CIBC FirstCaribbean International Bank

2012 ANNUAL REPORT (BAHAMAS)

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CORPORATE PROFILE

CIBC FirstCaribbean International Bank is a relationship bank offering a full range of market-leading financial services through our Corporate Lending & Investment Banking, Retail Banking and Wealth Management segments. We are located in seventeen (17) countries around the Caribbean, providing the banking services that matter to our customers through approximately 3,400 employees, in one hundred (100) branches and offices. We are one of the largest regionally-listed financial services institution in the English and Dutch speaking Caribbean, with over US$11.5 billion in assets and market capitalization of US$2.1 billion. The Bahamas Operating Company comprises operations in The Bahamas and the Turks and Caicos where there are 21 branches and agencies, 36 Instant Teller™ Machines, and Wealth Management and Corporate Investment Banking centres, spread over New Providence, Grand Bahama, Abaco, Eleuthera and the Turks and Caicos.

Vision

To be the leading financial services provider in the region, building enduring client relationships through trusted advice and superior service.

Mission

We live our values of Trust, Teamwork and Accountability, deliver superior performance and service, and generate sustainable benefits for all our stakeholders.

Achieving our Vision means delivering on the things that matter to our key stakeholders. To do this, we have commitments to each of our stakeholder audiences:

- Clients - To help our clients achieve what matters to them
- Employees - To create an environment where all employees can excel
- Communities - To make a real difference in our communities
- Shareholders - To generate strong total returns for our shareholders

Succeeding will mean living by our values – Trust, Teamwork, Accountability – and creating value for all who invest in CIBC FirstCaribbean.

Values - Trust, Teamwork, Accountability

Values define the character of both individuals and organizations. At CIBC FirstCaribbean, they shape our everyday decisions.

- Trust - Acting with integrity, honesty and transparency in our relationships with others.
- Teamwork - Working collaboratively with others within our Strategic Business Unit (SBU) and across SBUs to achieve CIBC FirstCaribbean's common goals.
- Accountability - Accepting overall responsibility for our behaviour, decisions and outcomes in all relationships with colleagues, with clients, with the community and with shareholders.

Strategic Priorities

- Cultivating deeper relationships with our clients across our business
- Focusing on value for our clients through understanding their needs
- Competing in businesses where we can leverage our expertise to add differentiated value
- Pursuing risk-controlled growth in the region
- Continuously investing in our client base, people, and infrastructure

2012 HIGHLIGHTS

First for Clients

In 2012, the Bank increased its focus on delivering superior customer service and access to more feedback channels in order to provide superior financial solutions to clients to help them achieve what matters to them.

Focusing on client service and employee experience through our branch network –

- Expanded our market reach by opening a new state-of-the-art Carmichael Road Branch with a design more advanced than current banking halls at any financial institution in The Bahamas
- Commenced a branch enhancement initiative that:
  – Ensured all branches in New Providence reflect our co-branding with CIBC
  – Included the refurbishment of Instant Teller™ vestibules and several branches to improve their aesthetic appeal This process is currently underway at our branches in Abaco, Eleuthera and Grand Bahama

Providing client relationship management through increased feedback channels –

- Introduced social media channels for improved client engagement, service quality management and marketing purposes
- Placed increased focus on speedy and effective resolution of all client queries

Reaching new markets and clients –

- Implemented campaigns around mortgages and loans to capture greater market share
- Launched new CIBC FirstCaribbean Rewards programme for new and existing Visa Credit Card holders
- Enhanced our Credit Card delivery process
- Made banking easier and more accessible with enhanced usability at our website www.cibcfcib.com which now boasts the largest number of billers within the Bahamas

First for Employees

We focused on the recruitment, training, development and retention to deliver service excellence. This year, The Bahamas was honoured to have four (50 percent) of the eight Player of the Series winners in the entire region.

Employee initiatives –

- Launched People Essentials training programme for leaders
- Rolled-out and embedded a new Performance Management tool
- Upgraded several technological platforms to increase productivity
- Significant investment in training of our sales and support teams
- Innovative training and courses through our CIBC FirstCaribbean Online learning portal

The 2012 E-Voice survey –

- Results indicated that our greatest strengths are in the areas of communication, colleagues, tools, and resources to achieve satisfactory employee commitment levels
- Focus on increasing employee commitment via career development opportunities and employee engagement

Increasing visibility of senior leaders –

- Held several town hall meetings to improve access to and communication from senior leaders

First for Communities

Our Corporate Social Responsibility partnerships have been strengthened in this fiscal. Several charities shared in over $100,000 worth of donations from the Visa 2011 Christmas campaign.

Charting the way forward for our youth –

- Continued support to Junior Achievement (JA) companies in The Bahamas, the Bahamas Technical and Vocational Institute scholarship programme, and the Bahamas Institute of Financial Services' G-12 financial education programme

Environmental education and securing our future –

- Partnership with environmental group Seacology to fund a head-starting facility on the island of San Salvador for the protection of the iguanas
- Continued our partnership with the Bahamas National Trust's Discovery Club Programme that teaches environmental stewardship to students

Actively participating in worthwhile causes to develop our communities –

- Great Commission Ministries and several other charitable organisations have received support through the Bank's Adopt-a-Cause programme
- With the public's assistance, three humanitarians were unveiled through our Unsung Heroes Programme
- Through the Bank's active community relations, several Junkanoo Groups received funding for the annual Boxing

Day and New Year's Day Junkanoo Parades. The Royal Bahamas Police Force Summer Youth Programme, Special Olympics Bahamas, the Salvation Army, the Bahamas National Children's Choir, and several other organizations also benefited

- The Bank also donated $25,000 towards the re-development of the Bay Street area

First for Shareholders

- Maintained our capital strength, with Tier 1 Capital Ratio at 27%
- Ongoing earnings generation and dividend payments throughout this protracted economic downtown

2012 HIGHLIGHTS

Financial Highlights

B$(000), except per share amounts, as at or for the year ended October 31	2012	2011	2010	2009	2008
Common share information					
Earnings per share-basic (B$ cents)	**46.9**	48.2	51.5	65.4	69.8
Share price - closing (B$)	**7.20**	8.14	9.74	9.87	11.60
Shares outstanding (thousands) - end of period	**120,216**	120,216	120,216	120,216	120,216
Market capitalisation	**865,555**	978,558	1,170,904	1,186,532	1,394,506
Value measures					
Price to earnings multiple (share price/earnings per share)	**15.3**	16.9	18.9	15.1	16.6
Dividend yield (dividends per share/share price)	**3.9%**	3.4%	3.2%	3.5%	3.9%
Dividend payout ratio (dividends/net income)	**55.4%**	58.1%	60.2%	53.5%	64.4%
Financial results					
Total Operating Income	**171,975**	173,318	173,025	168,235	171,594
Loans loss impairment	**33,217**	32,223	34,068	18,519	23,350
Operating expenses	**82,321**	83,208	77,094	71,079	64,340
Net income	**56,437**	57,887	61,863	78,637	83,904
Financial measures					
Efficiency ratio (operating expenses/total revenue)	**47.9%**	48.0%	45.6%	42.2%	37.5%
Return on equity (net income/average equity)	**9.6%**	10.4%	11.6%	16.7%	18.2%
Net interest margin (net interest income/average total assets)	**4.2%**	3.9%	3.5%	3.6%	3.5%
Statement of Financial Position information					
Loans and advances to customers	**2,259,537**	2,342,151	2,418,836	2,541,756	2,539,072
Total assets	**3,357,111**	3,536,725	3,598,996	3,762,672	4,137,990
Deposits & other borrowed funds	**2,503,239**	2,712,978	2,767,359	2,985,964	3,445,010
Total equity	**790,329**	758,225	730,854	707,181	645,812
Statement of Financial Position quality measures					
Common equity to risk weighted assets	**37%**	31%	29%	26%	23%
Risk weighted assets	**2,163,919**	2,409,543	2,543,580	2,712,548	2,848,214
Tier I Capital ratio	**27%**	24%	21%	19%	17%
Tiers I and II Capital ratio	**28%**	24%	21%	19%	16%
Other information					
Employees (#)	**747**	743	788	773	834

Chairman's Letter

Michael Mansoor
Chairman

The Bank's profit for fiscal 2012 was relatively consistent with the prior year at $56 million (2011 - $58 million). The basic operating performance of the Bank remains satisfactory except for the significant levels of provisions for loan losses. The key balance sheet aggregates are generally comparable with the prior year and the Total Capital ratio of 28% remains well in excess of the minimum regulatory requirement of 17% for the Bank.

The economies of The Bahamas and Turks & Caicos Islands are heavily dependent on tourism, foreign direct investment and international transfer payments and all of these have been negatively affected by the lackluster economic recovery in the US and Europe.

The Bank's results however show that apart from the negative effects of the loan loss impairment allowances, the business of the Bank continues to be encouragingly stable and provides a sound basis for better performance when economic conditions improve.

Based on the EPS of $0.469 versus $0.482 in the prior year, the Board has approved a final dividend per share for 2012 of $0.13 (2011 – $0.13), bringing the total approved dividends per share for 2012 to $0.26 (2011 - $0.28).

10th Anniversary

October 14, 2012 marked the tenth anniversary of the merger of the regional banking operations of CIBC and Barclays. During this period, the regional group acquired new operations in Trinidad in 2004, Curaçao in 2005 and more recently in 2011, the CIBC Trust & Fund businesses in The Cayman Islands and The Bahamas.

Our Bank has been recognised as standard-bearers of financial excellence by internationally acclaimed magazines, including "The Banker" and "Euromoney".

Our corporate social responsibility agenda has taken solid hold and continues to be championed and supported by all of our employees. Over the years, we have invested significantly in tertiary education and the Unsung Heroes Programme has become the flagship for volunteerism. In 2012, we joined our colleagues at CIBC by promoting the "Walk for the Cure" of cancer in all our countries. We expect to place greater focus on this in the years to come.

We have successfully completed the integration of and material improvements to our technology platforms, as well as fundamental enhancements to the infrastructure of the Bank's distribution channels and functional support areas.

The Bank has remained strong and resilient over the years. The five (5) years between 2002 and 2007 were characterised by sustained organic growth in balance sheet aggregates and profitability, with net income peaking in 2007 at $110 million. The last five years however have been affected by the lingering effects of the protracted global recession with low interest rates, persistent soft loan demand and business activity. Many of our island economies struggle to show meaningful growth and as noted above are negatively affected by the sluggish and uncertain economic recovery of the region's significant trading partners.

Our People

Our people are our most important and valuable asset and over the years, we have remained focused on increasing our employees' commitment and capabilities and the creation of a supportive work environment and culture. We have worked assiduously to provide our employees with the training, development, coaching and incentives required to help them succeed, including overseas assignments at the ultimate parent company, CIBC, in order to gain wider specialist training and expertise. We have enhanced the measurement of employee satisfaction and this initiative, we believe, has contributed greatly to our human resource management practices.

Governance

Our executives and employees continue to function in a manner which is consistent with an awareness of the need to adhere to a rigorous and robust culture of risk management, internal controls and oversight that safeguards and bolsters the interests of our shareholders and our customers.

Your Board of Directors has met quarterly over the years and remain engaged in all critical aspects of our operations, effectively monitoring our business performance, our governance, our control systems and most importantly providing guidance and leadership in the determination and execution of our strategic agenda. Our executives have benefited tremendously from the wealth of both the regional and international experience and expertise of our Directors.

Outlook

With respect to the future, we remain cautiously optimistic in this uncertain economic climate and very focused on providing our clients in all market segments with world class service and support. As we embark on our second decade, we rededicate all our efforts and energies to our mission of living our values of trust, teamwork and accountability and delivering superior service to our customers. Furthermore, we remain committed to generating sustainable benefits for our clients, our employees, our shareholders and the communities and jurisdictions in which we operate.

