are based on management's best estimates of the variables that will determine the ultimate cost of providing post-employment benefits and comprise both demographic and financial assumptions. This includes assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. 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.

(iv) Impairment of available-for-sale investments

Management makes judgments at each reporting date to determine whether available-for-sale investments are impaired. These investments are impaired when the carrying value is greater than the recoverable amount and there is objective evidence of impairment.

(v) Goodwill

In accordance with International Accounting Standards ("IAS") 36, goodwill is reviewed for impairment annually using the "value in use" method. This requires the use of estimates for determination of future cash flows expected to arise from each cash-generating unit and an appropriate discount rate to calculate present value. Management also makes judgments at each reporting date to determine whether or not goodwill is impaired.

2.3 Adoption of new accounting policies

The accounting policies adopted are consistent with those of the previous financial year.

The Bank has adopted the elements of Improvements to International Financing Reporting Standards (issued 2009 and 2010) which were required for annual periods beginning after November 1, 2010.

Adoption of these revised standards and interpretations did not have any effect on the financial performance or position of the Bank.

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

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

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

(2) Financial instruments

The Bank classifies its financial instruments into the following categories:

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

This category comprises financial assets or liabilities held for trading. A financial asset or liability is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management.

Management may designate a financial asset or liability at fair value through profit or loss upon initial recognition when the following criteria are met, and designation is determined on an instrument by instrument basis:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis; or
- The assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The financial instrument contains one or more embedded derivatives which significantly modify the cash flows that otherwise would be required by the contract.

(ii) Loans and advances to customers

Loans and advances to customers are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

(iii) Available-for-sale financial assets

Available-for-sale financial assets 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 instruments that require delivery within the timeframe generally established by regulation or convention in the marketplace ("regular way" purchases and sales) are recognised on the settlement date, which is the date that an asset is delivered to or by the Bank; otherwise, such transactions are treated as derivatives until settlement occurs. Loans and advances to customers are recognised when cash is advanced to the borrower.

Financial assets not carried at fair value through profit or loss, are initially recognised at fair value plus transaction costs. Financial assets are derecognised when the rights to receive the cash flow from the financial assets have expired or where the Bank 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 flow models. Loans and advances to customers are carried at amortised cost using the effective interest yield method, less any provisions for impairment. Unrealised gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognised in other comprehensive income. When the securities are disposed of or impaired, the related accumulated fair value adjustments are included in the consolidated statement of income as gains and losses from investment securities.

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

All gains and losses from disposals and/or changes in the fair value of financial assets at fair value through profit or loss and derivatives held for trading are included in operating income as net trading gains or losses. All gains and losses from disposals of investment securities available for sale are included in operating income as net investment securities gains or losses. Where certain financial assets are hedged and there is ineffectiveness, this is included in operating income as net hedge relationship losses. Dividends are recorded on the accrual basis when declared and are included in investment securities interest and similar income.

(3) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position 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.

(4) Derecognition of financial assets and financial liabilities

(i) Financial assets

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

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

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

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

(ii) Financial liabilities

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

(5) Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Bank uses derivative financial instruments such as forward currency contracts and interest rate swaps to manage its foreign currency risk and interest rate risk respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives are taken directly to the consolidated statement of income, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment (except for foreign currency risk).
- Cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

At the inception of a hedge relationship, the Bank formally designates and documents the hedge relationship to which the Bank wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed at inception and on a monthly basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated. Hedges which meet the Bank's strict criteria for hedge accounting are accounted for as follows:

(a) Fair value hedges

For hedging relationships which are designated and qualify as fair value hedges and that prove to be highly effective in relation to the hedged risk, changes in the fair value of the derivatives are recorded in the consolidated statement of income in 'Net hedging gains/losses' (Note 17), 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 remaining period to maturity.

(b) Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated statement of income in 'Net hedging gains/losses' (Note 17).

Amounts accumulated in other comprehensive income are recycled to the consolidated statement of income 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 other comprehensive income at that time remains in other comprehensive income and is recognised when the forecast transaction is ultimately recognised in the consolidated statement of income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to the consolidated statement of income.

Certain derivative instruments do not qualify for hedge accounting or are not so designated, and changes in the fair value of these derivatives are included in net trading income or losses in the consolidated statement of income.

(6) Repurchase and reverse repurchase agreements

Securities sold subject to linked repurchase agreements ('repos') are retained in the consolidated statement of financial position as investment securities and the counterparty liability is included in other borrowed funds. Securities purchased under agreements to resell at a specified future date ('reverse repos') are recorded as loans and advances to other banks or customers as appropriate. The difference between the sale and repurchase price is treated as interest and is accrued over the life of the agreement using the effective interest rate yield method.

(7) Impairment of financial assets

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

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

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

Loans are written off, in whole or in part, against the related provision for impairment upon settlement (realisation) of collateral or in advance of settlement (no realisation) where the determination of the recoverable value is completed and there is no realistic prospect of recovery above the recoverable value. Any subsequent recoveries are credited to the consolidated statement of income. 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 'loan loss impairment' in the consolidated statement of income.

In circumstances where The Central Bank of the Bahamas' ("The 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.

(8) Impairment of non-financial assets

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

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

(9) Recognition of income and expenses

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

(i) Interest and similar income and expense

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

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

(ii) Fee and commission income

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

(10) Goodwill

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

(11) Property and equipment

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. Land and buildings comprise mainly branches and offices. Changes in the expected useful life are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates.

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

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

The annual rates used are:

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

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

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

(12) Leases

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

(13) Provisions

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

(14) Retirement benefit obligations

(i) Pension obligations

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

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

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

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

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

(ii) Other post retirement obligations

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

(15) 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 consolidated statement of income over the period of the borrowings, using the effective interest yield method.

(16) Cash and cash equivalents

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

(17) Share capital and dividends

(i) Share issue costs

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

(ii) Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity in the period in which they are declared. Dividends for the year that are declared after the reporting date are not reflected in the consolidated financial statements.

(18) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Bank has determined the Parent's Executive Management Committee as its chief operating decision maker.

All transactions between business segments are conducted on an arm´s length basis, with intra-segment revenue and costs being eliminated in head office. Income and expenses directly associated with each segment are included in determining business segment performance.

(19) Earnings per share

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

(20) Fiduciary activities

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

(21) Income taxes

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

(22) Going concern

The Bank's management has made an assessment of the Bank's ability to continue as a going concern and is satisfied that the Bank has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on the going concern basis.

(23) Comparatives

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

2.5 Future changes in accounting policies

Certain new standards, and amendments to existing standards, have been published that are mandatory for the Bank's accounting periods beginning on or after November 1, 2011. Of these, the following are relevant to the Bank but have not been early adopted:

- IAS 1 — Presentation of Financial Statements (Amendment)
- IAS 19 (Revised) — Employee Benefits
- IAS 24 (Revised) — Related Party Transactions
- IFRS 7 — Financial Instruments: Disclosures (Amendment)
- IFRS 9 — Financial Instruments Part 1: Classification and Measurement
- IFRS 10 — Consolidated Financial Statements
- IFRS 12 — Disclosure of Interests in Other Entities
- IFRS 13 — Fair Value Measurement

The amendment to IAS 1 changes the grouping of items presented in other comprehensive income, separating items that would be reclassified (or recycled) to the consolidated statement of income in the future from those that will never be reclassified.

IAS 19 (revised) removes the ability to defer recognition of actuarial gains and losses (the "corridor approach"), requiring instead recognition in other comprehensive income with no subsequent recycling to the consolidated statement of income. It also introduces new quantitative and qualitative disclosures.

IAS 24 has been clarified to simplify the identification of related party relationships, particularly in relation to significant influence and joint control with a partial exemption from the disclosures for government related entities.

IFRS 7 has been amended to require additional quantitative and qualitative disclosures related to transfers of financial assets in specific circumstances.

IFRS 9 was issued in November 2009 and replaces those parts of IAS 39 relating to the classification and measurement of financial assets.

IFRS 10 includes a new definition of control, which is used to determine which entities are consolidated.

IFRS 12 includes all of the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities.

IFRS 13 provides a single source of guidance under IFRS for all fair value measurements.

IAS 24 is mandatory for annual periods beginning on or after January 1, 2011, IFRS 7 (amendment) for annual periods beginning on or after July 1, 2011 and IAS 1 for annual periods beginning on or after July 1, 2012. All of the remaining standards noted above are effective for annual periods beginning on or after January 1, 2013. Early adoption is permitted, and management is considering the implications of these new standards, the impact on the Bank and the timing of their adoption by the Bank.

3 Cash and Balances with The Central Bank

	2011 $	2010 $
Cash	30,216	30,872
Deposits with The Central Bank - non-interest bearing	118,302	58,321
Cash and balances with The Central Bank	148,518	89,193
Less: Mandatory reserve deposits with The Central Bank	(50,475)	(48,388)
Included in cash and cash equivalents, as per below	98,043	40,805

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

Cash and cash equivalents

	2011 $	2010 $
Cash and balances with The Central Bank, as per above	98,043	40,805
Due from banks, included in cash and cash equivalents (Note 4)	63,121	28,050
	161,164	68,855

4 Due from Banks

	2011 $	2010 $
Included in cash and cash equivalents (Note 3)	63,121	28,050
Greater than 90 days maturity from date of acquisition	78,921	120,821
Due from banks	142,042	148,871
Add: Accrued interest receivable	68	55
	142,110	148,926

Due from banks comprises deposit placements and include amounts placed with other FirstCaribbean Bank entities of $70,984 (2010: $61,189) and deposit placements with CIBC entities of $17,817 (2010: $2,969) (Note 23). Due from banks include placements with FCIB Jamaica totalling $70,905 (2010: $59,320) (Note 23), which are pledged in favour of that bank in support of loans granted to certain of its customers. The average effective yield on deposit placements during the year was 0.52% (2010: 0.58%).

