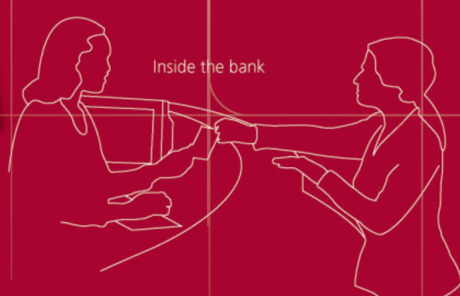
CIBC FirstCaribbean International Bank



2012 ANNUAL REPORT

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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 face of banking is changing throughout the world and CIBC FirstCaribbean intends to lead these changes with the expertise, integrity and knowledge of banking that almost 250 years of combined experience in the Caribbean brings.

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

This year we intensified our efforts to provide our clients with superior service while greatly improving our feedback channels. This in turn helped us to provide superior financial solutions to help them to attain what matters to them.

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

- Opened new branches allowing us to expand our market reach including the first self-service branch, which empowers clients to complete their banking transactions through automation
- Refurbished several branches to improve the aesthetic appeal

Catering to unique client segments through bespoke financial solutions –

- Introduced the Tax Reward Account investment product in Jamaica
- Launched Axiom Funds in the Republic of Trinidad & Tobago

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

First for Employees

We focused on the recruitment, training, development and retention to deliver service excellence.

Employee initiatives -

- Launched new Leadership Training programme for Senior Leaders
- Rolled-out and embedded a new Performance Management Tool
- Focused on product-centric training for improved sales capacity across the workforce
- Upgraded several technological platforms to increase productivity

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 across the region to improve access to and communication from senior leaders

First for Communities

The Group has supported US$15 million in funding to worthwhile causes to date in the Caribbean region through the CIBC FirstCaribbean International Comtrust Foundation.

Our Corporate Social Responsibility (CSR) partnerships have been strengthened through –

- An enhanced educational thrust in schools with the genesis of the Barbados Fruits and Vegetables Posters project, bringing awareness of the island's fruits and vegetables and healthy lifestyle options
- Partnership with the Young Women Christian Association (YWCA) to fund their breakfast programme catering to school-aged children

Charting the way forward for this region's young entrepreneurs –

- Continued support of youth entrepreneurship with funding to the Caribbean Association of Youth Business Programmes and Junior Achievement organizations

Protecting the environment and securing our future –

- Partnership with environmental group Seacology in the protection of the endangered San Salvador iguana

Actively participating in worthwhile causes to develop our communities –

- Support of over 75 causes through the Adopt-A-Cause programme

First for Shareholders

- Maintained our capital strength, with Tier 1 Capital ratio at 23%
- Ongoing earnings generation and dividend payments throughout this protracted economic downturn

2012 HIGHLIGHTS

Financial Highlights

US $ millions, except per share amounts, as at or for the year ended October 31		2012	2011	2010	2009	2008
Common share information *						
Per share (US cents)	- basic earnings	**4.4**	4.6	10.1	11.2	11.5
	- dividends	**3.0**	4.5	6.0	6.0	6.0
Share price (US cents)	- closing	**135**	142	138	134	164
Shares outstanding (thousands)	- end of the period	**1,577,095**	1,577,095	1,525,177	1,525,177	1,525,177
Market capitalisation		**2,129**	2,239	2,105	2,044	2,501
Value measures						
Price to earnings multiple (share price/earnings per share)		**30.8**	30.9	13.4	12.0	14.3
Dividend yield (dividends per share/share price)		**2.2%**	3.2%	4.3%	4.5%	3.7%
Dividend payout ratio (dividends/net income)		**68.4%**	97.8%	58.3%	53.6%	52.2%
Financial results						
Total revenue		**543**	507	563	568	551
Loan loss impairment		**120**	87	73	43	32
Operating expenses		**348**	338	317	320	314
Net income		**72**	74	157	175	180
Financial measures						
Efficiency ratio (operating expenses/total revenue)		**64.1%**	66.7%	56.3%	56.3%	57.0%
Return on equity (net income/average equity)		**4.4%**	4.6%	10.2%	12.3%	13.3%
Net interest margin (net interest income/average total assets)		**3.5%**	3.6%	3.9%	4.0%	4.0%
Statement of Financial Position information						
Loans and advances to customers		**6,832**	6,616	6,576	6,905	6,814
Total assets		**11,500**	11,228	9,766	10,503	10,940
Deposits & other borrowed funds		**9,641**	9,415	7,988	8,696	9,220
Debt securities in issue		**31**	31	31	125	239
Total equity		**1,651**	1,619	1,573	1,519	1,336
Statement of Financial Position quality measures						
Common equity to risk weighted assets		**27%**	27%	27%	25%	21%
Risk weighted assets		**5,845**	6,097	5,856	6,124	6,472
Tier I capital ratio		**23%**	21%	21%	19%	17%
Tier I and II capital ratio		**24%**	22%	22%	22%	20%
Other information						
Employees (#)		**3,439**	3,410	3,465	3,479	3,570

* Based on shares outstanding 2007-2010: 1,525,176,762; Nov 2010 - Sep 2011: 1,525,176,762; Oct 2011 onwards: 1,577,094,570

Chairman's Letter

Michael Mansoor
Chairman

The Bank's profit for fiscal 2012 was relatively consistent with the prior year at $72 million (2011 - $74 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 24% remains well in excess of the minimum regulatory requirements of 14% for the Group.

The economies of the majority of the territories in which we operate 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 performances when economic conditions improve.

Based on the EPS of US$0.044 versus US$0.046 in the prior year, the Board has approved a final dividend per share for 2012 of US$0.0150 (2011 – US$0.0150), bringing the total approved dividends per share for 2012 to US$0.030 (2011 - US$0.045).

10th Anniversary

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

Our business units in Jamaica, The Bahamas, The Cayman Islands and Barbados have been regularly recognized as standard-bearers of financial excellence by internationally acclaimed magazines, including "The Banker", "Euromoney" and "Global Finance".

Our corporate social responsibility agenda has taken solid hold throughout the Caribbean, 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 the Caribbean. 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 in 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 characterized by sustained organic growth in balance sheet aggregates and profitability with net income peaking in 2007 at $261 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 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 safeguard and bolster the interests of our shareholders and our customers.

The Boards of Directors of both the Group and each of the subsidiaries have 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 treating with key appointments and 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

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 group and subsidiary Directors for their most important contributions.

Michael K. Mansoor
Chairman

Chief Executive Officer's Letter

Rik Parkhill
Chief Executive Officer

Financial Performance

Net income for 2012 was $72 million – consistent with the $74 million earned in the prior year. While total revenue was $543 million, an increase of $36 million from 2011, operating expenses increased marginally by $10 million to $348 million. The result is an improvement in the cost-to-revenue ratio from 67% in 2011 to 64% in 2012.

However, the credit environment continued to reflect the challenging economic climate in our markets, and loan loss impairment expenses increased from 1.3% of loans in 2011 to 1.7% of loans in 2012. The Bank continues to partner with customers to manage their debt obligations in these difficult times.

Strategy

CIBC FirstCaribbean adopted five strategic priorities in 2012: 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, and continuously investing in our client base, people and infrastructure.