Appreciation

Mr. Joseph Krukowski arrived at the mandatory age of retirement from the Board of Directors in January 2013 and is no longer a Director. Mr Krukowski's accumulated service with our Bank, our parent company and our ultimate parent CIBC spans a period of some 54 years. He has provided sterling service over this long career and we are deeply appreciative of the major lifetime contribution he has made to our organisation.

Ms. Sharon Brown resigned as a Director in January 2013, and I would like to place on record our gratitude to her for her service. Ms. Brown joined our predecessor Barclays in April 1987 and became Managing Director of FirstCaribbean International Bank (Bahamas) Limited in November, 2003 and she has served as our Deputy Chairman since November, 2009. In all of these positions she provided excellent service and guidance and we are very grateful to her for this.

We wish them both every success.

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

I would also like to thank our Directors for their most important contributions.

Michael K. Mansoor
Chairman

Managing Director's Letter

The Bank ended its tenth year of operations being awarded "Bank of the Year 2012 for Bahamas". This prestigious award recognises institutions for banking excellence and it underscores the strength of our business even amidst another challenging year.

Financial Performance

Despite a challenging economic environment, the Bank delivered net income of $56.4 million or 46.9 cents per share, which was $1.5 million (2.5%) lower than the prior year as a result of the slow economic growth.

The increase in net interest income was primarily driven by lower cost of funding, while the decline in operating income was due mainly to lower securities gains. Operating expenses declined by $0.9 million, reflecting significant non-recurring expenses in 2011 and the Bank's continuing efforts at managing costs. Additionally, loan loss impairment expense increased by $1.0 million from the same period in 2011. The Bank's key balance sheet aggregates have remained relatively stable compared to prior year and the capital base of the Bank remains strong with a Total Capital ratio of 28%.

Retail Banking and Wealth Management

During 2012 we focused on improving our client experience through expansion of our branch network, deployment of innovative products, and significant investments in our people to deliver service solutions that help clients achieve what matters.

Our branch network was expanded with the opening of our new Carmichael Road branch in New Providence, leveraging our state of the art branch concept. In addition, several of our other branches were given a facelift and our network of Instant Teller™ vestibules were refreshed.

We have made banking easier and more accessible for all with enhanced usability at our website www.cibcfcib.com which now boasts the largest number of billers within The Bahamas. The complaints management policy was enhanced to strengthen our engagement with our customers. Our community focus and engagement was increased as many of our staff members reached out to the neighbours that they serve through our unique "Pound the Pavement" engagement activity. We have made a significant investment in our human resources by providing training to our sales and support teams and innovative training and courses through our CIBC FirstCaribbean Online learning portal.

Corporate Lending & Investment Banking

In 2012, the corporate team focused on four main priorities, namely, alignment of our risk focus in line with the challenges of the economic climate; pursuing loan growth opportunities; tightly managing expenses and seeking to ensure the capture of additional depth of wallet through cross-sell opportunities of our products and services to our existing clients.

Despite the macro-economic challenges, our corporate lending book remained stable. Notably, this has been in the area of infrastructure which is consistent with our bank-wide Corporate Investment Banking growth focus.

The Treasury unit continued to partner with the corporate team in its various initiatives geared toward the introduction of a diverse range of products and innovative solutions to our clients.

Community Partnership

Corporate Social Responsibility remained high on the Bank's agenda in fiscal 2012. This year, several charities shared in over $100,000 worth of donations from funds raised during the Visa 2011 Christmas campaign, namely, R.E.A.C.H., an organisation focusing on autism; the Bahamas Heart Foundation, the Bahamas Diabetic Association, the Ranfurly Home for Children, the Parkinson's Foundation, the National Child Protection Council, the Children's Emergency Hostel, the Bahamas Red Cross and newly established Lupus Bahamas 242.

The Bank also focused on youth education. Over $15,000 was given to Junior Achievement companies in New Providence, Abaco and Grand Bahama. The Bahamas Technical and Vocational Institute received a scholarship on behalf of a deserving student to attend the institution, and the Bahamas Institute of Financial Services received further assistance to help students enrolled in its G-12 financial education programme.

As usual, the Bank's active community relations programme provided funding to several Junkanoo Groups.

We also donated to the Royal Bahamas Police Force Summer Youth programmes, Special Olympics Bahamas, the Salvation Army, the Bahamas National Children's Choir, and several others.

People

Investing in people is a priority that CIBC FirstCaribbean International Bank has not only incorporated into its Mission, but has also continuously demonstrated throughout the years by the many initiatives which have yielded tremendous pride and respect for the institution. 2012 is no different as the Bank took the whole idea of 'creating an environment where all employees can excel' to a greater level by investing in a myriad of initiatives ranging from Customer Service to an improved Performance Management process.

Our staff was given 'number one' priority as they were thoroughly engaged throughout the year, by the Human Resources Team and by me, along with other Senior Leaders in the well received Town Hall meetings. Engaging our staff also meant extensive training for all levels which included continued Customer Service training for staff in The Bahamas and Turks and Caicos Islands and training for senior leaders. Small Business and Wealth account managers also participated in focused training, which played an integral part in honing their skills.

One of the greater initiatives embarked upon this fiscal was the on-going exercise of staff recognition, which provides awards for meritorious service throughout the year. The On-the-Spot Award in particular, appeared to be our staff's favourite. In addition, long serving staff were presented with monetary and other gifts at an exclusive luncheon and special events were held throughout the year to encourage staff camaraderie and team building.

Appreciation

As we close out the year, I would like to express my sincere gratitude to our valued customers, staff and shareholders for their continued support and loyalty in 2012. I would also like to thank the members of our Board of Directors for their guidance throughout the year.

We look forward to your continued support in 2013.

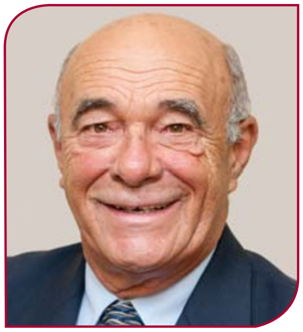
Marie Rodland-Allen

Marie A. Rodland-Allen
Managing Director

Michael Mansoor
Chairman,
CIBC FirstCaribbean International Bank

Sharon Brown
Deputy Chairman,
Retired Banker

Marie Rodland-Allen
Managing Director



Terence Hilts
Retired Banker

Joseph Krukowski
Chairman, Doctors Hospital
Health System Limited

Willie Moss
Attorney-at-Law

G. Diane Stewart
Attorney-at-Law

SENIOR MANAGEMENT AND ADVISORS

Pictured seated, left to right, are:

Sherrylyn Bastian
Legal Counsel and Corporate Secretary

Sherma Hercules
Head of Corporate Banking

Marie Rodland-Allen
Managing Director

Glenda Whylly
Senior Manager, Managing Director's Office

Standing, left to right, are:

Andrew McFall
Senior Manager, Receivables Management

Paul Major
Head of International Banking

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

Stacia Williamson
Controller & Chief Financial Officer

Richard Phillips
Director, Retail, Wealth & Small Business

Basil Longley
Senior Project Manager II

Lakeisha Moss
Country Treasurer (missing from photo)

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

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15 Our Communities

SOCIAL RESPONSIBILITY AND COMMUNITY RELATIONS REPORT

Fiscal 2012 was a bumper year for donations made by the Bank. Most significantly, several charitable organisations shared in over $100,000, with $25,000 donated to R.E.A.C.H to help with the non-profit organisation's Autism awareness campaign. In addition, the Managing Director and the Marketing department toured the facilities at the Ranfurly Home and donated $10,000 toward its roof repair project. The Bahamas Heart Foundation and the Bahamas Diabetic Association each received $15,000; and the Parkinson's Foundation received $5,000 plus $2,000 toward its Ball. Lupus Bahamas 242, the Bahamas Red Cross, the National Child Protection Council, the Bilney Lane Children's Home, the Seahorse Institute and the Children's Emergency Hostel also shared in the funds.

Demonstrating ongoing good corporate citizenship in our communities, the Governor General's Youth Award Programme, Youth Alive Ministries, the Gentleman's Club, the Bahamas National Children's Choir, Special Olympics Bahamas, the Bahamas Institute of Financial Services' G-12 Programme, and several summer youth programmes held by sections of the Royal Bahamas Police Force were provided with varying degrees of financial assistance.

The Bank also honoured its commitment to sports through a key donation to the Bahamas Swimming Federation to host the Carifta Swim Championships held at the Betty Kelly-Kenning Swim Complex earlier this year. At the meet hundreds of swimmers from several Caribbean countries competed in a variety of swim races.

The Bank's Managing Director, Marie Rodland-Allen (r) and District Manager, Inger Johnson (l) presents a cheque for $25,000 to the REACH Foundation. REACH's President, Mario Carey accepted the donation. He was accompanied by Dwayne Gibson.

Senior Manager, Personal Credit, Robert Cox presents to winners of one of the races at the Carfita Swim Championships.

Focusing on the environment, the Bank partnered with Seacology, the only non governmental organisation in the world whose sole focus is on preserving island ecosystems, to facilitate a head-starting facility on the island of San Salvador for the protection of the San Salvador Iguana. The Bahamas National Trust again received a donation towards its Discovery Club Programme that teaches environmental stewardship to students in Nassau and the Family Islands.

For the first time, we joined our colleagues at CIBC and CIBC FirstCaribbean around the region by promoting the "Walk for the Cure" of cancer. In The Bahamas, staff raised funds by walking with their families and friends from Goodman's Bay to the Cable Beach Post Office and back. The Bank matched the funds raised dollar for dollar.

The Bank also donated $25,000 to the Nassau Downtown Partnership, an organisation committed to the redevelopment of the Bay Street area, a place highly-frequented by visitors.

Marvin Henfield of New Providence; and Vivian McIntosh and Kelley Wallace of Grand Bahama were declared winners in the Bank's 2012 flagship Unsung Heroes Programme. They were chauffeured to a gourmet luncheon and celebrated. Each of them received $6,000 toward their cause in addition to gifts, awards and certificates. The esteemed panel of judges were: a former Unsung Hero, Diana Pinder, Chairman, National Child Protection Council, Pastor Gil Maycock, Assistant

Pictured left to right are: Managing Director, Marie Rodland-Allen, Unsung Heroes Vivian McIntosh, Marvin Henfield and Mickelle Albury, and Managing Director, Customer Relationship Management and Strategy, Trevor Torzsas.

General Manager, Human Resources and Training at the Bahamas Electricity Corporation, Marisa Mason-Smith, Head of CIBC Trust, Carlis Chisholm, Branch Manager, Cherise Archer, and Senior Corporate Manager, Sonia Rutherford – both from CIBC FirstCaribbean.

The Bank again sponsored student Junior Achievement (JA) companies in New Providence, Abaco and Grand Bahama. In Nassau, "DREAM", as the company was called, won several titles, including: Product of the Year, Production Manager of the Year, Annual Report of the Year, Highest Sales, and the JA Open House Competition. DREAM was also second place winners for the Company of the Year, Human Resource Manager of the Year, President of the Year and Highest Return on Investment.

Several students spent a day at CIBC FirstCaribbean as part of the Job Shadow experience and were treated to lunch. CIBC FirstCaribbean's partnership with JA includes facilitating an annual JA scholarship, and our pledge to assist JA Worldwide to further develop JA in The Bahamas.

Students who participated in Job Shadow Day, part of the Junior Achievement Year, had lunch with CIBC FirstCaribbean staff.