5 Derivative Financial Instruments

The table below shows the fair values of derivative financial instruments recorded as assets or liabilities, together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying asset, reference rate, or index and is the basis upon which changes in the value of derivatives are measured.

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

		Fair Values	
	Contract/Notional Amount	Assets	Liabilities
	$	$	$
2011			
Interest rate swaps	118,467	888	21,290
Foreign exchange forwards	105,404	2,095	-
Commodity derivative contracts	2,304	27	27
		3,010	21,317
2010			
Interest rate swaps	427,027	12,291	75,418
Foreign exchange forward	121,050	355	558
Short sales	93	10	-
		12,656	75,976

As of October 31, 2011 and 2010 the Bank has positions in the following types of derivatives:

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

Foreign exchange forwards
Foreign exchange forwards 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.

Commodity swap contracts
Commodity swap contracts are contractual agreements to exchange cash flows based on changes in commodity prices.

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 securities, and are hedged by interest rate swaps.

For the year ended October 31, 2011, the Bank recognised gains on hedging instruments of $11,973 (2010: losses of $13,552) and losses on hedged items attributable to the hedged risk of $9,090 (2010: gains of $16,984), which is included in other operating income as part of net investment securities gains/losses (Note 17).

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

6 Financial Assets/Liabilities at Fair Value Through Profit or Loss

During the year, the Bank originated a financial asset, which is classified under IAS 39 *Financial Instruments* as held at fair value through profit or loss. This asset is funded by an offsetting liability also designated as held at fair value through profit or loss. The fair value of these financial instruments is based on the fair value of a basket of equity securities, and the equal and offsetting changes in fair value plus the Bank's return on the transactions are recognised within 'other operating income' as part of net trading income/loss (Note 17).

7 Other Assets

	2011 $	2010 $
Branch clearings	2,914	3,514
Other accounts receivable, including clearings	18,439	15,969
Prepayments and deferred items	1,312	1,349
Suspense	(2,062)	(2,041)
	20,603	18,791

8 Investment Securities

	2011 $	2010 $
Available-for-sale:		
Government bonds	475,100	385,696
Corporate bonds	160,842	290,440
	635,942	676,136
Add: Interest receivable	11,046	11,326
	646,988	687,462

Debt securities issued or guaranteed by the Government of The Bahamas amounted to $241,572 (2010: $250,161). The effective yield during the year on investment securities was 5.04% (2010: 5.07%).

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

	2011 $	2010 $
Balance, beginning of year	676,136	568,439
Additions (purchases, changes in fair value and foreign exchange)	249,072	755,148
Disposals (sales and redemptions)	(289,266)	(647,451)
Balance, end of year	635,942	676,136

9 Loans and Advances to Customers

	Mortgages $	Personal Loans $	Business & Government Loans $	2011 Total $
Performing loans (Note 27)	973,952	207,338	833,954	2,015,244
Impaired loans (Note 27)	193,287	45,700	156,100	395,087
Gross loans (Note 27)	1,167,239	253,038	990,054	2,410,331
Less: Provisions for impairment	(30,786)	(17,758)	(38,724)	(87,268)
	1,136,453	235,280	951,330	2,323,063
Add: Interest receivable				22,057
Less: Unearned fee income				(17,326)
				2,327,794

	Mortgages $	Personal Loans $	Business & Government Loans $	2010 Total $
Performing loans (Note 27)	986,677	230,266	908,544	2,125,487
Impaired loans (Note 27)	167,834	45,453	169,228	382,515
Gross loans (Note 27)	1,154,511	275,719	1,077,772	2,508,002
Less: Provisions for impairment	(22,280)	(19,339)	(47,416)	(89,035)
	1,132,231	256,380	1,030,356	2,418,967
Add: Interest receivable				18,158
Less: Unearned fee income				(18,289)
				2,418,836

Movement in provisions for impairment for 2011 is as follows:

	Mortgages $	Personal Loans $	Business & Government Loans $	Total $
Balance, beginning of year	22,280	19,339	47,416	89,035
Identified impairment	10,892	5,447	17,009	33,348
Unidentified impairment	(832)	(235)	(58)	(1,125)
Interest accrued on impaired loans	-	-	(4,522)	(4,522)
Recoveries of bad and doubtful debts	-	956	79	1,035
Bad debts written off	(1,554)	(7,749)	(21,200)	(30,503)
Balance, end of year	30,786	17,758	38,724	87,268

Movement in provisions for impairment for 2010 is as follows:

	Mortgages	Personal Loans	Business & Government Loans	Total
	$	$	$	$
Balance, beginning of year	11,296	18,103	45,926	75,325
Identified impairment	15,007	8,919	8,120	32,046
Unidentified impairment	582	734	706	2,022
Interest accrued on impaired loans	-	-	(3,864)	(3,864)
Recoveries of bad and doubtful debts	-	1,125	3	1,128
Bad debts written off	(4,605)	(9,542)	(3,475)	(17,622)
Balance, end of year	22,280	19,339	47,416	89,035

Ageing analysis of past due but not impaired loans for 2011

	Mortgages	Personal Loans	Business & Government Loans	Total
	$	$	$	$
Less than 30 days	56,910	6,046	12,881	75,837
31 - 60 days	35,428	3,788	14,617	53,833
61 - 90 days	9,223	6,226	5,701	21,150
	101,561	16,060	33,199	150,820

Ageing analysis of past due but not impaired loans for 2010

	Mortgages	Personal Loans	Business & Government Loans	Total
	$	$	$	$
Less than 30 days	164,060	21,889	119,809	305,758
31 - 60 days	47,707	6,271	71,637	125,615
61- 90 days	23,080	2,513	2,714	28,307
	234,847	30,673	194,160	459,680

The average interest yield during the year on loans and advances was 6.80% (2010: 6.89%).

Loan loss impairment is calculated as follows:

	2011	2010
	$	$
Identified impairment	33,348	32,046
Unidentified impairment	(1,125)	2,022
Loan loss impairment for the year	32,223	34,068

10 Property and Equipment

	Land and Buildings $	Equipment, Furniture and Vehicles $	Leasehold Improvements $	Total $
Cost				
Balance, November 1, 2010	19,960	27,566	11,939	59,465
Purchases	2,094	2,251	437	4,782
Disposals	-	(68)	(21)	(89)
Balance, October 31, 2011	22,054	29,749	12,355	64,158
Accumulated depreciation				
Balance, November 1, 2010	4,155	21,501	8,463	34,119
Depreciation (Note 18)	555	2,116	754	3,425
Disposals	-	(68)	(21)	(89)
Balance, October 31, 2011	4,710	23,549	9,196	37,455
Net book value, October 31, 2011	17,344	6,200	3,159	26,703

	Land and Buildings $	Equipment, Furniture and Vehicles $	Leasehold Improvements $	Total $
Cost				
Balance, November 1, 2009	20,268	25,158	11,367	56,793
Purchases	909	1,670	131	2,710
Work-in-progress transfers	(1,217)	776	441	-
Disposals	-	(38)	-	(38)
Balance, October 31, 2010	19,960	27,566	11,939	59,465
Accumulated depreciation				
Balance, November 1, 2009	3,619	19,529	7,636	30,784
Depreciation (Note 18)	536	2,010	827	3,373
Disposals	-	(38)	-	(38)
Balance, October 31, 2010	4,155	21,501	8,463	34,119
Net book value, October 31, 2010	15,805	6,065	3,476	25,346

Included as part of equipment, furniture and vehicles is an amount for $1,967 (2010: $256) relating to systems development costs and work in progress which is incomplete and not yet in operation and on which no depreciation has been charged.

11 Retirement Benefit Assets and Obligations

The Bank has an insured group health plan and a pension plan. The pension plan is a mixture of defined benefit and defined contribution schemes. The defined benefit sections of the scheme are non-contributory and allow for additional voluntary contributions. The insured health plan allows for retirees to continue receiving health benefits during retirement. Independent actuaries value the plan every three years using the projected unit credit method. The most recent actuarial valuations of the plan assets and the present value of the defined benefit obligation were carried out as at November 1, 2010.

The amounts recognised on the consolidated statement of financial position are determined as follows:

	Defined Benefit Pension Plans		Post Retirement Medical Benefits	
	2011	2010	2011	2010
	$	$	$	$
Fair value of plan assets	90,035	82,526	-	-
Present value of funded obligations	(96,651)	(87,626)	(9,290)	(2,810)
	(6,616)	(5,100)	(9,290)	(2,810)
Unrecognised actuarial gain/(loss)	12,920	15,139	4,873	(1,663)
Net asset/(liability)	6,304	10,039	(4,417)	(4,473)

The pension plan assets include 100,000 (2010: 100,000) ordinary shares in the Bank, with a fair value of $814 (2010: $974). The actual return on plan assets for the defined benefit sections of the pension plan was $8,943 (2010: $6,600).