In line with these priorities, strategic initiatives have already been launched. Service excellence is the hallmark of cultivating deeper relationships, and in 2012 management placed particular focus on enhancing the sales and service culture and supplementing this with appropriate support tools.

In addition, systems enhancements to capture information that helps us make better decisions about the products and services we offer clients are underway. By improving our understanding of clients' needs we will increase the value we deliver to them.

Our parent CIBC has deep industry sector expertise. By combining that expertise with our extensive local knowledge we have built a strong advisory service which has delivered for our clients this year. We continue to enhance the breadth of solutions our clients can leverage to meet their needs.

To build a foundation for stronger performance and growth when our economies improve, the focus is on continuously enhancing risk management. Consequently, we are strengthening the Bank's credit adjudication systems and processes. These investments should improve both risk management and client service.

Continuous investment is critical to achieving our strategic aspirations. In 2012 the Bank completed the CIBC FirstCaribbean co-branding with increased signage and branch refurbishment. Enhancements to our channel network were made with the rollout of our new model branches on Carmichael Road in Nassau, Bahamas, Orange Walk in Belize, Rodney Bay in St. Lucia, Sunset Crest in Barbados, and most recently, our first electronic branch at Coverley in Barbados. In Trinidad, we launched a Wealth Management centre in Port of Spain. These enhancements are intended to transform the in-branch experience and support continuous improvement in the quality of service we deliver to clients.

For our people, the Bank invested in training, particularly on frontline service and immersion assignments with CIBC in Toronto to deepen expertise in key knowledge areas that reinforce client value. Employee engagement is critical, and the employee feedback survey was enhanced to ensure it remains relevant in our evolving environment.

Community

This year we again invested 1% of profit in the CIBC FirstCaribbean Comtrust Foundation. Our flagship programmes, Unsung Heroes and Adopt-a-Cause, continue to have a broad impact in our communities. The Foundation strengthened ties with its community partners and continued collaborative ventures to promote regional efforts, particularly in education and youth entrepreneurship.

With continued economic uncertainty in developed countries, the regional economic climate could continue to be challenging. The Bank is well capitalized, has enhanced risk management and controls, and is positioned to generate higher levels of profitability even in the context of challenging economic conditions.

Rik Parkhill
Chief Executive Officer

BOARD OF DIRECTORS

Sitting left – right:
Brian Clarke (Corporate Secretary), G. Diane Stewart, Douglas 'Rik' Parkhill, Christina Kramer, Kevin Glass

Standing left – right:
Richard Nesbitt, Sir Fred Gollop, David Ritch, Sir Allan Fields, Brian O'Donnell

Inset top – bottom:
Michael Mansoor
Paula Rajkumarsingh

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

SENIOR EXECUTIVE TEAM AND ADVISORS

Michael Mansoor, LLD, Chairman (second row, right)
Douglas 'Rik' Parkhill, Chief Executive Officer, (front, second from right)

Front (left – right):
Donna Graham, Chief Internal Auditor;
Ian Chinapoo, Managing Director, Corporate Lending & Investment Banking and Trinidad;
Minish Parikh, Chief Administrative Officer; Marie Rodland-Allen, Managing Director, The Bahamas

Second row (left – right):
Trevor Torzsas, Managing Director, Customer Relationship Management & Strategy;
Mark Young, Managing Director, Wealth Management; Nigel Holness, Managing Director, Jamaica;
Kiyomi Daniel, Chief Financial Officer; Brian Clarke, General Counsel & Corporate Secretary;
Mark McIntyre, Managing Director, Cayman

Back (left – right):
David Whitcroft, Group Treasurer; Pim van der Burg, Managing Director, Dutch Caribbean;
Derek Wilson, Chief Information Officer and Managing Director, Technology;
Ella Hoyos, Managing Director, Human Resources; Mark St. Hill, Managing Director, Barbados;
Daniel Farmer, Managing Director, Retail Banking; Geoff Scott, Chief Risk Officer

Inset:
Ben Gillooly, Chief Executive Officer, CIBC Bank and Trust Company (Cayman) Limited.

ADVISORS

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

Registrar and Transfer Agent:
Barbados Central Securities Depository Inc.

Auditors:
Ernst & Young

Bankers:
FirstCaribbean International Bank (Barbados) Limited

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The retail business has been led by four (4) Caribbean nationals over the past ten (10) years:

- Walter Wells - The Bahamas
- Julian Murillo - Belize
- Rolf Phillips - Grenada
- Daniel Farmer - Barbados

Collectively, these leaders have contributed to the evolution of a unique brand that has positioned CIBC FirstCaribbean to be a market leader in retail products and services. On reflection, we have been governed by the voices of our clients to provide solutions that really matter to them and this continues to be our focus.

The Road to 2012

The roadmap of our accomplishments began with our search to establish a singular brand/identity and retail presence built on the foundation of two formidable industry players – CIBC & Barclays. We focused on the harmonisation of products and services offered by our heritage banks in order to seamlessly transition customers to a new entity.

Back in 2002, there were no call centres yet established, our client base extended to only 500,000 customers, our lending portfolio comprised of US$800 million in mortgages and US$700 million in consumer loans, and our deposit base was US$1,500 million. One year later, our segment was in campaign mode in a drive to grow our core business, focusing specifically on products - mortgages, cards and consumer loans. We celebrated the launch of our Premier Banking service as we looked towards differentiating service among our competitors.

Since the completion of the CIBC/Barclays integration process, we have worked to become first to market with innovative approaches to doing business. Our response continues to be guided by the feedback of our clients through key programmes and avenues such as mystery shopping, establishment of our call centres, introduction of client feedback forms and client surveys, among others. This feedback has led us to further enhance our service to our merchant base and optimise our branches by upgrading our facilities with cutting edge technology.

With increasing strategic focus on improving the client experience, we have also witnessed the growth of our portfolio through:

- The introduction of services for Insurance and Asset Management
- Introduction of internet, telephone and mobile banking
- Improvement in the turnaround time for the processing of loans
- Introduction of a highly competitive suite of deposit products tailored to meet the needs of individual clients
- Launch of the British Airways Platinum Card
- Entry into Curacao and Trinidad
- Launch of the Visa Debit Card

2012 Highlights

With the adoption of the CIBC brand last year and with the unveiling of a new corporate strategy, our focus continues to be 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 most to them.

Expansion of our branch network via new branches leveraging our state of the art technology

- Carmichael – The Bahamas
- Orange Walk – Belize
- Rodney Bay – St. Lucia
- Sunset Crest – Barbados
- Coverley – Barbados

Making banking easier and more accessible for all

- Enhanced usability at www.cibcfcib.com which now boasts the largest number of billers within the region
- Upgraded loan origination system which will facilitate best in class response times to our clients
- Launch of Platinum Chequing account

- Extended domestic banking services to Trinidad through our state of the art branch
- Enhanced complaints management policy which strengthens our engagement with customers
- Community focus and engagement as hundreds of our staff members across the region reached out to the neighbours that they serve through our unique "Pound the Pavement" engagement activity

Significant investment in our human resources and branch capability to serve customers better

- Region-wide training to our sales and support teams
- Innovative training and courses through our CIBC FirstCaribbean Online learning portal
- Increased our capability to map the customer needs and generate customized offers to clients
- Revitalisation and expansion of our Credit Cards Rewards program to add additional benefits for our customers - currently only in The Bahamas, Barbados and Jamaica
- Introduction of 24-hour service through our Call Centres to better serve our customers
- Call-Redirect initiative continues to be rolled out which ensures a consistent customer experience for customers dialing into our branch network

Outlook

Despite the reality of continued, slow economic growth, we remain confident that we can create, and benefit from, opportunities that exist with the added bonus of leveraging our relationship with CIBC to meet our goals.