The Bank's Adopt-A-Cause Programme continues to encourage staff to volunteer their time in various communities. Staff at the new Carmichael Road Branch assisted S. C. McPherson Junior High School with its literacy programme and the Operations team assisted the PACE Foundation, an organisation committed to the education, health and well-being of teenage mothers. Several other branches and units completed projects that have positively impacted the Bahamian community.

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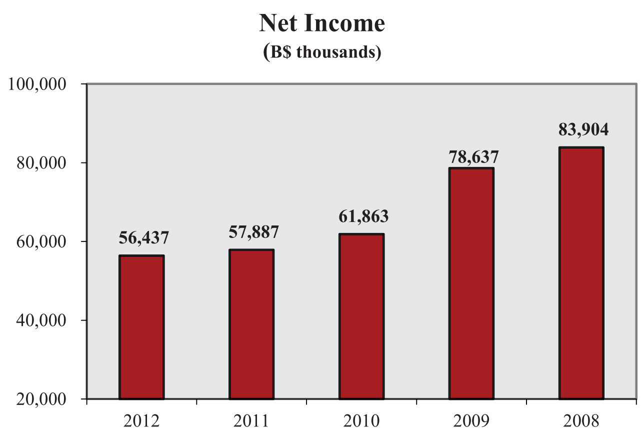
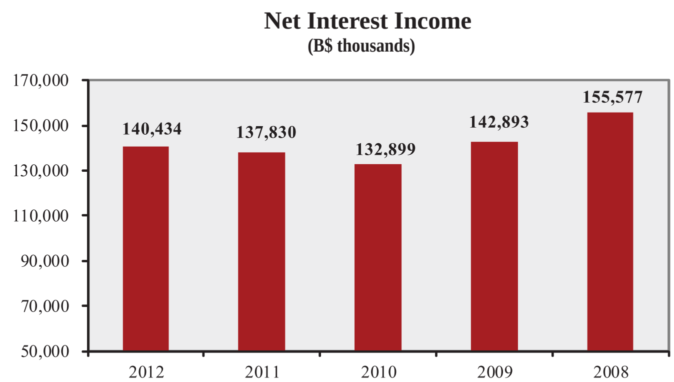
Management’s discussion and analysis (MD&A) should be read in conjunction with the audited consolidated financial statements included in this Annual Report. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and are expressed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

Financial Highlights B$(000)	**2012**	2011	2010	2009	2008
Net income	**56,437**	57,887	61,863	78,637	83,904
Earnings per share (cents)	**46.9**	48.2	51.5	65.4	69.8
Total assets	**3,357,111**	3,536,725	3,598,996	3,762,672	4,137,990
Total equity	**790,329**	758,225	730,854	707,181	645,812
Return on assets*	**1.6%**	1.6%	1.7%	2.0%	1.0%
Return on equity*	**9.6%**	10.4%	11.6%	16.7%	18.2%
Ratio of operating expenses to revenues	**47.9%**	48.0%	45.6%	42.2%	37.5%
Dividends per share (cents)	**26.0**	28.0	31.0	35.0	45.0
Dividend pay-out ratio	**55.4%**	58.1%	60.2%	53.5%	64.4%
Dividends times covered	**1.81**	1.72	1.66	1.87	1.55

* Based on four quarters rolling averages





Overview

Net income for the year was $56.4 million compared to $57.9 million in 2011. The Bank’s results continued to be adversely impacted by lackluster business activities and challenges of the current economic conditions. The Bank remains focused on service excellence and product offerings aimed at providing needed client solutions. Total operating income decreased by $1.3 million, as a result of a $3.9 million decline in other operating income being partially offset by a $2.6 million increase in net interest income. Total operating expenses remained flat to prior year as a result of a $0.9 million decline in operating expenses offset by an increase of $1.0 million in loan loss impairment, in part reflecting the ongoing challenges faced by the Bank’s clients.

Review Of Consolidated Statement Of Income

Net interest income and margin

	2012	2011
B$ thousands for the year ended October 31		
Average total assets	**3,347,950**	3,579,880
Net interest income	**140,434**	137,830
Net interest margin	**4.20%**	3.90%

Net interest income (NII) represents interest earned on loans, securities and deposits with other banks, less interest paid on deposits from customers and other borrowings. NII for the year increased by $2.6 million or 1.9%, from $137.8 million last year to $140.4 million in 2012. Interest income was $15.6 million, or 8.5%, less than prior year, primarily driven by a decline in income earned on loans, as a result of lower average volumes and yields. Interest expense declined by $18.2 million or 39.8%, due primarily to a decline in deposit rates and lower deposit and hedging instrument volumes.

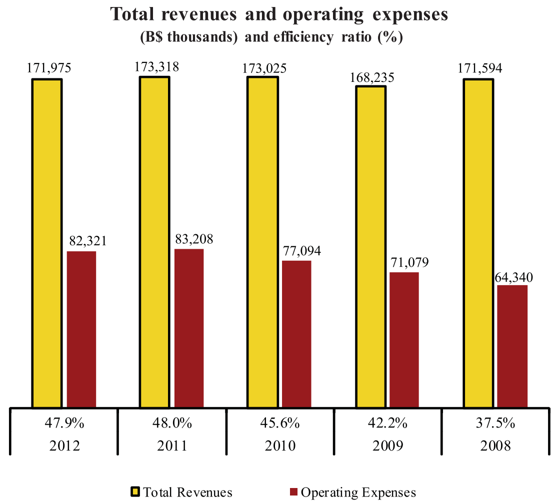
Other operating income

	2012	2011
B$ thousands for the year ended October 31		
Net fee & commission income	**19,705**	18,395
Foreign exchange earnings	**9,753**	10,669
Net (losses)/gains	**(461)**	3,231
Other	**2,544**	3,193
	31,541	35,488

Other operating income decreased by $3.9 million, or 11.1%, from the previous year. This decline was primarily a result of an increase in net hedging losses coupled with a decrease in foreign exchange revaluation gains from prior year. This was partially offset by an increase in fees earned on card services due to greater card activity during 2012.

Operating expenses

Operating expenses declined year over year by $0.9 million, or 1.1%, primarily due to non-recurring restructuring costs in 2011 and lower personnel costs in 2012. As a result of reductions in both the operating expenses and revenues, the efficiency ratio remained relatively flat to prior year at 47.9% (2011 – 48.0%)



Loan loss impairment

	2012	2011
B$ thousands for the year ended October 31		
Individual impairment		
Mortgages	**16,683**	10,892
Personal	**7,627**	5,447
Business & Government	**8,433**	17,009
	32,743	33,348
Collective impairment charge/(credit)	**474**	(1,125)
	33,217	32,223

Loan loss impairment expense (LLE) increased by $1.0 million, or 3.1%, year over year, driven by an increase in collective impairment of $2 million, which was primarily due to updates to key assumptions. The ratio of LLE to gross loans was 1.4% at the end of 2012 (2011 - 1.3%). The ratio of provision to impaired loans decreased to 21.2%, compared to 22.1% in 2011.

Review Of Consolidated Statement Of Financial Position

	2012	2011
B$ thousands, as at October 31		
Assets		
Cash, balances with The Central Bank and due from banks	**246,625**	290,628
Investment securities	**606,911**	646,988
Loans and advances to customers	**2,259,537**	2,342,151
Other assets	**244,038**	256,958
	3,357,111	3,536,725
Liabilities and Equity		
Customer deposits	**2,503,239**	2,712,978
Other liabilities	**63,543**	65,522
Equity	**790,329**	758,225
	3,357,111	3,536,725

Total assets were $3.4 billion, resulting in a decrease of $179.6 million, or 5.1%, prior last year. The decrease primarily reflects reductions in the loan, cash resources and investment securities balances. Liabilities decreased by $211.7 million or 7.6%, reflecting a decrease in corporate funding deposits and interbank borrowings.

Cash, balances with The Central Bank and due from banks

Cash, balances with the Central Bank and due from banks decreased by $44.0 million, or 15.1%, primarily reflecting a reduction in customer deposit balances and net repayment of loan balances.

Investment securities

Investment securities decreased by $40.1 million, or 6.2%, from the previous year, reflecting redemptions and maturities of government and corporate bonds in the investment portfolio, in excess of new purchases made during the year.

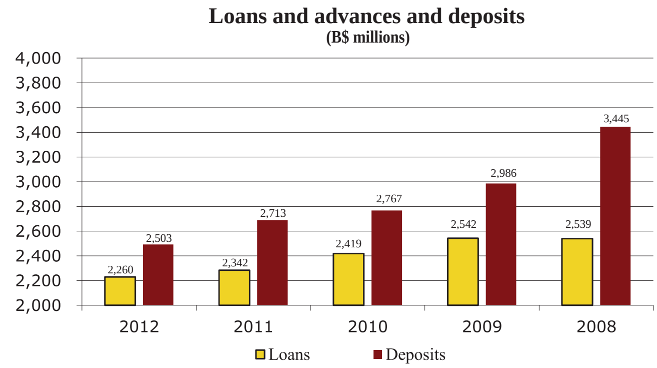
Loans and advances to customers

Net loans and advances to customers at $2.3 billion were flat to the prior year. Business & Government loans, which account for 40.3% of the Bank's gross loans, decreased by $57.5 million, or 5.8%, from the prior year. Personal loans and mortgages also declined, by $21.0 million and $16.7 million, respectively.

Productive loans were $2.0 billion, down $63.2 million or 3.1%, from the prior year. This decrease primarily reflects a combination of pay downs and repayments of loans. Impaired loans decreased by $32.0 million or 8.1%, represented mainly by a net decrease in impaired Business & Government loans, of 26.2%, partially offset by an increase in impaired Mortgages of 5.9%.

Customer deposits

Customer deposits decreased by $209.7 million, or 7.7%, from the previous year. Deposits placed by individuals decreased by $72.2 million, or 7.4%, while bank deposits (interbank borrowings) decreased by $110.5 million, or 34.7%, primarily due to changes in the Bank's funding requirements. Business and government deposits declined by $21.5 million, or 1.5%, as funds were withdrawn from the Bank in pursuit of additional investment opportunities.



	2012	2011	2010	2009	2008
Loans to deposits	90%	86%	87%	85%	74%

Equity

Equity attributable to equity holders increased by $32 million mainly due to net income of $56 million; plus other comprehensive income of $7 million, less dividends of $31 million.

Our capital strength protects our depositors and creditors from risks inherent in our business, allows us to absorb unexpected losses and enables us to take advantage of attractive business opportunities. The Bank continues to maintain strong capital ratios of Tier I and Tier I and II of 27% and 28% respectively at the end of 2012, well in excess of regulatory requirements.

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 identification and assessment 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, analysis and adjudication through centrally based teams which manage credit, market, and operational risks.

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 robust control and governance structure is embedded within each strategic business unit. Representatives from Risk Management interact with the senior leadership of each strategic business unit in order to identify and manage risks in the respective businesses. This approach is supported by compreshensive enterprise-wide reporting.

Credit Risk

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

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 some frontline lenders. 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. Delinquent facilities are subject to separate and additional oversight by specialized loan restructuring teams. Classification is automated and operates strictly in line with regulatory and accounting standards. Credit provisions are independently calculated in accordance with IFRS for statutory reporting and in accordance with Central Bank guidelines, to meet regulatory requirements, by central risk and financial controls team.

Market Risk

Market risk is the measurement of potential loss arising from adverse movements in interest rates, foreign exchange rates, equity and commodity prices, and credit spread risk in the Bank's investment portfolios. It arises in trading activities, as well as in the natural course of wholesale and retail business. 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 enhance earnings in defined limits.

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

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 practice. There is a centralised, dedicated market 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 measurement of potential loss or damaged reputation from failed or inadequate internal processes, people and systems, or from external events. Operational risks are inherent in all activities within the Bank, including its outsourced activities and in all interactions with external parties.