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

	Defined Benefit Pension Plans		Post Retirement Medical Benefits	
	2011	2010	2011	2010
	$	$	$	$
Current service costs	3,303	3,198	27	60
Curtailment and settlement costs	418	352	(236)	1
Expected return on plan assets	(5,149)	(5,423)	-	-
Interest cost	5,163	4,865	153	231
Total amount included in staff costs (Note 18)	3,735	2,992	(56)	292

The movements in the net asset/(liability) recognised on the consolidated statement of financial position are as follows:

	Defined Benefit Pension Plans		Post Retirement Medical Benefits	
	2011	2010	2011	2010
	$	$	$	$
Balance, beginning of year	10,039	13,031	(4,473)	(4,192)
Income/(charge) for the year (Note 18)	(3,735)	(2,992)	56	(292)
Contributions paid	-	-	-	11
Balance, end of year	6,304	10,039	(4,417)	(4,473)

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

	2011	2010
	$	$
Present value of funded obligation at beginning of year	87,626	79,417
Interest cost	5,163	4,865
Current service cost	3,303	3,198
Benefits paid	(2,267)	(3,080)
Actuarial gain on obligation	2,826	3,226
Present value of funded obligation at end of year	96,651	87,626

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

	2011	2010
	$	$
Fair value of plan assets at beginning of year	82,526	79,005
Expected return on plan assets	5,149	5,423
Benefits paid	(2,267)	(3,080)
Actuarial gain on plan assets	4,627	1,178
Fair value of plan assets at end of year	90,035	82,526

The Bank has implemented a contributions holiday and expects to contribute to its defined benefit pension plan in 2012.

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

	2011	2010
Equity instruments	57%	54%
Debt instruments	43%	46%

The overall expected rates of return on assets are determined based on the market prices, including published brokers' forecasts prevailing on the date of valuation, applicable to the period that the obligation is to be settled.

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

	Defined Benefit Pension Plans	
	2011	2010
Discount rate	5.0%	5.8%
Expected return on plan assets	6.8%	6.3%
Future salary increases	4.0%	4.5%
Future pension increases	2.5%	3.0%

	Post Retirement Medical Benefit	
	2011	2010
Discount rate	5.0%	5.8%
Premium escalation rate	4.5%	4.5%
Existing retiree age	60	60

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

Amounts for the current and previous years are as follows:

	2011 $	2010 $	2009 $
Defined benefit obligation	(96,651)	(87,626)	(79,417)
Plan assets	90,035	82,526	79,005
Deficit	(6,616)	(5,100)	(412)
Experience adjustments on plan liabilities	940	1,410	1,023
Experience adjustments on plan assets	4,640	1,170	(5,503)

Impact of changes in medical premium escalation rate

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

Item	Change of –1% in medical premium escalation rate $ in Millions	Current IAS 19 Results $ in Millions	Change of +1% in medical premium escalation rate $ in Millions
Current Service Cost + Interest Cost	0.16	0.18	0.21
Present Value of Obligation	8.08	9.29	10.78

12 Goodwill

	2011 $	2010 $
Carrying amount, October 31	187,747	187,747

Based on the Bank's assessment of goodwill, there was no impairment charge for the year (2010: Nil).

13 Customer Deposits

	Payable on Demand $	Payable after Notice $	Payable at a Fixed Date $	2011 Total $	2010 Total $
Individuals	134,516	176,213	666,024	976,753	1,019,515
Business and governments	680,888	40,927	682,719	1,404,534	1,273,547
Banks	3,705	-	314,524	318,229	452,739
	819,109	217,140	1,663,267	2,699,516	2,745,801
Add: Interest payable	84	72	13,306	13,462	21,558
	819,193	217,212	1,676,573	2,712,978	2,767,359

Included in deposits from banks are deposits from other Parent Group entities of $311,925 (2010: $418,313) and deposits from CIBC entities of $85 (2010: $28,349) (Note 23).

The effective rate of interest on deposits during the year was 1.68% (2010: 1.76%).

14 Other Liabilities

	2011 $	2010 $
Accounts payable and accruals	7,348	7,293
Amount due to related parties (Note 23)	5,183	12,479
Payroll liabilities	264	525
Due to brokers and others	45	37
	12,840	20,334

The amount due to related parties refers to balances due to other Parent Group entities as well as CIBC.

15 Share Capital and Reserves

The Bank's authorised capital is $20 million, comprising 150 million ordinary shares with a par value of $0.10 each and 50 million preference shares also having a par value of $0.10 each. All issued ordinary shares are fully paid. No preference shares were issued in 2011 and 2010. At October 31, 2011 and 2010, the issued share capital was as follows:

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

Objectives, policies and procedures

Capital strength provides protection for depositors and creditors and allows the Bank to undertake profitable business opportunities as they arise.

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

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

Regulatory requirements

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

BIS standards require that banks maintain minimum Tier 1 and Total Capital ratios of 4% and 8%, respectively. The Central Bank has established that Bahamian deposit-taking financial institutions maintain a Total Capital ratio of 17%. During the year, the Bank has complied in full with all of our regulatory capital requirements.

Regulatory capital

Regulatory capital consists of Tier 1 and Tier 2 Capital, less certain deductions. Tier 1 Capital is comprised of common stock, retained earnings, and non-controlling 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 investments.

In 2011, Tier 1 and Total Capital ratios were 23.52% and 24.13%, respectively (2010: 20.89% and 21.47%, respectively).

	2011 $	2010 $
Share capital	477,230	477,230
Reserves		
Statutory reserve fund – Turks and Caicos Islands	30,944	27,816
Statutory loan loss reserve – Bahamas	10,962	10,308
Revaluation reserve – Available-for-sale investments	(6,160)	(9,305)
Reverse acquisition reserve	(63,566)	(63,566)
Total reserves	(27,820)	(34,747)
Total share capital and reserves	449,410	442,483

The movements in reserves were as follows:

	2011 $	2010 $
Statutory reserve fund – Turks and Caicos Islands		
Balance, beginning of year	27,816	23,113
Transfers from retained earnings	3,128	4,703
Balance, end of year	30,944	27,816

In accordance with the Banking (Amendment) Ordinance 2002 of the TCI and the regulations of the Turks and Caicos Islands Financial Services Commission, the Bank is required to maintain a statutory reserve fund of not less than the amount of its assigned capital of $24 million. Where it is less than the assigned capital, the Bank is required to annually transfer 25% of the net profit earned from its TCI operations to this fund. The Bank's practice is to make this transfer based on net profits of the preceding fiscal year. During the year the Bank transferred $3,128 (2010: $4,703) from retained earnings to the statutory reserve fund.

	2011 $	2010 $
Statutory loan loss reserve – Bahamas		
Balance, beginning of year	10,308	13,663
Transfers from retained earnings	654	(3,355)
Balance, end of year	10,962	10,308

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

	2011 $	2010 $
Revaluation reserve – available-for-sale investments		
Balance, beginning of year	(9,305)	(8,381)
Net gain/(loss) from changes in fair value of available-for-sale investments	3,145	(924)
Balance, end of year	(6,160)	(9,305)

	2011 $	2010 $
Reverse acquisition reserve		
Reverse acquisition reserve, beginning and end of year	(63,566)	(63,566)

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 combined Bank at October 11, 2002 comprised the equity of the Barclays branches and subsidiaries ($211,295), together with the fair value of the CIBC Bahamas business ($196,966), for a total of $408,261. However, the legal share capital and premium of the Bank comprises the issued share capital and premium of CIBC Bahamas plus the shares issued to effect the combination recorded at fair value for a total of $472,828 at October 11, 2002.

The reverse acquisition reserve represents the difference at October 11, 2002 between the required share capital and premium of the Bank ($472,828) together with the retained earnings of the Barclays Branches and Subsidiaries ($1,001) and the equity of the Bank presented in accordance with IFRS ($408,261).

16 Net Interest Income

	2011 $	2010 $
Interest and similar income		
Cash and short-term funds	509	951
Investment securities	32,550	35,224
Loans and advances to customers	150,434	160,679
	183,493	196,854
Interest and similar expense		
Banks and customers	39,183	51,342
Other borrowed funds	6,480	12,613
	45,663	63,955
Net interest income	137,830	132,899

17 Other Operating Income

	2011 $	2010 $
Fee and commission income	18,395	18,188
Foreign exchange commissions	9,832	9,878
Foreign exchange revaluation net gains	837	574
Net trading losses	-	(256)
Net investment securities gains	348	4,847
Net hedging gains	2,883	3,432
Other operating income	3,193	3,463
	35,488	40,126

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 of investment securities held as available-for-sale investments.

Net hedging gains have arisen from the difference between the changes in fair value of hedged items in respect of the hedged risk against changes in fair value of the associated hedging instruments.

Analysis of fee and commission income:

	2011 $	2010 $
Fee and commission income		
Underwriting fees and commissions	54	317
Deposit services fees and commissions	6,593	5,906
Credit services fees and commissions	1,487	3,087
Card services fees and commissions	6,350	5,288
Funds transfer fees and commissions	3,489	3,222
Other fees and commissions	422	368
	18,395	18,188

18 Operating Expenses

	2011 $	2010 $
Staff costs	39,647	37,822
Business license and management fee	16,006	14,592
Occupancy and maintenance	12,565	11,968
Depreciation (Note 10)	3,425	3,373
Other operating expenses	11,565	9,339
	83,208	77,094

Analysis of staff costs:

	2011 $	2010 $
Wages and salaries	29,658	29,281
Pension costs		
-defined benefit sections of the plan (Note 11)	3,735	2,992
-defined contribution section of the plan	416	337
Post-retirement medical benefits (income)/charge (Note 11)	(56)	292
Share-based payments (Note 22)	276	228
Other staff related costs	5,618	4,692
	39,647	37,822

Analysis of other operating expenses:

	2011 $	2010 $
Communications	2,411	1,888
Professional fees	2,237	961
Business development	399	437
Advertising and marketing	103	139
Gain on sale of property & equipment	(54)	(4)
Other	6,469	5,918
	11,565	9,339

19 Earnings per Share

Basic earnings per share

	2011 $	2010 $
Net income attributable to shareholders	57,887	61,863
Weighted average number of ordinary shares in issue (Note 15)	120,216	120,216
Basic earnings per share (expressed in cents per share)	48.2	51.5

The Bank has no dilutive securities.