The Corporate Lending & Investment Banking businesses have been led by the following Caribbean nationals over the past ten (10) years:

Corporate Banking:

- Sharon Brown – The Bahamas
- Horace Cobham – Barbados
- Milton Brady – Jamaica
- Gerard Borely – Trinidad
- Mark Young – Barbados/UK
- Ian Chinapoo – Trinidad

Investment Banking/Capital Markets:

- Raymond Campbell – Jamaica
- Lloyd Samaroo – Trinidad
- Milton Brady – Jamaica
- Ian Chinapoo – Trinidad

These leaders have shaped the brand and helped to create a highly successful business model for the Corporate Lending & Investment Banking business segment. They have contributed to CIBC FirstCaribbean holding significant market share in the region and more specifically, being recognized as one of the premier institutions to provide lending and tailored investment banking solutions to clients of various industries. Their combined commitment towards the client experience and employee development has provided a strong foundation upon which to further grow our business.

The Road to 2012

Over the last 10 years, Corporate Lending & Investment Banking has developed into a pivotal business segment, one which has had much success in deepening client relationships, promoting our brand and developing our people.

Against a backdrop of two well established Corporate and Investment Banking businesses in our heritage organizations, successive leaders supported by key stakeholders have enhanced the segment's value proposition to clients and employees in a number of areas:

- Expanded and strengthened our Investment Banking (formerly Capital Markets) unit, and core product and industry capabilities. Within that unit, now resides some of the best structuring expertise in the region and business flow has grown annually since 2002
- Refocused our client relationship approach, including re-design of the organizational structure of client teams, broadening our product and service offer through cash management and hedging product alternatives. We have also become a banking partner of choice for other major financial institutions doing business in the region
- Incorporated two new Corporate Banking units into the business in Trinidad (2004) and Curacao (2005) with both now leading growth prospects for the Bank
- Increased training spend in the areas of sales, products, people management, credit risk, Anti-Money Laundering/ Know Your Client (AML/KYC) and industry/sector expertise. Hundreds of employees at varying levels have been engaged in the preceding training programs over the last 10 years
- Committed CIBC partnership and knowledge transfer, especially in the areas of risk management, governance and control along with sharing their global industry and structuring expertise

2012 Highlights

The economic challenges in the region continued during fiscal 2012 as the recovery remained sluggish and inconsistent. The key economic drivers, tourism output and foreign direct investment, are still generally below historic levels, while the fiscal and debt profile of many of the Caribbean countries deteriorated. Several governments have pursued debt restructuring initiatives, sought fiscal support or promoted stimulus packages; all in an effort to transform economic outlooks. Against this backdrop and with a weak business climate, credit demand remains soft. In Corporate Lending & Investment Banking we have aligned our strategic priorities to recognize the market vulnerabilities but also, and most importantly, the value of our client relationships across the region.

Client Relationship and Products

As we deepen our client relationships, and in light of the credit conditions, significant focus continues around providing clients with total solutions leveraging on a wider array of products and services. Our suite of non-credit products including transaction banking, E-channels & Internet, and deposit products improves our clients' cost structures and efficiency, something particularly relevant during this time. The client uptake year over year for some of these non-credit product lines has been very encouraging, and underscores the opportunity that exists to assist our clients within a competitive environment. We expect further enhancements to our non-credit products over time and look forward to working with our clients on aligning their strategies with this specific set of products.

Market awareness of risk mitigating or hedging products has improved, within the region and our client portfolios, as the need to manage market and financial volatility becomes more important. Along with our Treasury partners, we have worked with several large clients to embed various commodity, interest rate and foreign exchange hedges. We continue to explore viable solutions with our clients considering market size, product complexity, commodity pricing (e.g. oil) and market outlook. Capability and expertise in this area is strong at the Bank and Parent level, and efforts to educate clients on the benefits of these products through forums and seminars will continue in 2013.

Portfolio Optimization

Despite weak credit demand, selective opportunities for solid, risk-controlled growth exist within certain segments and industries across the region. Energy (including renewable energy), utilities, media, technology, telecommunications and infrastructure sectors are the key focus industries for Corporate Lending & Investment Banking requiring innovative structuring and close relationships with governments and large corporates. We are confident that we are best positioned to execute transactions successfully in these industries based on historic deal activity, a strong client base and best in class expertise. Active participation in these industries will also assist in diversifying our loan portfolio to balance the traditional lending dominance within the real estate, construction, hotel and restaurant sectors. We will continue to work with our International Banking Partners and our parent bank, CIBC, to bring focus to these key target industries, especially Infrastructure. We expect that these sectors will be critical to helping the region return to sustainable growth.

Client Experience

Another key component in providing excellent value to our clients is our focus on client experience. During 2012, we have taken deliberate action towards repositioning operational and administrative activities to ensure front-line personnel like Corporate Managers and Client Service Officers allocate more time to work with, interact and provide solutions to clients. Corporate Banking staff has undergone training in key areas of competence like credit risk, sector knowledge (tourism & energy), AML/KYC in order to serve clients better in a more informed manner. Most recently, just over 130 people were trained at a regional intermediate credit risk seminar.

Investment Banking

Our Investment Banking unit continues to deliver excellent client service despite the challenging market environment. As most of the countries in our regional markets continue to experience a slow and protracted return to growth, we have maintained our efforts over the last year in helping our clients gain access to public and private capital on the most favorable terms. We have executed over US$750 million in mandated deals across the industry sectors and have seen an increase in our Advisory Services business. The Advisory Services business has been boosted by many foreign and regional based clients looking at the opportunities that the current economic environment has created in the region. A high priority will continue to be placed on training and process improvement across the Investment Banking unit to enable us to maintain our best in class service and value to our clients.

Outlook

Our financial results in fiscal 2012 reflect the realities of the economic environment previously highlighted. Weaker loan demand and higher loan losses year over year are of concern to us, but we are confident in our clients and some of the national and private sector initiatives identified to promote economic recovery in the region. With over US$600 million in loan deals approved this fiscal, much of these in our target growth industries, we are keen to build on this in future years. Additionally, several joint internal credit initiatives have been undertaken to strengthen our control and governance framework which should lower risk and costs going forward.

At the heart of our journey to 2012 are our valued clients and we have had the pleasure over the last 10 years to see many of them grow within their markets, even expand into new markets, developing new products and acquiring businesses all over the Caribbean along the way.

We look forward to building on the accomplishments and platform created over the last 10 years with our valued clients.

The Wealth Management business has been led by the following individuals over the past ten (10) years:

- Mark Teversham – UK
- Jan-Arne Farstad – Norway
- Mark Young – Barbados/UK

Under their leadership, the Wealth Management business segment has been transformed from what initially began as the provision of basic banking and transaction services to a comprehensive, value-added offering comprising of Cash Management, Credit, Trade Finance and Investment & Asset Management solutions through dedicated Wealth Management specialists. At CIBC FirstCaribbean, we are proud of our long history of serving wealth clients and have traditionally focused on the component sectors dating to our heritage organisations.