Strong internal governance and controls, including a fraud framework, operational risk testing, and trained staff, is key to successful operational risk management. Each strategic business unit is primarily responsible for identifying, assessing and managing operational risks in that business unit. An Operational Risk Management team develops and maintains the framework for identifying, monitoring and controlling operational risks and supports each business unit in implementing the framework and raising awareness of operational risks. This team also 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 Liquidity Management Policy and Framework 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 and adherence to the liquidity management policy. 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 independently reviewed by the market risk function and reported to the Board quarterly.

FIRSTCARIBBEAN INTERNATIONAL BANK (BAHAMAS) LIMITED

Audited Consolidated Financial Statements

Audited Consolidated Financial Statements
Year ended October 31, 2012
with Independent Auditors' Report

ERNST & YOUNG

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INDEPENDENT AUDITORS' REPORT

The Shareholders and Directors
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, 2012, 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 the related 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, 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst + Young

December 20, 2012

Consolidated Statement Of Financial Position

As at October 31, 2012
(Expressed in thousands of Bahamian dollars)

	Notes	2012 $	2011 $
ASSETS			
Cash and balances with The Central Bank	3	**131,446**	148,518
Due from banks	4	**115,179**	142,110
Derivative financial instruments	5	**683**	3,010
Financial assets at fair value through profit or loss	6	**14,855**	27,319
Other assets	7	**8,722**	5,875
Investment securities	8	**606,911**	646,988
Loans and advances to customers	9	**2,259,537**	2,342,151
Property and equipment	10	**26,517**	26,703
Retirement benefit assets	11	**5,514**	6,304
Goodwill	12	**187,747**	187,747
Total assets		**3,357,111**	3,536,725
LIABILITIES			
Customer deposits	13	**2,503,239**	2,712,978
Derivative financial instruments	5	**23,165**	21,317
Financial liabilities at fair value through profit or loss	6	**14,855**	27,319
Other liabilities	14	**19,010**	12,469
Retirement benefit obligations	11	**6,513**	4,417
Total liabilities		**2,566,782**	2,778,500
EQUITY			
Share capital and reserves	15	**457,454**	449,410
Retained earnings		**332,875**	308,815
Total equity		**790,329**	758,225
Total liabilities and equity		**3,357,111**	3,536,725

Approved by the Board of Directors on December 20, 2012 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, 2012
(Expressed in thousands of Bahamian dollars)

	Notes	2012 $	2011 $
Interest and similar income		**167,910**	183,493
Interest and similar expense		**27,476**	45,663
Net interest income	16	**140,434**	137,830
Other operating income	17	**31,541**	35,488
Total operating income		**171,975**	173,318
Operating expenses	18	**82,321**	83,208
Loan loss impairment	9	**33,217**	32,223
Total operating expenses		**115,538**	115,431
Net income for the year		**56,437**	57,887
Basic earnings per share (expressed in cents per share)	19	**46.9**	48.2

See accompanying notes.

Consolidated Statement Of Comprehensive Income

For the year ended October 31, 2012
(Expressed in thousands of Bahamian dollars)

	Notes	2012 $	2011 $
Net income for the year		**56,437**	57,887
Other comprehensive income:			
Net gain on available-for-sale investment securities	21	**6,923**	3,145
Total comprehensive income for the year		**63,360**	61,032

See accompanying notes.

Consolidated Statement Of Changes in Equity

For the year ended October 31, 2012
(Expressed in thousands of Bahamian dollars)

	Notes	Share capital $	Reserves $	Retained earnings $	Total equity $
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**
Total comprehensive income for the year		-	6,923	56,437	63,360
Dividends	20	-	-	(31,256)	(31,256)
Transfer to statutory reserve fund – Turks & Caicos Islands	15	-	2,196	(2,196)	-
Transfer from statutory loan loss reserve – Bahamas	15	-	(1,075)	1,075	-
Balance at October 31, 2012		**477,230**	**(19,776)**	**332,875**	**790,329**

See accompanying notes.

Consolidated Statement Of Cash Flows

For the year ended October 31, 2012
(Expressed in thousands of Bahamian dollars)

	Notes	2012 $	2011 $
Cash flows from operating activities			
Net income		**56,437**	57,887
Adjustments to reconcile net income to net cash (used in)/ provided by operating activities:			
Loan loss impairment	9	**33,217**	32,223
Depreciation of property and equipment	10	**3,288**	3,425
Loss/(gain) on disposal of property and equipment	18	**337**	(54)
Net gains on sale and redemption of investment securities	17	**(995)**	(348)
Interest income on investment securities	16	**(29,941)**	(32,550)
Net hedging losses/(gains)		**1,456**	(2,872)
Interest expense on other borrowed funds	16	**2,523**	6,480
Cash flows from net income before changes in operating assets and liabilities		**66,322**	64,191
Changes in operating assets and liabilities:			
- net decrease in due from banks greater than 90 days		**15,332**	41,887
- net decrease/(increase) in mandatory reserves with The Central Bank		**4,799**	(2,087)
- net decrease/(increase) in financial assets at fair value through profit or loss	6	**12,464**	(27,319)
- net decrease in loans and advances to customers		**49,397**	44,462
- net decrease in other assets		**270**	26,297
- net decrease in customer deposits		**(209,739)**	(54,381)
- net (decrease)/increase in financial liabilities at fair value through profit or loss	6	**(12,464)**	27,319
- net increase/(decrease) in other liabilities		**10,479**	(58,531)
Net cash (used in)/from operating activities		**(63,140)**	61,838
Cash flows from investing activities			
Purchases of property and equipment	10	**(3,442)**	(4,782)
Proceeds from disposal of property and equipment		**3**	54
Purchases of investment securities		**(202,651)**	(243,055)
Interest paid on other borrowed funds		**(2,517)**	(10,529)
Interest income received on investment securities		**30,606**	32,830
Proceeds from sale and redemption of investment securities		**248,525**	289,614
Net cash from investing activities		**70,524**	64,132
Cash flows from financing activities			
Dividends paid	20	**(31,256)**	(33,661)
Net cash used in financing activities		**(31,256)**	(33,661)
Net (decrease)/increase in cash and cash equivalents		**(23,872)**	92,309
Cash and cash equivalents, beginning of year		**161,164**	68,855
Cash and cash equivalents, end of year	3	**137,292**	161,164

See accompanying notes.

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 91.7% 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, 2012 (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 30. 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 IAS 24 (Revised), Related Party Transactions, and IFRS 7, Financial Instruments: Disclosures

(Amendment), which were required for annual periods beginning after January 1, 2011 and July 1, 2011, respectively.

Adoption of these revised standards 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.

(iv) Recognition

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.

(v) Subsequent Measurement

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 subsequently measured 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.

During the normal course of business, financial assets carried at amortised cost may be restructured with the mutual agreement of the Bank and the counterparty. When this occurs for reasons other than those which could be considered indicators of impairment (see 'Impairment of financial assets'), the Bank assesses whether the restructured or renegotiated financial asset is significantly different from the original one by comparing the present value of the restructured cash flows discounted at the original instrument's interest rate.

If the restructured terms are significantly different, the Bank derecognises the original financial asset and recognises a new one at fair value, with any difference recognised in the consolidated statement of 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:

(i) 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.

(ii) 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.

In certain instances, the terms of advances to customers are restructured or renegotiated. These facilities are subject to the impairment review noted above, and where there is objective evidence of impairment, the amount of any impairment loss is measured as the difference between the carrying value of the facility and the present value of estimated future cash flows based on the renegotiated terms and conditions discounted at the original effective interest rate before restructuring.

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' (Note 18).

(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 Senior Executive Team 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, 2012. Of these, the following are relevant to the Bank but have not been early adopted:

- IAS 1 — Presentation of Financial Statements (Amendment)
- IAS 19 — Employee Benefits (Revised)
- IFRS 7 — Financial Instruments: Disclosures (Amendment) Offsetting Financial Assets and Financial Liabilities
- IFRS 9 — Financial Instruments Part 1: Classification and Measurement
- IFRS 10 — Consolidated Financial Statements
- IFRS 11 — Joint Arrangements
- 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.

The amendments to IFRS 7 require an entity to disclose information about rights of set-off and related arrangements (e.g., collateral agreements).

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 11 describes the accounting for joint arrangements with joint control; proportionate consolidation is not permitted for joint ventures (as newly defined).

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

(Expressed in thousands of Bahamian dollars)

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

IAS 1 is mandatory 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, except for IFRS 9 which is required for annual periods beginning on or after January 1, 2015. 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

	2012	2011
	$	$
Cash	**32,901**	30,216
Deposits with The Central Bank - non-interest bearing	**98,545**	118,302
Cash and balances with The Central Bank	**131,446**	148,518
Less: Mandatory reserve deposits with The Central Bank	**(45,676)**	(50,475)
Included in cash and cash equivalents, as per below	**85,770**	98,043

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

	2012	2011
	$	$
Cash and balances with The Central Bank, as per above	**85,770**	98,043
Due from banks, included in cash and cash equivalents (Note 4)	**51,522**	63,121
	137,292	161,164

4. Due from banks

	2012	2011
	$	$
Included in cash and cash equivalents (Note 3)	**51,522**	63,121
Greater than 90 days maturity from date of acquisition	**63,563**	78,921
Due from banks	**115,085**	142,042
Add: Accrued interest receivable	**94**	68
	115,179	142,110

(Expressed in thousands of Bahamian dollars)

Due from banks comprises deposit placements and include amounts placed with other FirstCaribbean Bank entities of $58,885 (2011 - $70,984) and deposit placements with CIBC entities of $23,541 (2011 - $17,817) (Note 23). Due from banks include placements with FCIB Jamaica totalling $54,327 (2011 - $70,905) (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 0.46% (2011 - 0.52%).

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:

	Notional Amount		Fair Values	
	Assets	Liabilities	Assets	Liabilities
	$	$	$	$
2012				
Interest rate swaps	**80,051**	**74,758**	**673**	**22,607**
Foreign exchange forwards	**37,271**	**56,397**	**10**	**558**
			683	**23,165**
2011				
Interest rate swaps	92,304	143,938	915	21,317
Foreign exchange forwards	105,404	-	2,095	-
			3,010	21,317

As of October 31, 2012 and 2011 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.

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, 2012, the Bank recognised losses on hedging instruments of $4,291 (2011 - gains of $11,973) and gains on hedged items attributable to the hedged risk of $2,835 (2011 - losses of $9,090), which is included in other operating income as part of net hedging 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.

(Expressed in thousands of Bahamian dollars)

6. Financial assets/liabilities at fair value through profit or loss

During 2011, 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 gains/losses. Trading gains/losses as at October 31, 2012 and 2011 were nil.

	2012 $	2011 $
Balance, beginning of year	**27,319**	-
Additions	**-**	33,849
Disposals	**(6,814)**	(2,370)
Change in fair value	**(5,650)**	(4,160)
Balance, end of year	**14,855**	27,319

7. Other assets

	2012 $	2011 $
Branch clearings and suspense	**4,390**	852
Other accounts receivables	**2,969**	3,711
Prepayments and deferred items	**1,363**	1,312
	8,722	5,875

8. Investment securities

	2012 $	2011 $
Available-for-sale		
Government debt securities	**463,223**	475,100
Corporate debt securities	**133,308**	160,842
	596,531	635,942
Add: Interest receivable	**10,380**	11,046
	606,911	646,988

Debt securities issued or guaranteed by the Government of The Bahamas amounted to $272,522 (2011 - $241,572). The effective yield during the year on investment securities was 4.75% (2011 - 5.04%).