20 Dividends Paid

	2011 $	2010 $
Declared and paid during the year		
First dividend $0.15 (2010: $0.16)	18,032	19,234
Final dividend $0.13 (2010: $0.15)	15,629	18,032
Total dividends declared and paid	33,661	37,266

At the Board of Directors meeting held on December 13, 2011, a final dividend of $0.13 per share amounting to $15,629 in respect of the 2011 net income was proposed and declared. The consolidated financial statements for the year ended October 31, 2011 do not reflect this resolution, which will be accounted for in equity as a distribution of retained earnings in the year ending October 31, 2012.

21 Components of Other Comprehensive Income

	2011 $	2010 $
Available-for-sale financial assets:		
Net gains arising during the year	3,493	3,923
Less: reclassification adjustments for gains included in the statement of income	(348)	(4,847)
Other comprehensive income/(loss) for the year (Note 15)	3,145	(924)

22 Employee Share Purchase Plan

Under our Employee Share Purchase Plan, qualifying employees can choose each year to have up to 10% of their eligible earnings withheld to purchase common shares in the Bank. The Bank matches 50% of the employee contribution amount, up to a maximum contribution of 6% of eligible earnings, depending upon length of service and job level. The Bank contributions vest after employees have two years of continuous participation in the plan, and all subsequent contributions vest immediately.

All contributions are paid into a trust and used by the plan trustees to purchase common shares in the open market. The Bank contributions are expensed as incurred and totalled $276 in 2011 (2010: $228).

23 Related Party Transactions and Balances

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

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

	Directors and Key Management Personnel		Parent Group		Ultimate Parent	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**
	$	**$**	**$**	**$**	**$**	**$**
Balances:						
Due from banks	-	-	70,984	61,189	17,817	2,969
Loans and advances to customers	2,120	2,874	-	-	-	-
Other assets	-	-	21	21	-	-
Customer deposits	1,015	2,944	311,925	418,313	85	28,349
Other liabilities	-	-	3,013	12,441	2,170	38
Transactions:						
Interest income earned	98	117	243	326	12	43
Interest expense incurred	69	148	1,085	8,056	7,428	1,312
Other income	-	-	-	5,790	4,445	6,524
Other expenses*	-	-	12,431	12,034	250	734

* Expenses incurred in relation to banking and support services.

	2011	**2010**
	$	**$**
Key management compensation		
Salaries and short term benefits	2,303	2,309

Directors' remuneration

In 2011, the total remuneration to the directors was $53 (2010: $49).

24 Commitments, Guarantees and Contingent Liabilities

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

	2011	**2010**
	$	**$**
Letters of credit	43,311	50,297
Undrawn loan commitments	176,367	175,604
Guarantees and indemnities	45,686	42,351
Total (Note 27)	265,364	268,252

The Bank is the subject of legal actions arising in the normal course of business. Management considers that the liability of these actions, if any, would not be material. (Also see Note 28).

On December 19, 2008, the Bank entered into a $250 million credit facility with CIBC for general corporate purposes and the Bank is expected to treat the facility as a back-up liquidity facility. The original maturity date was 364 days from the closing date (December 19, 2008) with extension privileges for an additional 364 days. Advances would be available as LIBOR rate advances or Base Rate (Canada) advances. Interest rates are at LIBOR + 300bps (pricing grid to be developed based on external ratings) or US Base rate + 200bps (pricing grid to be developed based on external ratings). On December 19, 2009, the Bank reduced its credit facility to $50 million and exercised its option to extend the facility. A further extension was effected on December 19, 2010. As of October 31, 2011, no advances were made from the facility and all balances are undrawn.

25 Future Rental Commitments under Operating Leases

As at October 31, 2011, the Bank held leases on buildings for extended periods. The future rental commitments under these leases are as follows:

	2011 $	2010 $
Not later than 1 year	3,442	2,540
Later than 1 year and not more than 5 years	5,062	5,607
Later than 5 years	2,309	3,526
	10,813	11,673

26 Business Segments

The Bank's operations are organised into two business segments: Retail Banking and Corporate Investment Banking that are supported by the functional operating units within Administration.

Retail Banking

This business segment provides a full range of financial products and services to individuals. Clients can access our services and products through our network of branches in the Caribbean, as well as use the convenience of Automated Banking Machines ("ABMs"), Telephone Banking and Cards (Issuing). Our Wealth Management centres help individuals achieve their financial goals through an array of investment products, deposit accounts, loans, mortgages and other services.

For Personal Wealth Management clients and Domestic clients who meet the Wealth Management criteria, the Bank offers traditional day-to-day banking services, investment advice, and a relationship management offering of being pro-active on client needs. The International Mortgage group provides funding in U.S. dollars, and other 'hard currencies' typically to non-residents of The Bahamas seeking to purchase homes for personal/investment use.

Corporate Investment Banking ("CIB")

This business segment comprises two sub-segments: Corporate Banking and Investment Banking.

(i) Corporate Banking provides a full range of corporate and commercial banking services, including Cards Merchant Acquiring business, to large and mid-sized corporations and small businesses, governments, financial institutions, international trading companies and private wealth vehicles throughout the Caribbean. The Corporate International Wealth unit specialises in providing banking services to businesses and professional intermediaries who use international financial centres.

(ii) Investment Banking provides debt and equity capital markets and corporate finance products and services to large corporations, financial institutions and governments.

Administration ("Admin")

The Administration segment includes Finance, Human Resources, Risk, Technology & Operations, Treasury Sales & Trading ("TST"), and other units which support the Bank's lines of business. The revenues and expenses of the functional groups are generally allocated to the business segments. The administration unit retains earning on excess capital and the offset to capital charges allocated to the business segments.

TST manages the interest rate, foreign exchange and liquidity risks of the Bank. In addition, TST conducts foreign exchange and other derivative transactions on behalf of the Bank's clients. Securities and cash placements are normally held within the TST unit within the Administration segment.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on net income, which for the total of all segments is equal to the consolidated financial statements. However, at the segment level, this measure of profit includes a notional charge for the segment's use of capital which is fully offset by a credit within the 'Administration' segment.

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

Funds are ordinarily allocated between segments, resulting in funding cost transfers. Interest charged for these funds is based on the Bank's funds transfer pricing.

Segment assets and liabilities comprise operating assets and liabilities, being the majority of the consolidated statement of financial position, but exclude items such as intangible assets.

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

				2011
	Retail	CIB	Admin	Total
	$	$	$	$
External revenues	108,395	72,344	38,242	218,981
Revenues from other segments	(10,059)	35,821	(25,762)	-
Total revenues	98,336	108,165	12,480	218,981
Net income for the year	11,576	24,391	21,920	57,887

				2011
	Retail	CIB	Admin	Total
	$	$	$	$
Interest income	70,346	81,344	31,803	183,493
Interest expense	17,362	18,669	9,632	45,663
Loan loss impairment	7,173	25,050	-	32,223
Net hedging gain	-	-	2,883	2,883
Depreciation	1,139	5	2,281	3,425

Total assets and liabilities by segments are as follows:

				2011
	Retail	CIB	Admin	Total
	$	$	$	$
Segment assets	1,281,558	1,086,570	981,221	3,349,349
Unallocated assets	-	-	-	187,747
Total assets	1,281,558	1,086,570	981,221	3,537,096
Segment liabilities	1,049,943	1,479,637	249,291	2,778,871
Total liabilities	1,049,943	1,479,637	249,291	2,778,871

	Retail $	CIB $	Admin $	2010 Total $
External revenues	111,664	79,252	46,064	236,980
Revenues from other segments	(10,027)	32,337	(22,310)	-
Total revenues	101,637	111,589	23,754	236,980
Net income for the year	9,680	27,600	24,403	61,863

Segment results include the following items of income or expense:

	Retail $	CIB $	Admin $	2010 Total $
Interest income	74,530	83,136	39,188	196,854
Interest expense	21,632	21,202	21,121	63,955
Loan loss impairment	11,435	22,633	-	34,068
Net hedging gain	-	-	3,432	3,432
Depreciation	1,279	27	2,067	3,373

Total assets and liabilities by segments are as follows:

	Retail $	CIB $	Admin $	2010 Total $
Segment assets	1,306,072	1,259,018	846,159	3,411,249
Unallocated assets	-	-	-	187,747
Total assets	1,306,072	1,259,018	846,159	3,598,996
Segment liabilities	1,115,392	1,326,437	426,313	2,868,142
Total liabilities	1,115,392	1,326,437	426,313	2,868,142

Geographical segments are set out in Note 27 (C).

27 Financial Risk Management

A. Introduction

Risk is inherent in the Bank's activities but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Bank's continuing profitability and each individual within the Bank is accountable for the risk exposures relating to his or her responsibilities. The Bank is exposed to credit risk, liquidity risk and market risk, the latter being subdivided into trading and non-trading risks. It is also subject to various operating risks.

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

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

B. Credit risk

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

Process and control

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

The Credit Executive Committee (CrExCo) of CRMD has responsibility for monitoring credit metrics, providing direction on credit issues and making recommendations on credit policy.

CRMD is guided by the Bank's Delegation Authority policy which is based on the levels of exposure and risk. Credits above the discretion delegated to the front line business are approved by CRMD and above this level by Credit Committee and the Risk & Conduct Review Committee of the Board (R&CRC). The R&CRC also has the responsibility for setting policy and key risk limits, including portfolio limits, which are reviewed annually.

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 Bank does not have excessive concentration in any single borrower, or related group of borrowers, industry sector or country.

Collateral

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

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

The Bank's credit risk management policies include requirements relating to collateral valuation and management, including verification requirements and legal certainty.

Valuations are updated periodically, depending upon the nature of the collateral. Management monitors the market value of collateral and requests additional collateral in accordance with the underlying agreement during its periodic review of loan accounts in arrears. Policies are in place to monitor the existence of undesirable concentration in the collateral supporting the Bank's credit exposure.