The Road to 2012

Upon the creation of FirstCaribbean 10 years ago, we already had a strong International Banking business based in five (5) key centres renowned globally for their excellence in providing international products and services. Our business was built around a platform of core relationships with Key Business Introducers (KBI) in each market. These KBIs were international business service providers in their own right, providing services such as accounting, legal, trust administration, insurance management, fund management, corporate formation and administration services to name just a few.

These relationships were complemented by direct relationships with wealthy individuals and families particularly those who had real estate (typically second or vacation homes in the Caribbean) which lead to the development of our market leading International Mortgage product. We also supported these families with their banking and investment needs where they had other wealth held offshore.

The offer to both segments was bolstered with an extremely strong internet banking platform which was complemented with a suite of money transmission and cash management products and services, all of which could be delivered in multiple currencies.

At the end of 2005, we purchased the Curacao business of ABN AMRO leading to the creation of our sixth International Banking services centre. This acquisition enhanced our capability bringing with it a strong discretionary asset management product based on research and models, from CIBC Global Asset Management (CGAM), which can be tailored to fit the investment risk profile of most High Net Worth Individuals. In addition, Curacao brought linkages to key Latin American markets where a network of strong relationships with KBIs and major corporations, who trade internationally and had direct relationships with wealthy families, brought a new area of capability and growth to the Group.

With the acquisition at the end of 2006 by CIBC of the stake previously owned by Barclays, we created even closer linkages to CIBC to enable us to leverage the company's strong Canadian network of relationships particularly in Wholesale and Corporate Banking. Many of these client relationships leverage the Double Taxation Agreements (DTA) present with Caribbean nations to invest and trade internationally through the Caribbean.

CIBC capability brought us greater product depth in the Wealth Segment with one example being our ability to leverage the strong Axiom Mutual Funds capability in Canada to offer a Caribbean based version of these funds suitable for international investors who have funds and wealth managed through the Caribbean.

During 2011, we further strengthened our capability to service Wealth Management clients with the acquisition of the CIBC Bank & Trust business located in the Cayman Islands and the Bahamas. This added an award winning capacity to service international trust business and fund administration, further widening the scope of clients we can assist and the range of services we can provide.

2012 Highlights

During 2012, the decision was made to cluster all parts of the Group that handle international and domestic High Net Worth clients under the Wealth Management Segment. This brought International Banking (including International Corporate and International Personal Banking), Investment Management, Private Wealth Management and CIBC Bank & Trust capabilities all together, allowing for greater focus and management attention to servicing all clients with needs such as these in one business unit. We immediately enhanced our risk and control framework which was a key enabler for the development of our strategy and our plans to work with key stakeholders to grow our business.

Outlook

We have plans for future investment and growth in the Wealth Management sector as an area for renewed growth for CIBC FirstCaribbean. We have many exciting developments to come including:

- an enhanced Private Wealth Management service via investment in people, products and services
- a renewed Investment Management business via significant investment in the platform, infrastructure, products and people to support not just Wealth Management clients but also those in Retail Banking and Corporate & Investment Banking
- A growing International Banking business with a renewed focus on international trading and investors utilising DTA benefits, Latin American growth and a rejuvenated expatriate banking capability.

We believe the next ten (10) years will prove to be just as fruitful and interesting as the last for the Wealth Management business segment.

3

OUR EMPLOYEES

From inception the aim of the new FirstCaribbean International Bank was to establish itself as 'Employer of Choice' within the Caribbean region. To achieve this objective the new Bank sought to attract, develop, reward, recognize and retain the best West Indian minds available both in the region and throughout the diaspora by offering exciting career opportunities while working alongside international talent, as the foundation of the new regional financial giant was laid.

The measure of success for whether the Bank achieved its Employer of Choice objective was not only the fact that it attracted top talent from other institutions, but was also able to retain its own key contributors. In the first decade of its establishment, FirstCaribbean not only strategized and innovated in the development of its human capital, but also blazed a trail in forging enduring regional initiatives which could only be described as unique and visionary. This was evident in the areas of Industrial Relations, Executive Development, Career Opportunities, Graduate Recruitment and Tuition Assistance.

Our employees continue to benefit from a range of recognition schemes including the annual Player of the Series programme. (above) our 2011 Series winners

Industrial Relations: Partnership Principles

The original FirstPartnership Principles Agreement between FirstCaribbean and the Caribbean Trade Unions representing our employees was established in May 2005.

It brought together FirstCaribbean and the Trade Unions across ten (10) Caribbean countries into a single Partnership Framework, while allowing each union the flexibility to support local conditions.

The Partnership Agreement is still to this day regarded as a huge milestone in the landscape of Caribbean trade union and employee relations. Two other Trade unions have since joined the Partnership bringing to twelve the number of active union partners. Over the last 10 years, our Partnership Principles have remained a guiding force in the relationships we enjoy with our union partners as we work together in the interest of that key stakeholder, our employees. We hope that as we go forward in the coming years, we will continue to work amicably together for the betterment of our organization, employees and countries.

Executive Education: The Wharton School

In the latter part of 2006, twenty (20) of our Senior Leaders formed the first cohort of a specially designed leadership programme at the Wharton School at the University of Pennsylvania in Philadelphia, the world's top business school.

At the time, it was recognized that in order to be the "financial institution of choice for the region", the Bank's leadership had to be well prepared to meet the challenges of being the best. The Wharton Executive Leadership Programme represented a significant investment by the Bank in further developing our Senior Executives. Two cohorts have completed the programme of study which placed our Executives at the cutting edge of international business trends, strategy and performance in the pursuit of our vision.

Career Development: Caribbean MBA Conference

Each year MBA students and Alumni from the Wharton School at the University of Pennsylvania and Harvard Business School convene in the Caribbean to explore business, investment and career opportunities through the Caribbean MBA Conference. As the lead sponsor over the years, CIBC FirstCaribbean has used the conference as a vehicle to attract talent and build a pipeline of summer interns and graduates, who may wish to return to the region.

We have played a pivotal role in bringing together some of the region's most influential business leaders, academics and politicians to interact with these bright young minds. The conference has offered participants stimulating debates, panel discussions and insights into the Caribbean's most promising opportunities as well as the challenges in the financial services, energy, trade and tourism sectors.

Damany Gibbs, co-chair of the sixth annual Caribbean MBA Conference (right) shares a light moment with Geoff King, Head of Executive Resourcing and Organisation Development back in 2008 (left) and Chairman, Michael Mansoor

Some of the graduates from the inaugural CareerFirst, who benefitted from this annual comprehensive 30-month training programme

Graduate Recruitment Programme

Our graduate recruitment programme is an enhanced version of what was previously known as "CareerFirst." The purpose of this programme is to attract high potential graduates from the region's top universities to CIBC FirstCaribbean's business in order to create a pool of future leaders and invest in the skills, knowledge and experience of our people. In doing so, we seek to strengthen our overall capability and develop a competitive edge in the banking sector.

This Graduate Recruitment Programme which forms part of CIBC FirstCaribbean's overall recruitment strategy is an intensive programme spanning a period of 30 months. It is designed to provide candidates with the opportunity to acquire technical knowledge, while developing critical business skills. It is open to both internal and external candidates. Over the years we have had several successful graduates enter the programme, who are now employed in various positions in the Bank.