(Expressed in thousands of Bahamian dollars)

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

	2012	2011
	$	$
Balance, beginning of year	**635,942**	676,136
Additions (purchases, changes in fair value and foreign exchange)	**208,119**	249,072
Disposals (sales and redemptions)	**(247,530)**	(289,266)
Balance, end of year	**596,531**	635,942

9. Loans and advances to customers

	Mortgages	Personal Loans	Business & Government Loans	2012 Total
	$	$	$	$
Performing loans (Note 27)	945,826	188,870	817,355	**1,952,051**
Impaired loans (Note 27)	204,758	43,191	115,161	**363,110**
Gross loans (Note 27)	1,150,584	232,061	932,516	**2,315,161**
Less: Provisions for impairment	(41,107)	(19,570)	(16,308)	**(76,985)**
	1,109,477	212,491	916,208	**2,238,176**
Add: Interest receivable				**36,037**
Less: Unearned fee income				**(14,676)**
				2,259,537

	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				36,414
Less: Unearned fee income				(17,326)
				2,342,151

(Expressed in thousands of Bahamian dollars)

Movement in provisions for impairment for 2012 is as follows:

	Mortgages	Personal Loans	Business & Government Loans	Total
	$	$	$	$
Balance, beginning of year	30,786	17,758	38,724	**87,268**
Identified impairment	16,683	7,627	8,433	**32,743**
Unidentified impairment	690	(290)	74	**474**
Interest accrued on impaired loans	-	-	(4,784)	**(4,784)**
Recoveries of bad and doubtful debts	-	1,351	333	**1,684**
Bad debts written off	(7,052)	(6,876)	(26,472)	**(40,400)**
Balance, end of year	41,107	19,570	16,308	**76,985**

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

Ageing analysis of past due but not impaired loans for 2012:

	Mortgages	Personal Loans	Business & Government Loans	Total
	$	$	$	$
Less than 30 days	53,003	6,173	8,067	**67,243**
31 - 60 days	34,135	7,791	7,113	**49,039**
61 - 89 days	14,317	1,603	196	**16,116**
	101,455	15,567	15,376	**132,398**

(Expressed in thousands of Bahamian dollars)

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- 89 days	9,223	6,226	5,701	21,150
	101,561	16,060	33,199	150,820

The average interest yield during the year on loans and advances was 6.61% (2011 - 6.80%). Interest taken to income on impaired loans during the year amounted to $983 (2011 - $7,026).

Loan loss impairment is calculated as follows:

	2012	2011
	$	$
Identified impairment	**32,743**	33,348
Unidentified impairment	**474**	(1,125)
Loan loss impairment for the year	**33,217**	32,223

10. Property and equipment

	Land and Buildings	Equipment, Furniture and Vehicles	Leasehold Improvements	Total
	$	$	$	$
Cost				
Balance, November 1, 2011	22,054	29,749	12,355	**64,158**
Purchases	52	1,804	1,586	**3,442**
Net transfers/write-offs	(442)	-	102	**(340)**
Balance, October 31, 2012	21,664	31,553	14,043	**67,260**
Accumulated depreciation				
Balance, November 1, 2011	4,710	23,549	9,196	**37,455**
Depreciation (Note 18)	584	1,983	721	**3,288**
Balance, October 31, 2012	5,294	25,532	9,917	**40,743**
Net book value, October 31, 2012	16,370	6,021	4,126	**26,517**

(Expressed in thousands of Bahamian dollars)

	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**

Included as part of equipment, furniture and vehicles is an amount for $1,250 (2011 - $1,967) 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	
	2012 $	**2011** $	**2012** $	**2011** $
Fair value of the plan assets	**92,086**	90,035	-	-
Present value of the obligations	**(98,744)**	(96,651)	**(12,797)**	(9,290)
	(6,658)	(6,616)	**(12,797)**	(9,290)
Unrecognised actuarial gains	**12,172**	12,920	**6,284**	4,873
Retirement benefit assets/(obligations)	**5,514**	6,304	**(6,513)**	(4,417)

The pension plan assets include 100,000 (2011 - 100,000) ordinary shares in the Bank, with a fair value of $720 (2011 - $814). The actual return on plan assets for the defined benefit sections of the pension plan was $1,910 (2011 - $8,943).

(Expressed in thousands of Bahamian dollars)

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

	Defined Benefit Pension Plans		Post Retirement Medical Benefits	
	2012	2011	2012	2011
	$	$	$	$
Current service costs	**3,358**	3,303	**63**	27
Curtailment and settlement costs	**231**	418	**1,976**	(236)
Expected return on plan assets	**(6,059)**	(5,149)	**-**	-
Interest cost	**4,944**	5,163	**458**	153
Total amount included in staff costs (Note 18)	**2,474**	3,735	**2,497**	(56)

The movements in the retirement benefit assets/(obligations) recognised on the consolidated statement of financial position are as follows:

	Defined Benefit Pension Plans		Post Retirement Medical Benefits	
	2012	2011	2012	2011
	$	$	$	$
Balance, beginning of year	**6,304**	10,039	**(4,417)**	(4,473)
(Charge)/income for the year (Note 18)	**(2,474)**	(3,735)	**(2,497)**	56
Contributions by employer	**1,684**	-	**401**	-
Balance, end of year	**5,514**	6,304	**(6,513)**	(4,417)

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

	2012	2011
	$	$
Fair value of plan assets at beginning of year	**90,035**	82,526
Expected return	**6,059**	5,149
Contributions by employer	**1,684**	-
Benefits paid	**(2,236)**	(2,267)
Actuarial (loss)/gain	**(3,456)**	4,627
Fair value of plan assets at end of year	**92,086**	90,035

During 2012, the Bank commenced contributions to its defined benefit pension plan.

(Expressed in thousands of Bahamian dollars)

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

	2012	2011
	$	$
Present value of the obligations at beginning of year	**(96,651)**	(87,626)
Interest costs	**(4,944)**	(5,163)
Current service costs	**(3,358)**	(3,303)
Benefits paid	**2,236**	2,267
Actuarial gain/(loss) on the obligations	**3,973**	(2,826)
Present value of the obligations at end of year	**(98,744)**	(96,651)

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

	2012	2011
Equity instruments	**57%**	57%
Debt instruments	**43%**	43%

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	
	2012	2011
Discount rate	**5.0%**	5.0%
Expected return on plan assets	**6.1%**	6.8%
Future salary increases	**4.0%**	4.0%
Future pension increases	**2.5%**	2.5%

	Post Retirement Medical Benefit	
	2012	2011
Discount rate	**5.0%**	5.0%
Premium escalation rate	**6.0%**	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:

	2012	2011	2010	2009	2008
	$	$	$	$	$
Defined benefit obligation	**(98,744)**	(96,651)	(87,626)	(79,417)	(73,826)
Plan assets	**92,086**	90,035	82,526	79,005	76,659
(Deficit)/Surplus	**(6,658)**	(6,616)	(5,100)	(412)	2,833
Experience adjustments on plan liabilities	**2,670**	940	1,410	1,023	575
Experience adjustments on plan assets	**(3,450)**	4,640	1,170	(5,503)	(20,693)

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	0.45	0.52	0.61
Present Value of the obligations	11.01	12.80	15.00

12. Goodwill

	2012	2011
	$	$
Carrying amount, October 31	**187,747**	187,747

Impairment tests for goodwill
Goodwill is allocated to the Bank's cash-generating units ("CGUs") identified according to country of operation. Each CGU's recoverable amount has been determined using value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a three-year period. Cash flows beyond the three-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the country in which the CGU operates.

(Expressed in thousands of Bahamian dollars)

Key assumptions used for value-in-use calculations

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

	Discount rate		Growth rate	
	2012	2011	**2012**	2011
Bahamas	**10%**	11%	**3%**	3%

Management has determined budgeted growth rates based on past performance and its expectations of market development. The discount rates used reflect specific risks relating to the jurisdiction.

Based on the Bank's assessment of goodwill, there was no impairment charge for the year (2011 - nil).

13. Customer deposits

	Payable on Demand	Payable after Notice	Payable at a Fixed Date	2012 Total	2011 Total
	$	$	$	$	$
Individuals	140,756	181,686	582,125	**904,567**	976,753
Business and governments	707,139	33,516	642,383	**1,383,038**	1,404,534
Banks	6,728	-	200,972	**207,700**	318,229
	854,623	215,202	1,425,480	**2,495,305**	2,699,516
Add: Interest payable	98	73	7,763	**7,934**	13,462
	854,721	215,275	1,433,243	**2,503,239**	2,712,978

Included in deposits from banks are deposits from other Parent Group entities of $207,670 (2011 - $311,925) and deposits from CIBC entities of $81 (2011 - $85) (Note 23).

The effective rate of interest on deposits during the year was 0.95% (2011 - 1.43%).

14. Other liabilities

	2012	2011
	$	$
Accounts payable and accruals, including clearings	**16,413**	9,147
Amounts due to related parties (Note 23)	**2,450**	3,013
Payroll liabilities	**19**	264
Due to brokers and others	**128**	45
	19,010	12,469

The amount due to related parties refers to balances due to other Parent Group entities as well as CIBC and is interest free with no fixed terms of repayment.

(Expressed in thousands of Bahamian dollars)

15. Share capital and reserves

	2012	2011
	$	$
Share capital	**477,230**	477,230
Reserves		
Statutory reserve fund – Turks and Caicos Islands	**33,140**	30,944
Statutory loan loss reserve – Bahamas	**9,887**	10,962
Revaluation reserve – Available-for-sale investments	**763**	(6,160)
Reverse acquisition reserve	**(63,566)**	(63,566)
Total reserves	**(19,776)**	(27,820)
Total share capital and reserves	**457,454**	449,410

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 2012 and 2011. At October 31, 2012 and 2011, 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 2012, Tier 1 and Total Capital ratios were 27% and 28%, respectively (2011 - 24% and 24%, respectively).

(Expressed in thousands of Bahamian dollars)

The movements in reserves were as follows:

Statutory reserve fund – Turks and Caicos Islands

	2012	2011
	$	$
Balance, beginning of year	**30,944**	27,816
Transfers from retained earnings	**2,196**	3,128
Balance, end of year	**33,140**	30,944

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.

Statutory loan loss reserve – Bahamas

	2012	2011
	$	$
Balance, beginning of year	**10,962**	10,308
Transfers (to)/from retained earnings	**(1,075)**	654
Balance, end of year	**9,887**	10,962

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.