Geographic distribution

The following table provides a distribution of gross drawn and undrawn loans and advances to customers, which therefore exclude provisions for impairment, interest receivable and unearned fee income.

	Drawn	Undrawn	Gross Maximum Exposure 2011	Drawn	Undrawn	Gross Maximum Exposure 2010
	$	$	$	$	$	$
Bahamas	2,028,186	149,613	2,177,799	2,111,278	149,565	2,260,843
Turks & Caicos Islands	382,145	26,754	408,899	396,724	26,039	422,763
	2,410,331	176,367	2,586,698	2,508,002	175,604	2,683,606

Exposures by industry groups

The following table provides an industry-wide break down of gross drawn and undrawn loans and advances to customers, which therefore excludes provisions for impairments, interest receivables and unearned fee income. Amounts are before allowance for credit losses, and after credit risk mitigation, valuation adjustments related to financial guarantors, and collateral on agreements.

	Drawn	Undrawn	Gross Maximum Exposure 2011	Drawn	Undrawn	Gross Maximum Exposure 2010
	$	$	$	$	$	$
Agriculture	17,852	37	17,889	22,338	48	22,386
Governments	283,148	3,574	286,722	305,545	5,109	310,654
Construction	196,477	7,647	204,124	207,975	11,547	219,522
Distribution	79,030	19,474	98,504	83,181	24,575	107,756
Fishing	35,857	4,247	40,104	42,436	3,868	46,304
Health & social work	23,940	-	23,940	24,147	-	24,147
Hotels & restaurants	194,562	12,058	206,620	229,648	4,296	233,944
Individuals & individual trusts	1,061,006	103,633	1,164,639	1,039,638	96,662	1,136,300
Manufacturing	19,487	7,275	26,762	22,138	5,323	27,461
Mining & quarrying	630	9	639	166	6	172
Miscellaneous	240,267	10,426	250,693	246,875	13,116	259,991
Other financial corporations	11,582	956	12,538	12,500	2,484	14,984
Real estate, renting & other business activities	236,170	6,780	242,950	260,298	8,199	268,497
Transport, storage & communication	10,323	251	10,574	11,117	371	11,488
	2,410,331	176,367	2,586,698	2,508,002	175,604	2,683,606

Impaired financial assets and provision for credit losses

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

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

Master netting arrangements

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

Credit related commitments

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

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

Maximum exposure to credit risk

The maximum exposure to credit risk would be the consolidated statement of financial position carrying values of all financial assets plus the off-balance sheet contingent liabilities and commitments (Note 24). The gross maximum exposure would be before allowance for credit losses and the effect of mitigation through the use of master netting and collateral arrangements.

The maximum exposure to credit risk within the customer loan portfolio would be the consolidated statement of financial position carrying values plus the off-balance sheet loan commitment amounts (Note 24). The gross maximum exposure within the customer loan portfolio would be before allowance for credit losses and the effect of mitigation through the use of master netting and collateral arrangements, plus the off-balance sheet loan commitments amount.

C. Geographical concentration of assets, liabilities and commitments, guarantees and contingent liabilities

The following note incorporates IAS 32 credit risk disclosures, IAS 30 geographical concentrations of assets, liabilities and commitments, guarantees and contingent liabilities disclosures and a public enterprise's IAS 14 secondary segment disclosures.

	Total assets $	Total liabilities $	Commitments, guarantees and contingent liabilities $	Capital expenditure $	External revenues $	Non-current assets $
2011						
Bahamas	2,956,861	2,262,361	234,100	3,795	193,833	208,510
Turks & Caicos Islands	580,235	516,510	31,264	987	25,148	5,940
	3,537,096	2,778,871	265,364	4,782	218,981	214,450

	Total assets $	Total liabilities $	Commitments, guarantees and contingent liabilities $	Capital expenditure $	External revenues $	Non-current assets $
2010						
Bahamas	3,079,983	2,413,459	238,428	2,353	211,061	207,256
Turks & Caicos Islands	519,013	454,683	29,824	357	25,919	5,837
	3,598,996	2,868,142	268,252	2,710	236,980	213,093

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

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

Non-current assets relate only to property and equipment and intangible assets.

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

	2011 $	2011 %	2010 $	2010 %
Bahamas	1,962,741	84	2,035,196	84
Turks & Caicos Islands	365,053	16	383,640	16
	2,327,794	100	2,418,836	100

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

Credit quality

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

	Loans and advances to Customers	Investment securities	
Quality per FCIB	**Days past due**	**Standard & Poor's equivalent**	**Moody's Investor Services**
High grade	0-7	AAA to BBB-	Aaa to Baa3
Standard	8-60	BB+ to B-	Ba to B3
Substandard	61-89	CCC+ to CC	Caa1 to Ca
Impaired	90+	D	C

A credit scoring methodology is used to assess personal customers and a grading model is used for corporate clients. As well, 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.

At October 31, 2011 and 2010, investment securities are standard or high grade. Cash balances and amounts due from banks are held with counterparties that are standard, high grade, or CIBC group entities.

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 allowance for credit losses, and after credit risk mitigation, valuation adjustments related to the financial guarantors, and collateral on agreements.

Grade description	Performing High Grade $	Performing Standard Grade $	Performing Sub-Standard Grade $	Impaired $	2011 Total $
Loans and advances to customers					
- Mortgages	888,825	75,682	9,445	193,287	1,167,239
- Personal loans	192,782	8,314	6,242	45,700	253,038
- Business and government loans	803,147	25,030	5,777	156,100	990,054
Total (Note 9)	1,884,754	109,026	21,464	395,087	2,410,331

Grade description	Performing High Grade $	Performing Standard Grade $	Performing Sub-Standard Grade $	Impaired $	2010 Total $
Loans and advances to customers					
- Mortgages	948,022	15,469	23,186	167,834	1,154,511
- Personal loans	225,341	2,236	2,689	45,453	275,719
- Business and government loans	903,290	2,442	2,812	169,228	1,077,772
Total (Note 9)	2,076,653	20,147	28,687	382,515	2,508,002

For our Business and Government loans, we further employ risk ratings in managing credit portfolio. Business and Government borrowers with elevated default risk are monitored on our Early Warning List. Early Warning List Characteristics include borrowers exhibiting a significant decline in revenue, income, or cash flow or where we have doubts as to the continuing viability of the business. Early Warning List customers are often also delinquent, but this is not always the case. As of October 31, 2011, Early Warning List customers in the medium to high risk category amounted to $77,656 (2010: $93,642).

E. Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables. Market risk arises from positions in securities and derivatives as well as from the core retail, wealth and corporate businesses. The key risks to the Bank are interest rate, credit spread and foreign exchange. Market risk is centralised as the measurement, monitoring and reporting of both local and hard currency exposures is performed at the Parent Group level.

The Bank classifies market risk exposures into trading and non-trading. At October 31, 2011 and 2010, the only trading positions were related to FX. Due to the immaterial size of the local 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 Bank's exposures.

Policies and standards:

The Parent Group has a comprehensive policy for market risk management related to its identification, measurement, monitoring and control of those risks. This policy is reviewed and approved annually by the R&CRC of the Parent Group's Board. The policy includes the annual approval of the Board's limits, which is used by the Parent Group to establish explicit risk tolerances expressed in term of the main risk measures mentioned below. There is a three tiered approach to limits at the Parent Group. The highest limits are those set at the Board level. The second level, which applies a "haircut" to the Board limits, is the Chief Risk Officer limits. The third level of limits is for the TST Group, which restricts traders to a specific size of deal, documented through a formal delegation letter and monitored through the Bank's treasury system.

Process and control:

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

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

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

Position:
This risk measurement is used predominantly for the Bank'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 Parent Group are the DV01 (Delta Value of a one basis point move, also known as the PV01 or Present Value of a one basis point move) and the CSDV01 (Credit Spread Delta of a one basis point move).

The DV01 measure is calculated for a one basis point move down in the yield curve. This generates the effect on earnings by individual currency of a parallel shift down in the related yield curve. As yield curves rarely move in a parallel fashion, it is measured across different tenors to ensure that there is no further curve risk of having, for example, a long position in the short end of the curve, offset by a short position in the longer tenors. This is then utilised within the scenario analysis. The sensitivities are calculated using two different approaches:

- a pre-structural basis that focuses upon predominantly contractual date positions; and
- a post-structural basis that considers core balances for non-contractual maturities, as well as assigning risk to capital and non-product general ledger accounts and considering market specific pricing situations such as exist in The Bahamas.

The latter is used for limit monitoring, as well as input into the VaR and stress models.

The CSDV01 sensitivity looks at the risk of the spreads between the 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 positions.

Value at risk:
The Parent Group's VaR methodology utilises the tested and validated CIBC models. It is a statistical and probability based approach that uses volatilities and correlations to quantify risk into dollar terms. VaR measures the potential loss from the adverse market movements that can occur overnight with a less than one 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-day moves is not a significant issue for the Bank as the non-trading portfolios are not very active and the FX is controlled via trade and volume size limits. A further weakness of the VaR measure is that it does not estimate the effects of market variable moves outside of the ninety-nine percent parameter and hence may underestimate losses. To counter this, the Parent Group has various stress measures to calculate potential tail event losses.

Stress testing & scenario analysis:
Stress testing and scenario analysis are designed to add insight to possible outcomes of abnormal (or tail event) market conditions and to highlight where risk concentrations could be a concern. The Parent Group has two distinct approaches to this. For the hard currency testing, the Parent Group provides its position sensitivity to CIBC and utilises the suite of measures that CIBC has developed. The stress testing measures the effect on our hard currency portfolio values over a wide range of extreme moves in market prices. The stress testing methodology assumes no actions are taken or are able to be taken during the event to mitigate the risk, reflecting the decreased liquidity that frequently accompanies market shocks. The scenario analysis approach for hard currency exposures simulates 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 CIBC's economists, business leaders and risk managers.