Tuition Assistance Programme (TAP)

CIBC FirstCaribbean has always been committed to the continuous education of its employees. The Bank has supported educational and professional development programmes over the years, in order to build the capabilities required to achieve our business strategy. In addition to ongoing learning opportunities which are offered to all our employees, TAP provides financial assistance for employees to pursue educational advancement through the completion of tertiary programmes (i.e. degree/diploma) as well as the completion of professional qualifications.

Over the last 10 years, many of our employees have taken advantage of this programme and successfully completed courses, in order to prepare themselves for advancement in their chosen fields.

The programmes highlighted above, our enviable reward and recognition programmes, and a professional, supportive, and fair working environment, together all explain why the Bank continues to boast high employee satisfaction results, strong retention ratios while attracting numerous applicants for each vacancy advertised. We will continue to innovate and engage with our employees in our quest to remain the employer of choice for our people.

2012 was another exciting year for the charitable work of CIBC FirstCaribbean as we sustained relationships and forged new ones. The work in our communities continued unabated with the tireless support of our employees. As we collectively join in acknowledging the 10-year milestone of our bank, we look forward to continuing the work started since 2002 towards the betterment of our communities.

University of the West Indies (UWI) Memorandum of Understanding

The programmes and activities under this Memorandum continued to be quite active and exhilarating. Following their historic performance at the regional Case Analysis competition in 2011, the UWI Cave Hill Campus team was again victorious and awarded the coveted CIBC FirstCaribbean challenge trophy. Teams from the UWI sister-campuses in Trinidad & Tobago and Jamaica captured second and third place, respectively. The University of Technology (UTech), Jamaica also took part for the second time.

Research Grants

The Bank continued its support of academic inquiry providing US$75,540 to fund research over the year, which was undertaken by five academics across disciplines in each of UWI's three campuses. Research topics included: Monetary Policy to Promote Economic Diversification in a Small Petroleum Dependent Economy; Joining the Second Revolution: From Micro-credit to Micro-financial Services in the Caribbean; Modeling the Potential Macro-Economic Impact of Mobile Financial Services in Delivering Path/Pension Payments in Jamaica, among others.

Scholarships

Jamil Sealy who is pursuing a degree in Information Technology and Accounting is one of sixteen (16) scholarship winners who received US$2,500 each to assist with expenses toward their studies. The awardees were congratulated on their impressive academic achievements during a special ceremony held in their honour in April.

Supporting Student Entrepreneurial Empowerment Development (SEED)

A group of five UWI students won the first prize in the Bank-sponsored Business Plan Competition under UWI's SEED project. The students created an innovative way for other students to access cheaper text books. "Bookline" which was

Mr. Duane Silverstein, Executive Director of Seacology receiving the first cheque from Mr. Michael Mansoor, Executive Chairman of CIBC FirstCaribbean International Bank

set up by Kevin Bishop, Rochelle Waldrond, Chenika Moore, Ivan Cox and volunteer, Akeila Trotman to rent text books to tertiary students received high praise and the decision to declare the group winners was unanimous.

The group was among four (4) other finalists, Craig Harewood, one of the first SEED participants, was first runner up with "Planet's Delicacies Nursery", a plant nursery targeting niche markets. Second runner up was Josiah Kirton with "Introspective Recordings" which produces promos, while third runner up was Jason Hope and his Bajan Art Inc. The Bank has contributed US$45,000 to the SEED programme over a three-year period.

Seacology

Three (3) Caribbean islands will receive financial support from CIBC FirstCaribbean over the next three years for endangered environmental projects in their communities.

Through a partnership with Seacology, the only Non Governmental Organisation (NGO) in the world whose sole focus is on preserving island ecosystems, the Bank will assist the islands of Grenada, St. Kitts and San Salvador in preserving their ecosystems and wildlife by protecting critical mangrove forests, nesting beaches of sea turtles and endangered iguanas in these three countries respectively.

Junior Achievement and Caribbean Association of Youth Business Trust (CYBT) continue to expand programmes

The Junior Achievement programme hosted its annual conference in Jamaica in May. Its overarching goals included the sensitisation of young men and women on the entrepreneurial opportunities available. The well-attended

UWI Student, Jamil Sealy, receiving scholarship award from Mark St. Hill, then Director, International Corporate Banking

Examining the posters from left to right are Mr. Edme Henry, Research Officer with the Ministry of Agriculture, Mrs. Debra King, Director Corporate Communications, CIBC FirstCaribbean International Bank, Mrs. Joy Adamson, Deputy Chief Education Officer for Schools in the Ministry of Education and Human Resource Development and Mr. Nasser Khan, Producer of the posters/author from Trinidad and Tobago

conference also sought to empower young men and women to think of themselves as entrepreneurs and be motivated to become business owners.

The Bank's alliance with the CYBT Programmes also continued during 2012. The CYBT gathered its members to an annual youth conference in St. Vincent and the Grenadines which was addressed by Prime Minister, Dr. Ralph Gonzalves. "Partnering for Impact: Accelerating Youth Entrepreneurship in the Caribbean"; "Major Corporations and Youth Businesses: Partners or Competitors"; and "The Media responsibility in fostering Youth Entrepreneurship", were among topics addressed.

Unsung Heroes

83-year-old, Cornellie Schoonhoven-Muntslag, topped the list of twenty-four (24) regional finalists after a panel of judges met in October to make the final selections. This is the first year that Curacao has produced the region's top Unsung Hero.

One of the first in Curacao to learn and teach Braille, Schoonhoven-Muntslag helped to form the Society for the Blind (Pro Bista) in Curacao in the 1960s. She has, for over 40 years, sought to integrate visually challenged persons into the community and has inspired many to do likewise.

Also chosen for special honour were 63-year-old Cleopatra Jackson from St. Vincent, a retired but still dedicated school teacher and 56-year-old Sylvaneta Brooks, from Antigua who has for the most part depleted her savings to provide care for those in need.

Unsung Heroes coffee table book – chronicling our history

The observance of the Bank's 10th anniversary and the recommendation of the esteemed panel of regional judges for this programme, saw the launch of the first Unsung Heroes coffee table book. Unsung Heroes 2003-2011 immortalizes the causes championed and lives lived of each hero, while providing breathtaking images of Caribbean village life.

From left to right: Ivan Cox, Rochelle Waldrond, Akeila Trotman, and Kevin Bishop copped first prize in UWI's business plan competition with their book rental business, "Bookline". They received their prize from sponsor, CIBC FirstCaribbean's Lynda Goodridge (right)

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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 and are expressed in United States dollars. Certain comparative amounts have been reclassified to conform with the presentation adopted in the current year.

Overview

FirstCaribbean International Bank Limited is a leading Caribbean financial institution providing individual and business clients with a full range of products and services through our three (3) business segments – Retail Banking, Corporate Lending & Investment Banking and Wealth Management. Our business segments service clients in seventeen (17) countries through our eight (8) operating companies located in Bahamas, Barbados, Cayman, Jamaica and Trinidad.

The business segments and geographic operating companies are supported by the Administration segment which includes Finance, Human Resources, Risk, Technology & Operations, Treasury, and other support units. Highlights and commentary on business segments can be found in Section 2.