Revaluation reserve – available-for-sale investments

	2012	2011
	$	$
Balance, beginning of year	**(6,160)**	(9,305)
Net gain from changes in fair value of available-for-sale investments (Note 21)	**6,923**	3,145
Balance, end of year	**763**	(6,160)

(Expressed in thousands of Bahamian dollars)

Reverse acquisition reserve

	2012	2011
	$	$
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

	2012	2011
	$	$
Interest and similar income		
Cash and short-term funds	**540**	509
Investment securities	**29,941**	32,550
Loans and advances to customers	**137,429**	150,434
	167,910	183,493
Interest and similar expense		
Banks and customers	**24,953**	39,183
Other	**2,523**	6,480
	27,476	45,663
Net interest income	**140,434**	137,830

(Expressed in thousands of Bahamian dollars)

17. Other operating income

	2012	2011
	$	$
Fee and commission income	**19,705**	18,395
Foreign exchange commissions	**9,712**	9,832
Foreign exchange revaluation net gains	**41**	837
Net investment securities gains	**995**	348
Net hedging (losses)/gains (Note 5)	**(1,456)**	2,883
Other operating income	**2,544**	3,193
	31,541	35,488

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:

	2012	2011
	$	$
Underwriting	**241**	54
Deposit services	**6,623**	6,593
Credit services	**1,605**	1,487
Card services	**6,726**	6,350
Funds transfer	**3,795**	3,489
Other	**715**	422
	19,705	18,395

18. Operating expenses

	2012	2011
	$	$
Staff costs	**39,300**	39,647
Business license and management fees	**16,865**	16,006
Occupancy and maintenance	**12,870**	12,565
Depreciation (Note 10)	**3,288**	3,425
Other operating expenses	**9,998**	11,565
	82,321	83,208

(Expressed in thousands of Bahamian dollars)

Analysis of staff costs:

	2012	2011
	$	$
Wages and salaries	**28,977**	29,658
Pension costs:		
-defined benefit sections of the plan (Note 11)	**2,474**	3,735
-defined contribution section of the plan	**398**	416
Post-retirement medical benefits charge/(income) (Note 11)	**2,497**	(56)
Share-based payments (Note 22)	**253**	276
Other staff related costs	**4,701**	5,618
	39,300	39,647

Analysis of other operating expenses:

	2012	2011
	$	$
Communications	**2,291**	2,411
Professional fees	**1,265**	2,237
Business development	**402**	399
Advertising and marketing	**224**	103
Loss/(gain) on disposal of property & equipment	**337**	(54)
Consumer related expenses	**1,236**	1,453
Postage and courier	**896**	779
Other	**3,347**	4,237
	9,998	11,565

19. Earnings per share

Basic earnings per share

	2012	2011
	$	$
Net income attributable to shareholders	**56,437**	57,887
Weighted average number of ordinary shares in issue (Note 15)	**120,216**	120,216
Basic earnings per share (expressed in cents per share)	**46.9**	48.2

The Bank has no dilutive securities.

(Expressed in thousands of Bahamian dollars)

20. Dividends paid

	2012	2011
	$	$
Declared and paid during the year		
First dividend $0.13 (2011 - $0.15)	**15,628**	18,033
Final dividend $0.13 (2011 - $0.13)	**15,628**	15,628
Total dividends declared and paid	**31,256**	33,661

At the Board of Directors meeting held on December 20, 2012, a final dividend of $0.13 per share amounting to $15,628 in respect of the 2012 net income was proposed and declared. The consolidated financial statements for the year ended October 31, 2012 do not reflect this resolution, which will be accounted for in equity as a distribution of retained earnings in the year ending October 31, 2013.

21. Components of other comprehensive income

	2012	2011
	$	$
Available-for-sale investment securities:		
Net gains arising during the year	**7,918**	3,493
Less: reclassification adjustments for gains included in the statement of income	**(995)**	(348)
Other comprehensive income for the year (Note 15)	**6,923**	3,145

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 $253 in 2012 (2011 - $276) (Note 18).

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 91.7% of the shares of the Bank's Parent (FCIB). The remaining shares are widely held.

(Expressed in thousands of Bahamian dollars)

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	
	2012	2011	2012	2011	2012	2011
	$	$	$	$	$	$
Asset balances:						
Due from banks	-	-	**58,885**	70,984	**23,541**	17,817
Derivative financial instruments – asset	-	-	-	-	**203**	2,123
Other assets	-	-	**21**	21	-	-
Loans and advances to customers	2,690	2,120	-	-	-	-
Liability balances						
Customer deposits	3,716	1,015	**207,670**	311,925	**81**	85
Derivative financial instruments – liability	-	-	**(99)**	316	**10,379**	5,105
Financial liability at fair value through profit or loss	-	-	-	-	**14,855**	27,319
Other liabilities	-	-	**2,450**	3,013	-	-
Revenue Transactions:						
Interest income earned	128	98	**375**	243	**8**	12
Other income	-	-	-	-	**4,818**	4,445
Expense Transactions:						
Interest expense incurred	112	69	**2,699**	1,085	**1,399**	7,428
Other expenses*	-	-	**13,061**	12,431	**273**	250

* Expenses incurred in relation to banking and support services.

	2012	2011
	$	$
Key management compensation		
Salaries and short term benefits	**2,513**	2,303

Directors' remuneration

In 2012, the total remuneration to the directors was $53 (2011 - $53).

(Expressed in thousands of Bahamian dollars)

24. Commitments, guarantees and contingent liabilities

The Bank conducts business that involves letters of credit, 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:

	2012	2011
	$	$
Letters of credit	**43,135**	43,311
Undrawn loan commitments	**174,393**	176,367
Guarantees and indemnities	**27,823**	45,686
Total (Note 27)	**245,351**	**265,364**

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.

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 develop 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. Further extensions were effected on December 19, 2010 and December 15, 2011. Effective August 31, 2012, the Bank further reduced its credit facility to $1 million, which matures March 31, 2013. As of October 31, 2012, no advances were made from the facility and all balances are undrawn.

25. Future rental commitments under operating leases

As at October 31, 2012, the Bank held leases on buildings for extended periods. The future rental commitments under these leases are as follows:

	2012	2011
	$	$
Not later than 1 year	**3,529**	3,442
Later than 1 year and less than 5 years	**5,799**	5,062
Later than 5 years	**1,581**	2,309
	10,909	10,813

26. Business segments

The Bank's operations are organised into three business segments: Retail Banking, Corporate Lending & Investment Banking and Wealth Management that are supported by the functional operating units within the Administration segment.

Retail Banking ("RB")
Retail Banking includes Retail, Business Banking and Cards businesses. This segment provides a full range of financial products and services to individuals which can be accessed through our network of branches and ABMs, as well as through internet and telephone banking channels. Business Banking clients are provided with products and services to satisfy their day to day operational and working capital business needs. Cards offering includes both the issuing and acquiring business.

Corporate Lending & Investment Banking ("CLIB")
This business segment comprises two sub-segments: Corporate Lending & Investment Banking.

(i) **Corporate Lending** provides a full range of corporate and commercial banking services to large and mid-sized corporate businesses, governments, financial institutions, international trading companies and private wealth vehicles throughout the Caribbean.

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

Wealth Management ("WM")
This segment comprises International Banking (including International Corporate and International Personal Banking), Investment Management and Private Wealth Management.

Wealth Management clients are provided investment advice and traditional banking services through a relationship management offer.

International Banking is a specialised business that facilitates leveraging of legislation and incentives in the international financial services jurisdictions to offer international clients a wide range of products, services and financial solutions.

Administration ("Admin")
The Administration segment includes Finance, Human Resources, Risk, Technology & Operations, Treasury and other units which support the business segments. 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.

Treasury manages the interest rate, foreign exchange and liquidity risks of the Bank. In addition, Treasury conducts foreign exchange and other derivative transactions on behalf of the Bank's clients. Securities and cash placements are normally held within the Treasury 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 economic profits, which for the total of all segments is equal to net income reflected in the consolidated financial statements. However, at the segment level, this measure of profit includes funds transfer pricing, management costs allocation, and 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 goodwill (being unallocated assets).

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

(Expressed in thousands of Bahamian dollars)

2012 Segment Reporting

	RB	CLIB	WM	Admin	2012
	$	$	$	$	$
External revenues	89,092	51,602	6,166	25,115	**171,975**
Revenues from other segments	(14,325)	19,773	18,795	(24,243)	-
Total revenues	74,767	71,375	24,961	872	**171,975**
Net income for the year	11,280	14,039	15,418	15,700	**56,437**

Segment results include the following items of income or expense:

	RB	CLIB	WM	Admin	2012
	$	$	$	$	$
Interest income	57,620	60,709	20,258	29,341	**167,928**
Interest expense	9,322	9,695	3,335	5,124	**27,476**
Loan loss impairment	10,868	19,833	2,516	-	**33,217**
Net hedging losses	-	-	-	(1,456)	**(1,456)**
Depreciation	1,150	4	6	2,128	**3,288**

Total assets and liabilities by segment are as follows:

	RB	CLIB	WM	Admin	2012
	$	$	$	$	$
Segment assets	1,154,820	1,025,984	114,802	873,758	**3,169,364**
Unallocated assets					**187,747**
Total assets					**3,357,111**
Segment liabilities	772,005	750,883	929,892	114,002	**2,566,782**
Total liabilities					**2,566,782**

2011 Segment Reporting

	RB	CLIB	WM	Admin	2011
	$	$	$	$	$
External revenues	86,729	52,949	5,030	28,610	173,318
Revenues from other segments	(14,362)	23,716	16,408	(25,762)	-
Total revenues	72,367	76,665	21,438	2,848	173,318
Net income for the year	19,244	16,145	11,592	10,906	57,887

(Expressed in thousands of Bahamian dollars)

Segment results include the following items of income or expense:

	RB	CLIB	WM	Admin	2011
	$	$	$	$	$
Interest income	63,302	71,639	16,749	31,803	183,493
Interest expense	16,180	16,156	3,695	9,632	45,663
Loan loss impairment	3,758	25,050	3,415	-	32,223
Net hedging gains	-	-	-	2,883	2,883
Depreciation	1,128	5	6	2,286	3,425

Total assets and liabilities by segment are as follows:

	RB	CLIB	WM	Admin	2011
	$	$	$	$	$
Segment assets	1,164,828	1,085,692	117,011	981,447	3,348,978
Unallocated assets					187,747
Total assets					3,536,725
Segment liabilities	753,252	846,511	929,446	249,291	2,778,500
Total liabilities					2,778,500

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, liquidity and market, and 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. 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 Risk Management Team is responsible for the provision of the Bank's adjudication, oversight and management of credit risk within its portfolios.

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

The Risk Management Team 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 certain front line employees are approved by Risk Management and where applicable by the Credit Committee and the Risk & Conduct Review Committee of the Board (R&CRC). The R&CRC also has the responsibility for approving credit policies and key risk limits, including portfolio limits, which are reviewed annually.

(Expressed in thousands of Bahamian dollars)

Credit risk limits

Credit limits are established for all loans (mortgages, personal, business & government) for the purposes of diversification and managing concentration. Limits are also established for individual borrowers, groups of related borrowers, industry sectors, country and geographic regions, and also for products and portfolios. Such risks are monitored on a revolving basis and the limits are 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 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.

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 2012	Drawn	Undrawn	Gross Maximum Exposure 2011
	$	$	$	$	$	$
Bahamas	**1,957,776**	**148,983**	**2,106,759**	2,028,186	149,613	2,177,799
Turks & Caicos Islands	**357,385**	**25,410**	**382,795**	382,145	26,754	408,899
	2,315,161	**174,393**	**2,489,554**	2,410,331	176,367	2,586,698

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.

(Expressed in thousands of Bahamian dollars)

	Drawn	Undrawn	Gross Maximum Exposure 2012	Drawn	Undrawn	Gross Maximum Exposure 2011
	$	$	$	$	$	$
Agriculture	6,105	10	**6,115**	17,852	37	17,889
Governments	325,132	3,710	**328,842**	283,148	3,574	286,722
Construction	162,659	11,435	**174,094**	196,477	7,647	204,124
Distribution	83,462	14,894	**98,356**	79,030	19,474	98,504
Fishing	1,495	2,749	**4,244**	35,857	4,247	40,104
Health & social work	23,379	-	**23,379**	23,940	-	23,940
Hotels & restaurants	160,899	15,921	**176,820**	194,562	12,058	206,620
Individuals & individual trusts	1,048,689	106,086	**1,154,775**	1,061,006	103,633	1,164,639
Manufacturing	50,354	3,414	**53,768**	19,487	7,275	26,762
Mining & quarrying	826	-	**826**	630	9	639
Miscellaneous	216,673	9,244	**225,917**	240,267	10,426	250,693
Other financial corporations	3,401	913	**4,314**	11,582	956	12,538
Real estate, renting & other business activities	223,652	5,843	**229,495**	236,170	6,780	242,950
Transport, storage & communication	8,435	174	**8,609**	10,323	251	10,574
	2,315,161	174,393	**2,489,554**	2,410,331	176,367	2,586,698

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 or appropriate assets to which they relate and therefore carry less risk than a direct borrowing.