The local currency stress tests are designed on a similar but smaller scale. For interest rate stresses, Market Risk in conjunction with TST considers the market data over approximately the last ten years and identifies 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 Parent Group. This is performed and reported on a monthly basis as the stress results do not tend to change rapidly. For foreign exchange stresses, the Parent Group considers what effect removing the BSD peg to the USD would have on the earnings of the Bank.

Interest rate risk:
As of October 31, 2011 and 2010, the Bank had no trading interest rate risk. 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, inclusive of those assets not recognised in the consolidated statement of financial position.

The result of a risk analysis based on a post structural interest rate assumption approach is shown in the following table in USD equivalent.

	2011			2010		
	Post Structural DV01	VaR	60 day Stressed Loss	Post Structural DV01	VaR	60 day Stressed Loss
	$	$	$	$	$	$
Currency						
Bahamian Dollars	57.1	16	1,627	65.5	70	2,175

As an enhancement of local risk measurement, as of November 30, 2010, the USD interest rate risk exposure is calculated for the Bank and reported monthly. As at October 31, the risk sensitivity and related stress results to a one basis point drop in the underlying USD yield curve are as follows:

	2011				
	Post Structural DV01	Potential Stress Loss	Q3 DV01	Q2 DV01	Q1 DV01
	$	$	$	$	$
Currency					
United States Dollars	35.0	6,307	26.5	9.5	(103.9)

The main components of the USD interest rate risk on the asset side are investment portfolio bonds, fixed rate loans and mortgages, which are offset by core deposit accounts, term deposits and interest rate swaps on the liability side. The change from Q1 to Q4, as noted above, was due to a change in interest rate strategy that was agreed at the Parent Group Board level and was generally achieved for the Bank by terminating a number of pay fixed interest rate swaps.

Credit spread risk:
Credit spread exists as the benchmark curve and the reference asset curves either converge or diverge. The Bank has two portfolios that have a material amount of credit spread risk. The risk is measured using an estimated CSDV01 and stress scenarios. The results of these are reported monthly to senior management.

	2011			2010		
	Notional	CSDV01	Stressed Loss	Notional	CSDV01	Stressed Loss
	$	$	$	$	$	$
Caribbean Bond Portfolio (hard currency denominated)	246,366	151.0	37,661	273,313	218.3	51,780
Non-regional hard currency denominated bond portfolio	38,835	9.0	2,283	34,800	14.0	3,428

Derivatives held for asset and liability management (ALM) purposes:
Where derivatives are held as hedges against either sizeable bond holdings or loans from core businesses and the transactions meet the accounting criteria, the Bank applies hedge accounting. Derivative hedges that do not qualify for hedge accounting are considered to be economic hedges and are recorded at fair value on the consolidated statement of financial position with changes in the fair value recognised through the consolidated statement of income. 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.

Foreign exchange risk:
Foreign exchange (or currency) risk is defined as the risk that the value of a financial instrument will fluctuate as a result of changes in foreign exchange rates. The only local currency with a significant balance held by the Bank is the Bahamian Dollar ("BSD"). As the BSD is pegged to the USD, the FX VaR measure cannot be used. As a result of this, more emphasis is placed on the overall position limit and related stress tests. The total BSD position limit is relatively low for the Bank due to the tight regulatory requirements. Hard currency balances resulting from offshore activity are managed from a risk perspective centrally. The Board has set limits on positions by currency. Positions are monitored on a daily basis and TST is solely responsible for the hedging of the Bank's exposure.

The following table highlights the currencies that the Bank had significant exposures to at each year end in USD equivalent.

	2011			2010		
Currency	**Position long/ (short)**	**Stressed Loss**	**Average Position (*)**	**Position Long/ (short)**	**Stressed Loss**	**Average Position (*)**
	$	**$**	**$**	**$**	**$**	**$**
Bahamian dollars	4,106	1,232	75	1,621	486	(261)
Barbados dollars	98	29	164	170	51	103
Canadian dollars	142	14	248	99	10	100
Euro dollars	166	17	168	63	6	83
Great Britain pounds	182	18	145	(62)	6	38

(*) Averages are taken over a twelve-month period.

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

Concentrations of assets, liabilities and commitments, guarantees and contingent liabilities:

	BAH	US	Other	2011 Total
	$	$	$	$
Assets				
Cash and balances with The Central Bank	136,499	11,541	478	148,518
Due from banks	286	87,964	53,860	142,110
Derivative financial instruments	-	3,010	-	3,010
Financial assets at fair value through profit or loss	-	-	27,319	27,319
Other assets	15,260	3,234	2,109	20,603
Investment securities	238,826	274,740	133,422	646,988
Loans and advances to customers	1,301,943	1,023,882	1,969	2,327,794
Property and equipment	20,750	5,873	80	26,703
Retirement benefit assets	5,348	956	-	6,304
Goodwill	186,582	1,165	-	187,747
Total assets	1,905,494	1,412,365	219,237	3,537,096
Liabilities				
Customer deposits	1,235,880	1,186,022	291,076	2,712,978
Derivative financial instruments	-	21,317	-	21,317
Financial liabilities at fair value through profit or loss	-	-	27,319	27,319
Other liabilities	(12,929)	122,396	(96,627)	12,840
Retirement benefit obligations	4,206	211	-	4,417
Total liabilities	1,227,157	1,329,946	221,768	2,778,871
Net assets/(liabilities)	678,337	82,419	(2,531)	758,225
Commitments, guarantees and contingent liabilities (Note 24)	91,451	172,402	1,511	265,364

	BAH	US	Other	2010 Total
	$	$	$	$
Total assets	1,890,961	1,520,979	187,056	3,598,996
Total liabilities	1,232,806	1,328,035	307,301	2,868,142
Net assets/(liabilities)	658,155	192,944	(120,245)	730,854
Commitments, guarantees and contingent liabilities (Note 24)	98,679	168,108	1,465	268,252

F. Cash flow and fair value interest rate risk

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

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

G. Liquidity risk

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

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

Process and control:

Actual and anticipated inflows and outflows of funds generated from exposures, including those not recognised in the consolidated statement of financial position, are managed on a daily basis within specific short-term asset/liability mismatch limits by operational entity.

Potential cash flows under various stress scenarios are modelled using carrying amounts recognised in the consolidated statement of financial position. On a consolidated basis, prescribed liquidity levels under a selected benchmark stress scenario are maintained for a minimum time horizon.

Risk management:

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

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

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

	Maturities of assets and liabilities				
	0-3 months $	3-12 months $	1-5 years $	Over 5 years $	2011 Total $
Assets					
Cash and balances with The Central Bank	148,518	-	-	-	148,518
Due from banks	134,123	7,987	-	-	142,110
Derivative financial instruments	3,010	-	-	-	3,010
Financial assets at fair value through profit or loss	27,319	-	-	-	27,319
Other assets	20,603	-	-	-	20,603
Investment securities	22,980	78,831	241,054	304,123	646,988
Loans and advances to customers	134,647	259,508	407,779	1,525,860	2,327,794
Property and equipment	-	-	1	26,702	26,703
Retirement benefit assets	-	-	-	6,304	6,304
Goodwill	-	-	-	187,747	187,747
Total assets	491,200	346,326	648,834	2,050,736	3,537,096
Liabilities					
Customer deposits	1,808,877	866,729	35,055	2,317	2,712,978
Derivative financial instruments	1,943	-	278	19,096	21,317
Financial liabilities at fair value through profit or loss	27,319	-	-	-	27,319
Other liabilities	12,840	-	-	-	12,840
Retirement benefit obligations	-	-	-	4,417	4,417
Total liabilities	1,850,979	866,729	35,333	25,830	2,778,871
Net assets/(liabilities)	(1,359,779)	(520,403)	613,501	2,024,906	758,225
Commitments, guarantees and contingent liabilities (Note 24)	247,833	17,498	33	-	265,364

	0-3 months $	3-12 months $	1-5 years $	Over 5 years $	2010 Total $
Total assets	586,515	116,352	704,087	2,192,042	3,598,996
Total liabilities	2,168,982	652,931	1,119	45,110	2,868,142
Net assets/(liabilities)	(1,582,467)	(536,579)	702,968	2,146,932	730,854
Commitments, guarantees and contingent liabilities (Note 24)	252,334	15,761	157	-	268,252

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

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

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

H. Fair values of financial assets and liabilities

Determination of fair value and the fair value hierarchy

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

All of the Bank's financial instruments, which include derivative financial instruments, investment securities, and financial assets and liabilities at fair value through profit or loss, are at Level 2.

Financial instruments recorded at fair value

The following is a description of the determination of fair value for financial instruments which are recorded at fair value using valuation techniques. These incorporate the Banks' estimate of assumptions that a market participant would make when valuing the instruments:

(i) Derivative financial instruments

Derivative products valued using a valuation technique with market observable inputs are interest rate swaps and foreign exchange forward contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves.

(ii) Available-for-sale investment securities

Available-for-sale investment securities valued using a valuation technique or pricing models primarily consist of debt securities.

These assets are valued using models which sometimes only incorporate data observable in the market and at other times use both observable and non-observable data. The non-observable inputs to the models include assumptions about liquidity and price disclosure, counterparty credit spreads and sector specific risks.

Fair value of financial instruments not carried at fair value

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the consolidated financial statements.

(i) Loans and advances to customers

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

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

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.

The following table summarises the carrying amounts and fair values of the Bank's financial assets and liabilities not presented on the consolidated statement of financial position at fair value. The table does not include the fair values of non-financial assets and non-financial liabilities, nor does it include financial instruments carried at fair value disclosed above.