The following discussion and analysis is based on the Group's overall results and financial position with commentary referring to segments and geographic operations when deemed relevant.

Review of the Consolidated Statement of Income

Highlights

$millions except per share amounts, as at or for the year ended October 31		2012	2011
Total revenue		543	507
Net income		72	74
Net income attributable to the equity holders of the parent		69	71
Total assets		11,500	11,228
Per share (cents)	- basic earnings	4.4	4.6
	- dividends	3.0	4.5
Share price (cents)	- closing	135	142
Return on equity		4.4%	4.6%
Efficiency ratio		64.1%	66.7%
Tier I capital ratio		23%	21%
Tier I and II capital ratio		24%	22%

Net income for the year was $72 million, compared to $74 million in 2011. These results continue to be affected by the stressed economic environment which resulted in low interest rates, slowdown in business activity and high delinquencies mainly in the tourism and real estate sectors.

The results for both periods were affected by certain significant items as follows:

2012

- $33 million increase in loan loss impairment due to deterioration in collateral values, new non-performing loans and updates to key assumptions/inputs in arriving at the allowance.
- $11 million increase in net income from the acquisition of CIBC Bank and Trust entities in Cayman and Bahamas.
- $19 million decrease in interest expenses related to lower cost of funds and interest rate swap volumes.

2011

- $6 million in mark-to-market gains on derivatives held for trading and hedges, inclusive of $5 million in non-recurring gains related to the restructuring of the interest rate swap portfolio.
- $14 million increase year on year in loan loss impairment due to decreased collateral values and some new large non-performing loans.

Total revenue was up by $36 million driven by higher net interest income, as well as, the impact of the acquisition of CIBC Bank and Trust entities in Cayman and Bahamas in September of 2011.

Total expenses also increased by $40 million due to the acquisition and loan loss impairment but was partly offset by reductions arising from cost control measures.

Net interest income and margin

$millions for the year ended October 31	2012	2011
Average total assets	11,364	10,497
Net interest income	397	374
Net interest margin	3.5%	3.6%

Net interest income increased year on year by $23 million (6%) primarily due to lower deposit cost of funds, lower interest rate swap volumes and higher interest recoveries on non-performing loans. This was partially offset by lower yields on cash balances.

Operating income

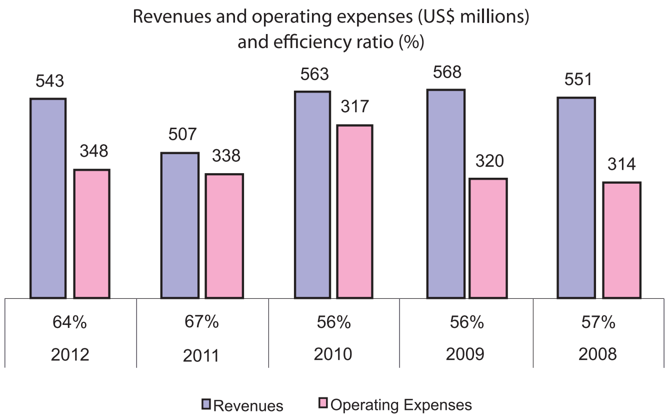
$millions for the year ended October 31	2012	2011
Net fee & commission income	99	73
Foreign exchange earnings	41	45
Net gains	2	7
Other	4	8
	146	133

Operating income was up by $13 million (10%) primarily due to increases in net fee & commission income of $26 million. The increase in net fee & commission income was due to fiduciary & investment management fees as a result of the acquisition of CIBC Bank & Trust entities. This was partially offset by lower FX earnings of $4 million on FX revaluation losses; lower net gains of $5 million on trading instruments and lower other income of $4 million on fees received for credit facilities which did not reoccur in 2012.

Operating expenses

$millions for the year ended October 31	2012	2011
Remuneration and benefits		
Wages and salaries	153	145
Benefits	44	46
	197	191
Property & equipment expenses	44	41
Depreciation	20	19
Business taxes	23	17
Professional fees	10	11
Communications	10	10
Other	44	49
	348	338

Operating expenses increased year on year by $10 million (3%) mainly due to the acquisition which contributed an additional $15 million of expenses. This was partially offset by cost control measures affecting remuneration and benefits, communication, advertising, business development & travel and training.



The improvement in the efficiency ratio from 67% in 2011 to 64% in 2012 was driven by the 7% increase in revenues vs. the 3% increase in operating expense.

Loan loss impairment

$millions for the year ended October 31	2012	2011
Individual impairment		
Mortgages	20	20
Personal	16	8
Business & Sovereign	78	63
	114	91
Collective impairment charge/(credit)	6	(4)
	120	87

Loan loss impairment increased by $33 million (37%) year on year due to higher specific allowances of $23 million driven by deterioration in collateral values, new non-performing loans and updates to key assumptions mainly affecting Business & Sovereign and Personal loans. The collective impairment increased by $10 million due also to updates to key assumptions, as well as, increases in productive loan balances.

The ratio of loan loss impairment to gross loans was 1.7%, compared with 1.3% at the end of 2011. However non-performing loans to gross loans decreased to 12.4%, compared to 13.6% at the end of 2011.

Income tax expense

$millions for the year ended October 31	2012	2011
Income tax expense	**2**	5
Net income before taxes	**74**	79
Effective tax rate	**3.2%**	6.6%

Taxes were lower than the prior year due to a lower proportion of income earned in taxable jurisdictions and prior period tax recoveries.

Review of the Consolidated Statement of Total Comprehensive Income

$millions as at October 31	2012	2011
Net income for the year	**72**	74
Other comprehensive income/(losses)		
Net gains/(losses) on available-for-sale investment securities	**14**	(4)
Exchange differences on translation of foreign operations	**(5)**	(2)
Other comprehensive income/(losses)	**9**	(6)
Total comprehensive income	**81**	68

Other comprehensive income increased by $15 million year on year as a result of net gains from investment securities compared with losses in the prior year, due primarily to lower benchmark interest rates.

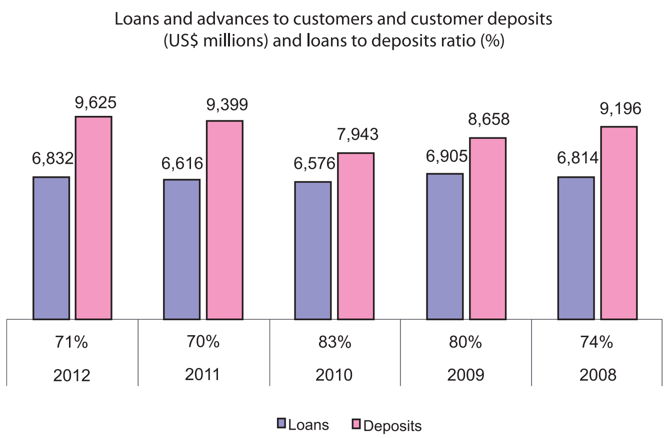
The Bank conducts business in two jurisdictions (Jamaica and Trinidad) that have functional currencies that float against the United States (US) dollar. The Jamaica dollar weakened by 6% year on year, while the Trinidad dollar remained relatively stable. This resulted in higher losses of $5 million in the current year compared with losses of $2 million in the prior year.