(Expressed in thousands of Bahamian dollars)

Commitments to extend credit represent the unused portions of authorizations 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 table below reflects additional geographical concentration information:

	Total assets $	Total liabilities $	Commitments, guarantees and contingent liabilities $	Capital expenditure (*) $	External revenues $	Non-current assets(**) $
2012						
Bahamas	3,083,795	2,361,229	218,063	3,195	146,099	208,979
Turks & Caicos Islands	579,632	511,869	27,288	247	25,876	5,285
	3,663,427	2,873,098	245,351	3,442	171,975	214,264
Eliminations	(315,477)	(315,477)	-	-	-	-
	3,347,950	2,557,621	245,351	3,442	171,975	214,264

(Expressed in thousands of Bahamian dollars)

	Total assets $	Total liabilities $	Commitments, guarantees and contingent liabilities $	Capital expenditure (*) $	External revenues $	Non-current assets(**) $
2011						
Bahamas	3,236,872	2,542,372	234,100	3,795	149,027	208,510
Turks & Caicos Islands	580,235	516,510	31,264	987	24,291	5,940
	3,817,107	3,058,882	265,364	4,782	173,318	214,450
Eliminations	(280,011)	(280,011)	-	-	-	-
	3,537,096	2,778,871	265,364	4,782	173,318	214,450

The Bank is managed based on the three 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:

	2012 $	2012 %	2011 $	2011 %
Bahamas	**1,915,127**	**85**	1,976,550	84
Turks & Caicos Islands	**344,410**	**15**	365,601	16
	2,259,537	**100**	2,342,151	100

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

Credit quality

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

(Expressed in thousands of Bahamian dollars)

	Loans and advances to customers	Investment securities	
Grade description	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 risk grading model is used for Commercial and Corporate customers. 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 Risk Management and are subject to an annual review.

At October 31, 2012 and 2011, 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. Amounts provided are before allowance for credit losses, and after credit risk mitigation, valuation adjustments related to the financial guarantors, and collateral on agreements.

	Performing				
Grade description	High Grade $	Standard Grade $	Sub-Standard Grade $	Impaired $	2012 Total $
Loans and advances to customers					
- Mortgages	857,919	73,590	14,317	204,758	**1,150,584**
- Personal loans	174,723	12,499	1,648	43,191	**232,061**
- Business & Government loans	804,022	13,102	231	115,161	**932,516**
Total (Note 9)	1,836,664	99,191	16,196	363,110	**2,315,161**

(Expressed in thousands of Bahamian dollars)

	Performing				
Grade description	**High Grade $**	**Standard Grade $**	**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 & 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

For our Business & Government loans, we employ risk ratings in managing credit portfolio. Business & 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, but not always, also delinquent. As of October 31, 2012, Early Warning List customers in the medium to high risk category amounted to $76,058 (2011 - $77,656).

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 our core retail, wealth and corporate businesses. The key risks to the Bank are interest rate, credit spread, price movements and foreign exchange ("FX"). 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, 2012 and 2011, 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 and to the measurement, monitoring and control of those market 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 four main risk measures mentioned below. There is a three tiered approach to limits at the Parent Group. The highest level is set at the Board level. The second tier is delegated by the Chief Risk Officer and the third tier to Treasury, which limits 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 either a weekly or monthly basis. Detailed market risk compliance reports are produced and circulated to senior management on a monthly basis and a summary version supplied to the Board quarterly.

Risk measurement:

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

- Outright position, used predominantly for FX;
- Sensitivity to a 1 basis point move in a curve, used for both interest rate and credit spread risk;
- 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 measure 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 CSDV01 sensitivity is a way to look 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 parent models. It is a statistical and probability based approach that uses volatilities and correlations to quantify risk into dollar terms. VaR measures the potential loss from the adverse market movements that can occur overnight with a less than one 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 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. 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, which are as follows:

- 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. These tests are run on our behalf on a daily basis.
- The local currency stress tests are designed on a similar but smaller scale. For interest rate stresses, Market Risk in conjunction with Treasury 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 Bahamian Dollar ("BSD") peg to the USD would have on the earnings of the Bank.

(Expressed in thousands of Bahamian dollars)

Interest rate risk:

As of October 31, 2012 and 2011, 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.

	2012			2011		
	Post Structural DV01	VaR	60 day Stressed Loss	Post Structural DV01	VaR	60 day Stressed Loss
	$	$	$	$	$	$
Currency						
Bahamian Dollars	**92.6**	**0.14**	**4,535**	57.1	16	1,627

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:

	2012		2011	
	Post Structural DV01	Potential Stress Loss	Post Structural DV01	Potential Stress Loss
	$	$	$	$
Currency				
United States Dollars	**15.2**	**2,525**	35.0	6,307

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.

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.

(Expressed in thousands of Bahamian dollars)

	2012			2011		
	Notional	Credit Spread DV01	Stressed Loss	Notional	Credit Spread DV01	Stressed Loss
	$	$	$	$	$	$
Caribbean Bond Portfolio (hard currency denominated)	**189,440**	**121.0**	**29,739**	246,366	151.0	37,661
Non-regional hard currency denominated bond portfolio	**25,000**	**6.0**	**1,439**	38,835	9.0	2,283

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 if 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 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 Treasury 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.

	2012			2011		
Currency	Position long/ (short)	Stressed Loss	Average Position (*)	Position long/ (short)	Stressed Loss	Average Position (*)
	$	$	$	$	$	$
Bahamian dollars	**878**	**264**	**1,247**	4,106	1,232	75
Barbados dollars	**2,110**	**633**	**573**	98	29	164
Canadian dollars	**69**	**7**	**106**	142	14	248
Euro dollars	**(3,057)**	**(306)**	**(975)**	166	17	168
Great Britain pounds	-	-	**34**	182	18	145

(*) 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.

(Expressed in thousands of Bahamian dollars)

Currency concentrations of assets, liabilities and commitments, guarantees and contingent liabilities:

	BAH	US	Other	2012 Total
	$	$	$	$
Assets				
Cash and balances with The Central Bank	117,100	13,705	641	**131,446**
Due from banks	5,674	62,100	47,405	**115,179**
Derivative financial Instruments	-	683	-	**683**
Financial assets at fair value through profit or loss	-	-	14,855	**14,855**
Other assets	5,151	2,897	674	**8,722**
Investment securities	275,727	244,246	86,938	**606,911**
Loans and advances to customers	1,241,513	1,015,277	2,747	**2,259,537**
Property and equipment	21,218	5,218	81	**26,517**
Retirement benefit assets	4,734	780	-	**5,514**
Goodwill	186,582	1,165	-	**187,747**
Total assets	1,857,699	1,346,071	153,341	**3,357,111**
Liabilities				
Customer deposits	1,156,890	1,114,914	231,435	**2,503,239**
Derivative financial Instruments	-	23,165	-	**23,165**
Financial liabilities at fair value through profit or loss	-	-	14,855	**14,855**
Other liabilities	(12,195)	30,986	219	**19,010**
Retirement benefit obligations	6,069	444	-	**6,513**
Total liabilities	1,150,764	1,169,509	246,509	**2,566,782**
Net assets/(liabilities)	706,935	176,562	(93,168)	**790,329**
Commitments, guarantees and contingent liabilities (Note 24)	82,154	140,437	22,760	**245,351**

(Expressed in thousands of Bahamian dollars)

	BAH	US	Other	2011 Total
	$	$	$	$
Total assets	1,905,494	1,411,994	219,237	3,536,725
Total liabilities	1,227,157	1,329,575	221,768	2,778,500
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

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 measurement

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.

(Expressed in thousands of Bahamian dollars)

Maturities of assets and liabilities

	0-3 months $	3-12 months $	1-5 years $	Over 5 years $	2012 Total $
Assets					
Cash and balances with The Central Bank	131,446	-	-	-	**131,446**
Due from banks	109,536	5,643	-	-	**115,179**
Derivative financial instruments	66	-	137	480	**683**
Financial assets at fair value through profit or loss	14,855	-	-	-	**14,855**
Other assets	8,722	-	-	-	**8,722**
Investment securities	2,013	13,920	264,253	326,725	**606,911**
Loans and advances to customers	276,907	67,254	249,803	1,665,573	**2,259,537**
Property and equipment	-	-	6,021	20,496	**26,517**
Retirement benefit assets	-	-	-	5,514	**5,514**
Goodwill	-	-	-	187,747	**187,747**
Total assets	543,545	86,817	520,214	2,206,535	**3,357,111**
Liabilities					
Customer deposits	1,920,745	522,942	59,434	118	**2,503,239**
Derivative financial instruments	2,562	-	-	20,603	**23,165**
Financial liabilities at fair value through profit or loss	14,855	-	-	-	**14,855**
Other liabilities	19,010	-	-	-	**19,010**
Retirement benefit obligations	-	-	-	6,513	**6,513**
Total liabilities	1,957,172	522,942	59,434	27,234	**2,566,782**
Net assets/(liabilities)	(1,413,627)	(436,125)	460,780	2,179,301	**790,329**
Commitments, guarantees and contingent liabilities (Note 24)	232,742	12,609	-	-	**245,351**

(Expressed in thousands of Bahamian dollars)

	0-3 months $	3-12 months $	1-5 years $	Over 5 years $	2011 Total $
Total assets	490,829	346,326	648,834	2,050,736	3,536,725
Total liabilities	1,850,608	866,729	35,333	25,830	2,778,500
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

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.

(Expressed in thousands of Bahamian dollars)

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 customer deposits is based on discounted cash flows using prevailing money market interest rates for debts with similar credit risk and 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.

	2012			2011		
	Carrying Value $	Fair Value $	Unrecognised gain/(loss) $	Carrying Value $	Fair Value $	Unrecognised gain/(loss) $
Financial assets						
Cash and balances with The Central Bank	**131,446**	**131,446**	**-**	148,518	148,518	-
Due from banks	**115,179**	**115,179**	**-**	142,110	142,110	-
Investment securities	**606,911**	**606,911**	**-**	646,988	646,988	-
Loans and advances to customers	**2,259,537**	**2,268,115**	**8,578**	2,342,151	2,352,348	10,197
Financial liabilities						
Customer deposits	**2,503,239**	**2,507,372**	**(4,133)**	2,712,978	2,718,964	(5,986)
			4,445			4,211

(Expressed in thousands of Bahamian dollars)

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 $100,264 (2011 - $90,511).

29. Reclassification of accounts

Certain accounts in the October 31, 2011 consolidated financial statements were reclassified to conform to the presentation of the October 31, 2012 consolidated financial statements. Accrued interest on non-performing loans of $14,357 was reclassified to loans and advances to customers from other assets, while clearings of $371 were reclassified to other liabilities from other assets.

30. 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.

4

NOTICE OF MEETING

Annual General Meeting

Notice is hereby given that the Eighteenth Annual General Meeting of FirstCaribbean International Bank (Bahamas) Limited will be held at 6:20 p.m. on Thursday, March 14, 2013 at the British Colonial Hilton, Governor's Room, 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 19, 2012.

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

3. To receive accounts for the year ended October 31, 2012 and the report of the Directors and Auditors thereon.

4. To elect the following Directors:

    i. Marie Rodland-Allen
    ii. Terence R. Hilts
    iii. Michael Mansoor
    iv. Willie Moss
    v. G. Diane Stewart

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

6. Ratification of dividends for fiscal 2012.

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

By Order Of The Board Of Directors

Sherrylyn Bastian
Corporate Secretary
FirstCaribbean International Bank (Bahamas) Limited
February 19, 2013

Record Date

Holders of FirstCaribbean International Bank (Bahamas) Limited ordinary shares of record at the close of business on February 19, 2013 are entitled to vote at the Meeting.