	Carrying Value 2011 $	Fair Value 2011 $	Unrecognised gain/(loss) 2011 $	Carrying Value 2010 $	Fair Value 2010 $	Unrecognised gain/(loss) 2010 $
Financial assets						
Cash and balances with The Central Bank	148,518	148,518	-	89,193	89,193	-
Due from banks	142,110	142,110	-	148,926	148,926	-
Investment securities	646,988	646,988	-	687,462	687,462	-
Loans and advances to customers	2,327,794	2,337,991	10,197	2,418,836	2,435,922	17,086
Financial liabilities						
Customer deposits	2,712,978	2,718,964	(5,986)	2,767,359	2,882,231	(114,872)
Total unrecognised change in unrealised fair value			4,211			(97,786)

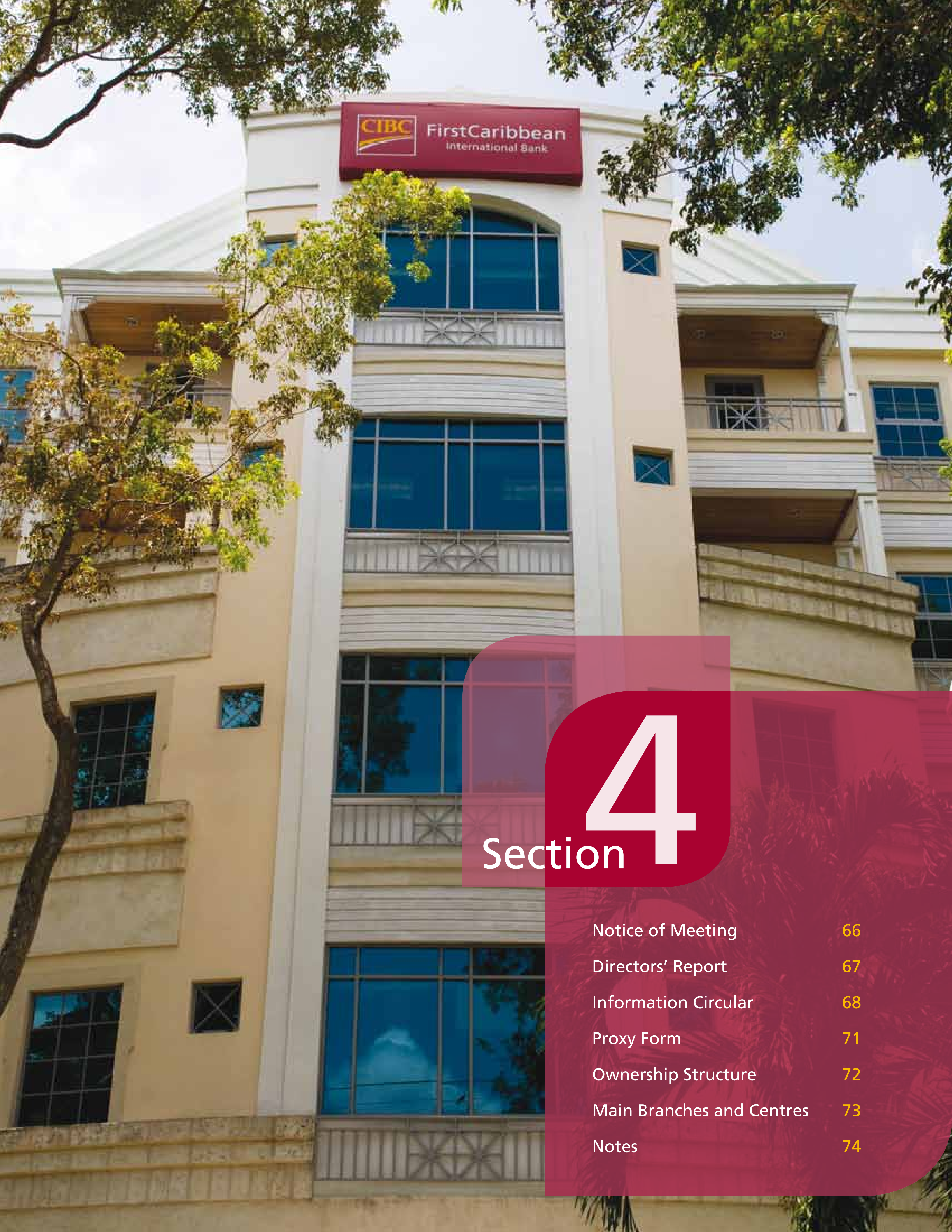
28 Fiduciary Activities

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 consolidated financial statements. At the reporting date, the Bank had investment assets under administration on behalf of third parties amounting to $90,511 (2010: $152,310).

Principal subsidiary undertakings

Name	Country of incorporation
FirstCaribbean Insurance Agency (Bahamas) Limited [formerly FirstCaribbean International Finance Company (Bahamas) Limited]	The Bahamas
FirstCaribbean International (Bahamas) Nominees Company Limited	The Bahamas
FirstCaribbean International Land Holdings (TCI) Limited	Turks & Caicos Islands

All subsidiaries are wholly owned.



Section 4

Notice of Meeting

Annual Meeting
Notice is hereby given that the Seventeenth Annual General Meeting of FirstCaribbean International Bank (Bahamas) Limited will be held at 6:00 p.m. on Monday, March 19, 2012 at the British Colonial Hilton, Governor's Room, Number One Bay Street, Nassau, The Bahamas for the following purposes:

1. To receive and consider the minutes of the last Annual General Meeting held on March 31, 2011.

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

3. To receive accounts for the year ended October 31, 2011 and the report of the Directors and Auditors thereon.

4. To elect the following Directors:

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

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

6. Ratification of dividends for fiscal 2011.

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

BY ORDER OF THE BOARD OF DIRECTORS

Teresa S. Williams
Corporate Secretary
FirstCaribbean International Bank (Bahamas) Limited
February 24, 2012

Record Date
Holders of FirstCaribbean International Bank (Bahamas) Limited ordinary shares of record at the close of business on February 24, 2012 are entitled to vote at the meeting.

Financial Statements
The Company's audited financial statements for the year ended October 31, 2011 are included in the Company's 2011 annual report, which is enclosed as a part of the proxy soliciting material.

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

Dividend
An interim dividend of thirteen cents ($0.13) per common share was paid on June 29, 2011. A final dividend of thirteen cents ($0.13) per common share for the fiscal year 2011 was approved by the Directors on December 13, 2011 and paid to shareholders on January 25, 2012. Total dividends paid for fiscal 2011 were twenty-six cents ($0.26).

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

Directors' Report

Directors

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

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

Directors' Interest

As at October 31, 2011, particulars of Directors' shareholdings in the issued capital of the Company are as follows:

Common Shares Of No Par Value

	Beneficial Interest	Non-Beneficial Interest
1. Terence Hilts	31,220	nil
2. Sharon Brown	422	

Financial Results and Dividends

The Directors report that the Company's net income for the year ended October 31, 2011 amounted to $57,887 All statutory requirements for the year ended October 31, 2011 have been fulfilled.

An interim dividend of thirteen cents ($0.13) per common share was paid on June 29, 2011. A final dividend of thirteen cents ($0.13) per common share for the fiscal year 2011 was approved by the Directors on December 13, 2011 and paid to shareholders on January 25, 2012. Total dividends paid for fiscal 2011 were twenty-six cents ($0.26).

Share Capital

Substantial Interest as at October 31, 2011*
Common Shares of B$0.10 par value

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

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

BY ORDER OF THE BOARD

Teresa S. Williams
Corporate Secretary
February 24, 2012

Information Circular

We are providing these proxy materials in connection with the solicitation by the Board of Directors of FirstCaribbean International Bank (Bahamas) Limited, of proxies to be voted at the Company's 2012 Annual General Meeting of Shareholders and at any meeting following adjournment thereof.

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

You are cordially invited to attend the annual meeting on March 19, 2012, beginning at 6:00 p.m. E.S.T. Shareholders will be admitted beginning at 5:30 p.m. E.S.T. The meeting will be held at the British Colonial Hilton, Governors Room, Number One Bay Street, Nassau, The Bahamas.

This financial year of FirstCaribbean International Bank (Bahamas) Limited began on November 1, 2010 and ended October 31, 2011. References in this proxy statement to the year 2011 or financial 2011 refer to the period as mentioned above.

We are mailing this proxy statement and accompanying forms of proxy and voting instructions to holders of the Company's ordinary shares on February 24, 2012, the record date for the meeting.

Proxies and Voting Procedures

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

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

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

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

Shareholders Entitled to Vote

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

On February 24, 2012 there were 120,216,204 ordinary shares of par value $0.10 each outstanding. Each share is entitled to one vote on each matter properly brought before the meeting.

At close of business on February 24, 2012 FirstCaribbean International Bank Limited beneficially owned or controlled directly or indirectly 114,463,600 shares which represents 95.21% of the Company's issued ordinary shares.

Quorum And Required Vote

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

Election Of Directors

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

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

The Board of Directors held nine (9) meetings in 2011.

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

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

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

Name and Position	Principal Occupation	Director Since	Number of Shares Beneficially Owned or Controlled Directly or Indirectly
Michael Mansoor	Executive Chairman, FirstCaribbean International Bank	1999	Nil
Sharon Brown	Deputy Chairman, Retired Banker	2002	422
Marie Rodland-Allen	Managing Director	2010	Nil
J. W. P. Krukowski	Chairman, Doctor's Hospital Health System Ltd	1997	Nil
Terence Hilts	Chairman, Colina Insurance Company Limited	1997	31,220
Willie Moss	Attorney-at-law	1998	Nil
G. Diane Stewart	Attorney-at-law	2002	Nil

Compensation Of Directors

Each director, who is not an employee of FirstCaribbean International Bank (Bahamas) Limited is paid a fee of $2,500.00 per meeting for his or her services as a director and the Deputy Chairman is paid a fee of $3125. Directors are also entitled to reimbursement for reasonable travel and living expenses incurred by them in attending any Board of Directors or committee meetings.