Review of the Consolidated Statement of Financial Position

$millions, as at October 31	2012	2011
Assets		
Cash & balances with banks	**2,381**	2,298
Investment securities	**1,704**	1,717
Financial assets at FV through profit or loss	**15**	27
Loans and advances:		
Mortgages	**2,476**	2,536
Personal	**590**	710
Business & Sovereign	**3,979**	3,566
Other	**31**	22
Provisions for impairment	**(244)**	(218)
	6,832	6,616
Other assets	**568**	570
	11,500	11,228

Liabilities & shareholders' equity		
Customer deposits		
Individuals	**5,022**	4,417
Business & Sovereign	**4,487**	4,877
Banks	**100**	84
Interest Payable	**16**	21
	9,625	9,399
Other borrowed funds	**16**	16
Debt securities in issue	**31**	31
Financial liabilities at FV through profit or loss	**15**	27
Other liabilities	**162**	136
Non-controlling interests	**30**	31
Equity attributable to equity holders of the parent	**1,621**	1,588
	11,500	11,228

Total assets increased by $272 million year on year, mainly due to increased cash from deposit liabilities and investment securities maturities/disposals; partially offset by net Business & Sovereign loan growth.



Equity attributable to equity holders of the parent

Equity attributable to equity holders of the parent increased by $33 million mainly due to net income of $69 million plus other comprehensive income of $9 million, less dividends of $47 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 & II of 23% and 24% respectively at the end of 2012, well in excess of regulatory requirements.

Business Segment Overview

Management monitors the operating results of its business segments 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 before taxes reflected on the consolidated financial statements. Economic profits include funds transfer pricing, management allocations, and earnings/charges for the segments' use of capital.

Income taxes are managed on a group basis and are not allocated to operating segments.

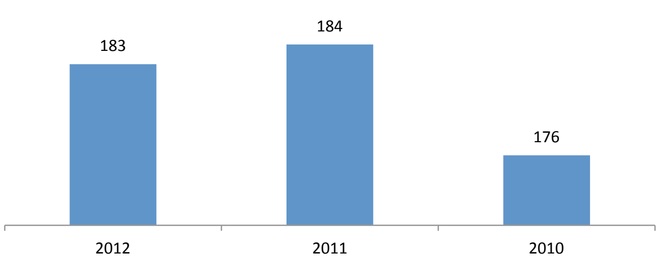
Transactions between the business segments are on normal commercial terms and conditions.

Retail Banking

Retail Banking includes Retail, Business Banking and Cards businesses across the region. This segment provides a full range of financial products and services to individuals which can be accessed through our network of branches and Automated Banking Machines (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.

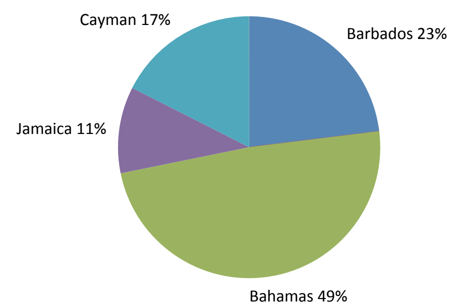
External revenues declined marginally year on year by $1million or 1% due to lower volumes and rates.

External Revenues ($'MM)



The percentage contribution to external revenues of the operating companies by geography are in the following chart.

External Revenues



Segment results decreased year on year by $19 million primarily as a result of higher loan loss expenses, but also lower revenue from other segments due to a decrease in interest rate spreads and external revenues due to volumes.

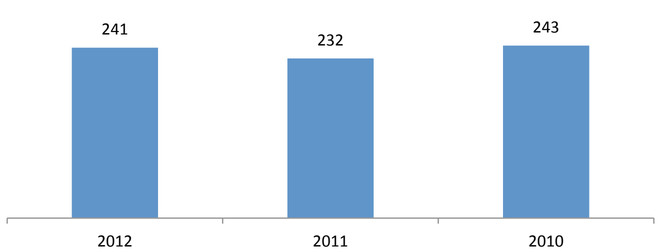
Corporate Lending and Investment Banking (CLIB)

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

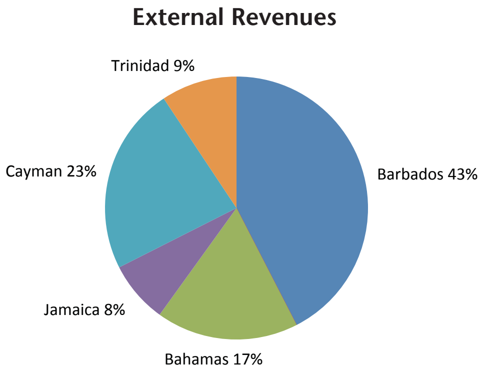
Investment Banking provides debt, equity, capital markets and corporate finance products and services to large corporations, financial institutions and governments.

External revenues increased by $9 million or 4% year on year as a result of increased interest income and lower fixed deposit volumes and rates.

External Revenues ($'MM)



The percentage contribution to external revenues of the operating companies by geography are in the following chart.



Segment results decreased year on year by $8 million as a result of increased loan loss expenses partially offset by higher external revenues.

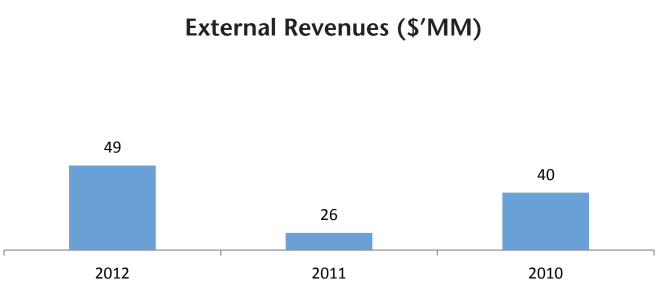
Wealth Management

This segment comprises International Banking (including International Corporate and International Personal Banking), Investment Management, Private Wealth Management and CIBC Bank & Trust.

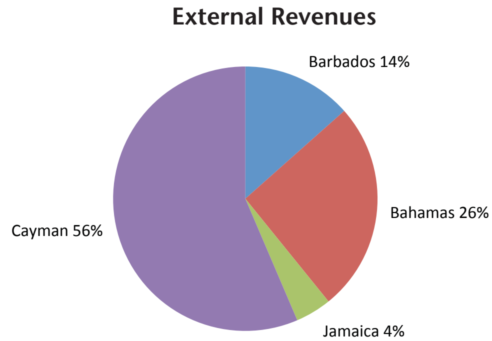
Wealth Management clients are provided investment advice and traditional banking services through a relationship management offer.

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.

External revenues increased by $23 million year on year due to the full year impact of the CIBC Bank & Trust acquisition at the end of 2011 fiscal.



The percentage contribution to external revenues of the operating companies by geography are in the following chart.



Segment results increased year on year by $14 million primarily due to a full year's impact of the acquisition at the end of 2011 fiscal and lower expenses.

Administration

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 segment retains earnings on excess capital and the offset to capital charges allocated to the business segments.

Treasury manages the interest rate, foreign exchange and liquidity risk of the Group. In addition, Treasury conducts foreign exchange and other derivative transactions on behalf of Bank clients. Securities and cash placements are normally held within the Treasury unit included in the Administration segment.

Risk Management Approach

The Group assumes a variety of risks in its ordinary business activities. Risk is defined as any event that could: damage the core earnings capacity of the Group; increase earnings or cashflow volatility; reduce capital; threaten business reputation or viability; and/or breach regulatory or legal obligations.