Financial Statements

The Company's audited financial statements for the year ended October 31, 2012 are included in the Company's 2012 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 Company (Bahamas) Limited, Registrar and Transfer Agents, Goodman's Bay Corporate Centre, West Bay Street, P.O. Box N-3933, 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 Agents will be excluded.

Dividend

An interim dividend of thirteen cents ($0.13) per common share was paid on June 14, 2012. A final dividend of thirteen cents ($0.13) per common share for the fiscal year 2012 was approved by the Directors on December 20, 2012 and paid to shareholders on January 21, 2013. Total dividends paid for fiscal 2012 were twenty-six cents ($0.26).

Registered Office:

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

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. Terence R. Hilts
iii. Michael Mansoor
iv. Willie Moss
v. G. Diane Stewart

Directors' Interest

As at October 31, 2012, 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
Terence Hilts	31,220	nil

Financial Results And Dividends

The Directors report that the Company's net income for the year ended October 31, 2012 amounted to $56,437,130. All statutory requirements for the year ended October 31, 2012 have been fulfilled.

An interim dividend of thirteen cents ($0.13) per common share was paid on June 14, 2012. A final dividend of thirteen cents ($0.13) per common share for the fiscal year 2012 was approved by the Directors on December 20, 2012 and paid to shareholders on January 21, 2013. Total dividends paid for fiscal 2012 were twenty-six cents ($0.26).

Share Capital

Substantial Interest as at October 31, 2012*
Common Shares of B$0.10 par value

FirstCaribbean International Bank Limited – 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

Sherrylyn Bastian
Corporate Secretary
February 19, 2013

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 2013 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 General Meeting on March 14, 2013, beginning at 6:20 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, One Bay Street, Nassau, The Bahamas.

This financial year of FirstCaribbean International Bank (Bahamas) Limited began on November 1, 2011 and ended October 31, 2012. References in this proxy statement to the year 2012 or financial 2012 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 19, 2013, 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 authorized in writing and deposited at the offices of CIBC Trust Company (Bahamas) Limited, Goodman's Bay Corporate Centre, West Bay Street, P.O. Box N-3933, 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 authorized in writing and deposited at the offices of CIBC Trust Company (Bahamas) Limited, Registrar and Transfer Agents at Goodman's Bay Corporate Centre, West Bay Street, P.O. Box N-3933, 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 General 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 General Meeting.

On February 19, 2013 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 19, 2013 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 authorized 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 General Meeting of shareholders or, subject to the Articles of the Company and applicable law, appointed by the Board of Directors between Annual General Meetings. Each Director shall hold office until the close of the next Annual General 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 seven (7) meetings in 2012.

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
Marie Rodland-Allen	Managing Director	2010	Nil
Terence R. 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 per meeting for his or her services as a Director and the Deputy Chairman is paid a fee of $3,125. 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 2012.

SENIOR MANAGEMENT COMPENSATION

The Senior Management of the Company received aggregate compensation amounting to B$2,513,315 in the financial year 2012.

INDEBTEDNESS OF MANAGEMENT

There is a total indebtedness of approximately B$2,690,399 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 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 19, 2013.

Michael Mansoor
Chairman

Sherrylyn Bastian
Corporate Secretary

PROXY FORM

The undersigned ___________________________(please print) of________________________ (please print) being a shareholder of FirstCaribbean International Bank (Bahamas) Limited ("the Company") hereby appoints Mr. Michael 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 14, 2013 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 ___
Marie Rodland-Allen	VOTE FOR ___	WITHHOLD FROM VOITNG ___
Terence R. Hilts	VOTE FOR ___	WITHHOLD FROM VOTING ___
Willie Moss	VOTE FOR ___	WITHHOLD FROM VOTING ___
G. Diane Stewart	VOTE FOR ___	WITHHOLD FROM VOTING ___

2. To vote for or withhold from voting on the appointment of Auditors of the Company and to authorize 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., 2013

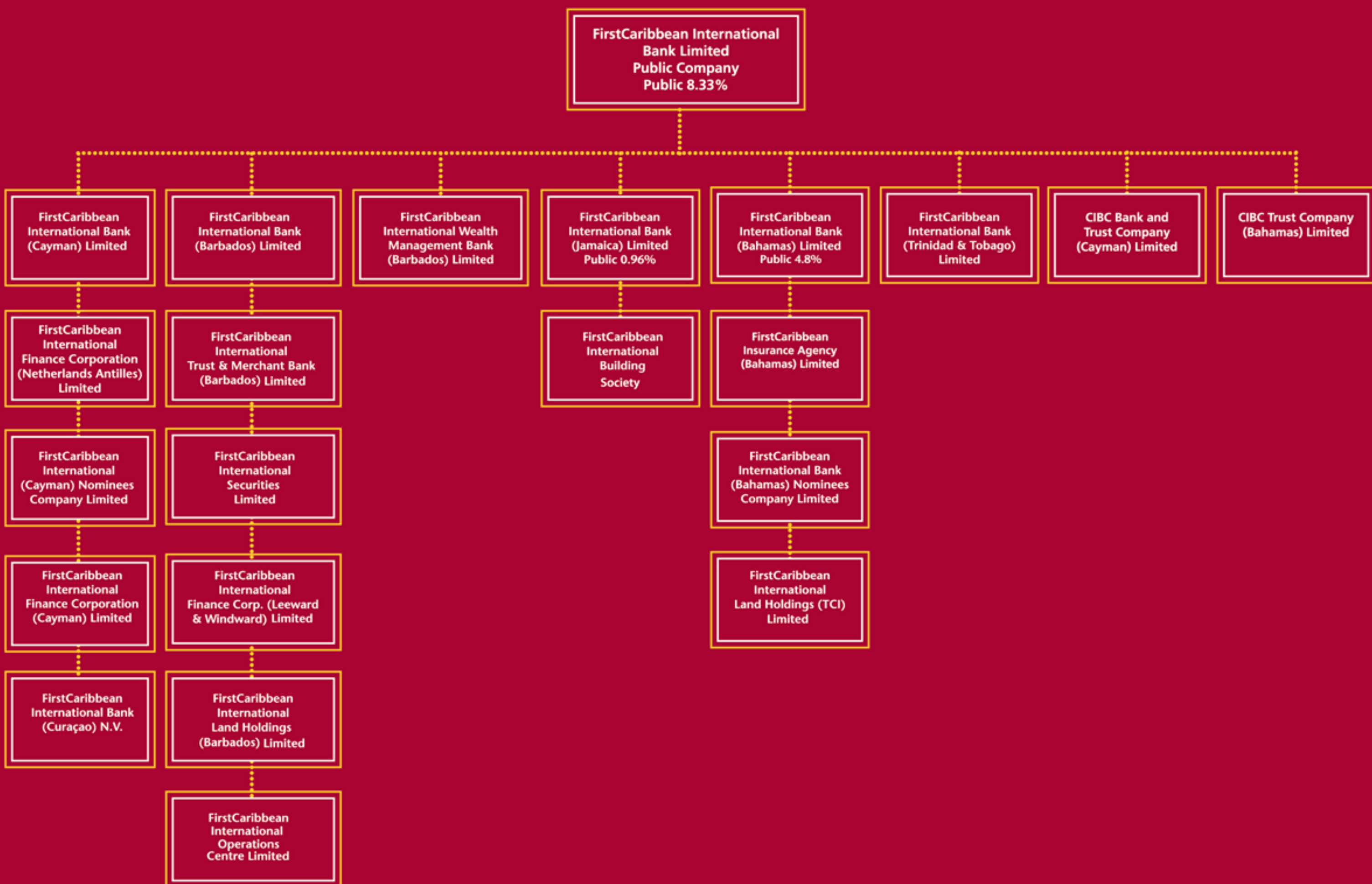
Corporate Seal ……

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 Company (Bahamas) Limited, Registrar and Transfer Agents, Goodman's Bay Corporate Centre, West Bay Street, P.O. Box N-3933, Nassau, The Bahamas 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 17, 2013.

OWNERSHIP STRUCTURE



CIBC FirstCaribbean International Bank

MAIN BRANCHES & 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) 365-6098
Fax: (242)367-2156

Marsh Harbour
P O Box AB-20402
Marsh Harbour
Tel: (242) 300-0002
Fax: (242) 367-2156

New Plymouth
P O Box AB-20402
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)300-0002
Fax: (242)332-2318

Grand Bahama Island

East Mall, Freeport
P O Box F-42556
First Commercial Centre
East Mall Drive
Tel: (242) 300-0002
Fax: (242) 352-6655

Pioneer's Way, Freeport
P O Box F-42404
Pioneer's Way
Tel: (242) 300-0002
Fax: (242) 352-9712

Pioneer's Way, Freeport
P O Box F-42404
Pioneer's Way
Tel: (242) 300-0002
Fax: (242) 352-9712

New Providence Island

Bay Street
P O Box N-8350
Bay Street
Nassau
Tel: (242) 502-6834
Fax: (242) 328-7979

Carmichael Road
P O Box N-8350
Carmichael & Baillou Hill Road
Nassau
Tel: (242) 502-6834
Fax: (242) 361-1346

Harbour Bay
P O Box N-8350
East Bay Street
Nassau
Tel: (242) 502-6834
Fax: (242) 393-7171

Marathon Mall
P O Box N-8329
Robinson & Marathon Road
Nassau
Tel: (242) 502-6834
Fax: (242) 393-0218

Palmdale
P O Box N-8350
Madeira Street
Nassau
Tel: (242) 502-6834
Fax: (242) 322-1121

Paradise Island
P O Box SS-6254
Paradise Village Shopping Center
Paradise Island
Nassau
Tel: (242) 502-6834
Fax: (242) 363-2146

RND Plaza West
P O Box N-8329
John F. Kennedy Drive
Nassau
Tel: (242) 502-6834
Fax: (242) 322-7851

Sandy Port
P O Box N-7125
Old Towne Mall
West Bay Street
Nassau
Tel: (242) 502-6834
Fax: (242) 327-4955

Shirley Street
P O Box N-7125
Shirley Street, Nassau
Tel: (242) 502-6834
Fax: (242) 326-6552

Thompson Boulevard
P O Box N-8350
Thompson Boulevard
Tel: (242) 502-6834
Fax: (242) 328-1717

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

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

Card Services Centre
P O Box N-8350
Solomon's Building
East West Highway
Nassau
Tel: (242) 328-0405
Fax: (242) 394-3655

Customer Service Centre
P O Box N-8350
Solomon's Building
East West Highway
Nassau
Tel: (242) 502-6834
Fax: (242) 394-8238

**FirstCaribbean Insurance
Agency (Bahamas) Limited**
P O Box N-8350
Solomon's Building
East West Highway
Nassau
Tel: (242) 502-6834
Fax: (242) 323-4450

Investment Banking
P O Box N-7125
Shirley Street
Nassau
Tel: (242) 356-1719
Fax: (242) 328-1690

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

Turks & Caicos Islands

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

Providenciales
P O Box 236
Leeward Highway
Providenciales
Tel: (649) 946-4007
Fax: (649) 946-4573

Grace Bay
P O Box 236
Salt Mills Plaza
Grace Bay
Providenciales
Tel: (649) 941-4558
Fax: (649) 941-3017

South Caicos
P O Box 236
Lee Street
Cockburn Harbour
Providenciales
Tel: (649) 946-3268
Fax: (649) 946-3388

NOTES

NOTES


CIBC
FirstCaribbean
International Bank
FOR WHAT MATTERS.
THE BAHAMAS
TURKS AND
CAICOS ISLANDS
THE CAYMAN ISLANDS
BELIZE
JAMAICA
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
CARIBBEAN SEA

10th

ANNIVERSARY