No special remuneration was paid to any director during financial year 2011.

Senior Management Compensation

The senior management of the Company received aggregate compensation amounting to $2,303,450 in the financial year 2011.

Indebtedness of Management

There is a total indebtedness of approximately $2,120,072 due to the Company from members of the senior management and directors. This represents loans and mortgages.

Management's Interest In Transactions

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

Share Option Plan

There is no share option plan.

Shareholder Feedback and Communication

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

Appointment of Auditors

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

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

Other Business

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

Directors' Approval and Certificate

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

Dated at the City of Nassau, New Providence Island in the Commonwealth of The Bahamas this February 24, 2012.

Michael Mansoor
Chairman

Teresa S. Williams
Corporate Secretary

Proxy Form

The undersigned ________________________ (please print) of ______________________ (please print) being a shareholder of FirstCaribbean International Bank (Bahamas) Limited ("the Company") hereby appoints Michael K. Mansoor, or failing him, Marie Rodland-Allen, or instead or either of them, ___________________ or _________________ as proxy of the undersigned to attend and vote at the Annual General Meeting of Shareholders ("the meeting") of the Company to be held on March 19, 2012 and at any adjournment thereof, notice of the meeting, together with the accompanying financial statements and the Information Circular having been received by the undersigned, and on behalf of the undersigned to vote as specifically directed below.

1. Specified in the accompanying Information Circular:

Michael Mansoor, Chairman	VOTE FOR ___	WITHHOLD FROM VOTING ___
Sharon Brown – Deputy Chairman	VOTE FOR ___	WITHHOLD FROM VOTING ___
Marie Rodland-Allen	VOTE FOR ___	WITHHOLD FROM VOITNG ___
Terence Hilts	VOTE FOR ___	WITHHOLD FROM VOTING ___
Willie Moss	VOTE FOR ___	WITHHOLD FROM VOTING ___
G. Diane Stewart	VOTE FOR ___	WITHHOLD FROM VOTING ___
J.W.P. Krukowski	VOTE FOR ___	WITHHOLD FROM VOTING ___

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

VOTE FOR ___ WITHHOLD FROM VOTING ___

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

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

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

Dated this ______________________________ day of ______________________________ A.D., 2012

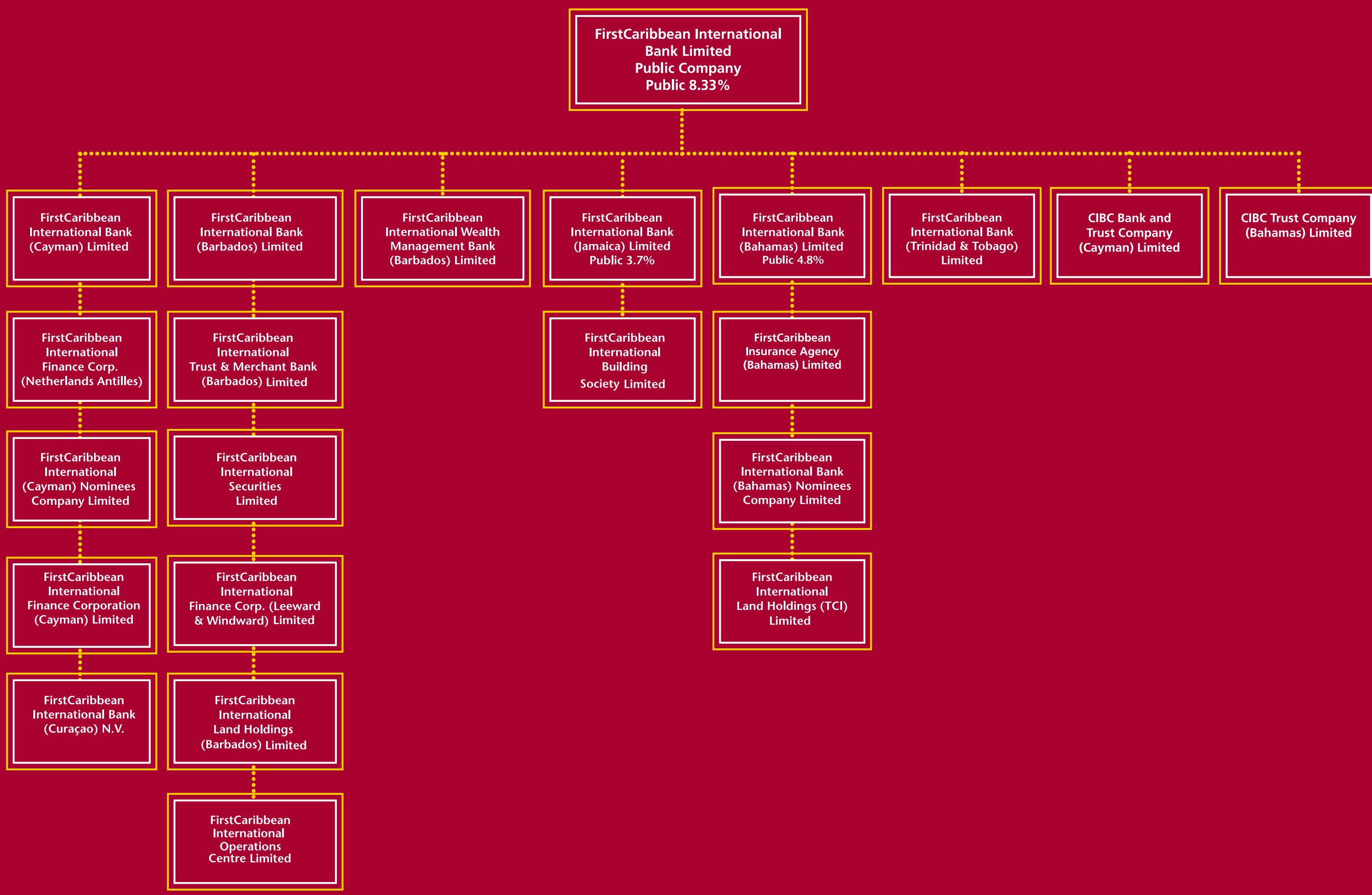
Corporate Seal ____

Notes:

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

In order for this form of proxy or other appropriate forms of proxy to be valid, it must be signed and should be dated by the shareholder or the shareholder's attorney. The signature should be exactly the same as the name in which the shares are registered. The proxy must be sent by mail or hand delivered to the offices of CIBC Trust (Bahamas) Limited, Registrar and Transfer Agents, Goodman's Bay Corporate Centre, West Bay Street, no later than 48 hours before the time for holding the meeting. If this form of proxy is received undated but otherwise properly executed, it will for all purposes be deemed to be dated February 22, 2012.

Ownership Structure



CIBC FirstCaribbean International Bank

Main Branches and Centres

Abaco Island

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

Man-O-War Cay
P.O. Box AB-20402
Tel: (242) 365-6420
Fax: (242) 367-2156

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

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

Eleuthera Island

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

Grand Bahama Island

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

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

New Providence Island

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

Harbour Bay
P.O. Box N-8350
East Bay Street
Nassau
Tel: (242) 393-2334
Fax: (242) 393-7171

Paradise Island
P.O. Box SS-6254
Paradise Village Shopping
Center
Paradise Island
Nassau
Tel: (242) 363-3588
Fax: (242) 363-2146

Marathon Mall
P.O. Box N-8329
Marathon Mall
Tel: (242) 393-4386
Fax: (242) 394-0128

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

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

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

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

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

Corporate Banking Center
P.O. Box N-7125
Shirley Street
Nassau
Tel: (242) 356-1764
Fax: (242) 328-1690

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

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

Customer Service Center
Super Support Center
Solomon's Building
East West Highway
Nassau
Tel: (242) 502-6800
Fax: (242) 394-8238

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

FirstCaribbean Insurance Agency (Bahamas) Limited
Super Support Center
Solomon's Building
East West Highway
P.O. Box N-8350
Nassau
Tel: (242) 322-7466
Fax: (242) 323-4450

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

International Corporate Banking
Shirley Street
P.O. Box N-8350
Nassau
Tel: (242) 302-6007
Fax: (242) 302-6091

Turks & Caicos Islands

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

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

Grace Bay
P.O. Box 236
Salt Mills Plaza
Grace Bay
Providenciales
Tel: (649) 941-4558
Fax: (649) 941-3430

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

Notes


CIBC
FirstCaribbean
International Bank
THE BAHAMAS
TURKS AND
CAICOS ISLANDS
THE CAYMAN ISLANDS
JAMAICA
BELIZE
CARIBBEAN SEA
BRITISH
VIRGIN ISLANDS
ANGUILLA
ST. MAARTEN
ST. KITTS & NEVIS
ANTIGUA
& BARBUDA
DOMINICA
ST. LUCIA
BARBADOS
ST. VINCENT AND
THE GRENADINES
CURAÇAO
GRENADA
& CARRIACOU
TRINIDAD
& TOBAGO

Anguilla

Antigua and Barbuda

The Bahamas

Barbados

Belize

British Virgin Islands

The Cayman Islands

Curaçao

Dominica

Grenada and Carriacou

Jamaica

St. Kitts and Nevis

St. Lucia

St. Maarten

St. Vincent and the Grenadines

Trinidad and Tobago

Turks and Caicos Islands

CIBC FirstCaribbean International Bank