The Group'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 Group can be found in note 34 of the consolidated financial statements.

Primary responsibility for the identification and assessment of risk lies with line management in our various strategic business units. 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 risk, market risk, and operational risk.

The Group'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 comprehensive 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 Group'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 Group. 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 front line 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 specialised loan restructuring teams. Classification is automated and operates strictly in line with regulatory and accounting standards. Credit provisions are independently calculated in accordance with International Financial Reporting Standards (IFRS) for statutory reporting and in accordance with the Financial Institutions Act to meet regulatory requirements by the 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 Group'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 Group's market risk management activities is to limit the adverse impact of interest rate and exchange rate movements on profitability and shareholder value and to enhance earnings within defined limits.

The Risk and Conduct Review Committee of the Board reviews market risk strategy and establishes overall limits. It approves key policies, 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 Group 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 Group is involved, as well as the amount of the Group's capital at risk. These measurement methodologies utilise international best practice. There is a centralised, dedicated 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 Group.

Primary responsibility for compliance lies with territorial line management. The compliance team within the Risk Management department is tasked with identifying the compliance obligations in each country where the Group operates. 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 Group 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 Group, including in 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 the 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 Group are reported regularly to the Audit & Governance Committee and Risk and Conduct Review Committee.

The Group’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 Group.

Liquidity Risk

Liquidity risk is defined as the risk that the Group will experience difficulty in financing its assets and meeting its contractual payment obligations, or will only be able to do so at an unacceptably high cost. The Group is exposed to liquidity risk through our general funding activities and in the management of our assets and liabilities.

The Group’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 Liability Committee (ALCO). The Group and individual operating company ALCOs are 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 Group performs stress tests and scenario analyses to evaluate the impact of stresses on its liquidity position. These tests are at both a Group specific and systemic risk level. The results are independently reviewed by the market risk function and reported to the Board quarterly.

FIRSTCARIBBEAN INTERNATIONAL BANK 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

To the Shareholders of FirstCaribbean International Bank Limited.

We have audited the accompanying consolidated financial statements of FirstCaribbean International Bank Limited and its subsidiaries ("the Group") which comprise the consolidated statement of financial position as of October 31, 2012 and the consolidated statements of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group 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

CHARTERED ACCOUNTANTS
Barbados
December 13, 2012

Consolidated Statement of Income

As at October 31
(Expressed in thousands of United States dollars)

	Notes	2012	2011
Interest and similar income		$ 499,434	$ 495,566
Interest and similar expense		102,612	121,427
Net interest income	3	396,822	374,139
Operating income	4	146,095	133,319
		542,917	507,458
Operating expenses	5	347,960	338,387
Loan loss impairment	16	119,967	87,244
Amortisation of intangible assets	20	717	2,963
		468,644	428,594
Income before taxation		74,273	78,864
Income tax expense	6	2,404	5,198
Net income for the year		$ 71,869	$ 73,666
Attributable to:			
Equity holders of the parent		$ 69,161	$ 70,827
Non-controlling interests		2,708	2,839
		$ 71,869	$ 73,666
Basic earnings per share attributable to the equity holders of the parent for the year (expressed in cents per share)	7	4.4	4.6

Consolidated Statement of Comprehensive Income

For the year ended October 31
(Expressed in thousands of United States dollars)

	Notes	2012	2011
Net income for the year		$ 71,869	$ 73,666
Other comprehensive income/(losses):			
Net gains/(losses) on available-for-sale investment securities, net of tax		14,395	$ (3,991)
Net exchange losses on translation of foreign operations, net of tax		(5,165)	(1,383)
Other comprehensive gains/(losses) for the year, net of tax	8, 9	9,230	(5,374)
Total comprehensive income for the year, net of tax		$ 81,099	$ 68,292
Attributable to:			
Equity holders of the parent		$ 78,131	$ 65,714
Non-controlling interests		2,968	2,578
		$ 81,099	$ 68,292

The accompanying notes are an integral part of the financial statements.

Consolidated Statement of Financial Position

As at October 31
(Expressed in thousands of United States dollars)

	Notes	2012	2011
Assets			
Cash and balances with Central Banks	10	$ 720,933	$ 648,565
Due from banks	11	1,660,115	1,648,994
Derivative financial instruments	12	2,708	6,355
Financial assets at fair value through profit or loss	13	14,855	27,319
Other assets	14	17,884	19,948
Taxation recoverable		22,429	15,859
Investment securities	15	1,703,598	1,716,879
Loans and advances to customers	16	6,831,697	6,616,497
Property and equipment	17	133,597	131,256
Deferred tax assets	18	13,922	17,067
Retirement benefit assets	19	43,646	43,381
Intangible assets	20	334,907	335,624
Total assets		$ 11,500,291	$ 11,227,744
Liabilities			
Derivative financial instruments	12	$ 73,936	$ 62,327
Customer deposits	21	9,624,605	9,398,827
Financial liabilities at fair value through profit or loss	13	14,855	27,319
Other borrowed funds	22	16,419	16,390
Other liabilities	23	69,901	50,324
Taxation payable		1,089	4,557
Deferred tax liabilities	18	957	2,684
Debt securities in issue	24	30,610	30,697
Retirement benefit obligations	19	17,404	15,829
Total liabilities		9,849,776	9,608,954
Equity attributable to equity holders of the parent			
Issued capital	25	1,193,149	1,193,149
Reserves	26	(210,621)	(231,879)
Retained earnings		638,343	626,845
		1,620,871	1,588,115
Non-controlling interests		29,644	30,675
Total equity		1,650,515	1,618,790
Total liabilities and equity		$ 11,500,291	$ 11,227,744

The accompanying notes are an integral part of the financial statements

Approved by the Board of Directors on December 13, 2012

Michael Mansoor
Chairman

Rik Parkhill
Chief Executive Officer

Consolidated Statement of Changes in Equity

For the year ended October 31
(Expressed in thousands of United States dollars)

	Notes	Attributable to equity holders of the parent				
		Issued capital	Reserves	Retained earnings	Non-controlling interests	Total equity
Balance at October 31, 2010		$ 1,117,349	$ (234,518)	$ 660,680	$ 29,708	$ 1,573,219
Total comprehensive (losses) / income for the year, net of tax		-	(5,113)	70,827	2,578	68,292
Issue of share capital	25	75,800	-	-	-	75,800
Transfer to reserves	26	-	7,752	(7,752)	-	-
Acquisition of subsidiaries	35	-	-	(7,053)	-	(7,053)
Equity dividends		-	-	(89,857)	-	(89,857)
Dividends of subsidiaries		-	-	-	(1,611)	(1,611)
Balance at October 31, 2011		1,193,149	(231,879)	626,845	30,675	1,618,790
Total comprehensive income for the year, net of tax		-	8,970	69,161	2,968	81,099
Transfer to reserves	26	-	11,201	(11,201)	-	-
Purchase of non-controlling interest in subsidiary		-	1,087	244	(2,503)	(1,172)
Equity dividends		-	-	(46,706)	-	(46,706)
Dividends of subsidiaries		-	-	-	(1,496)	(1,496)
Balance at October 31, 2012		**$ 1,193,149**	**$ (210,621)**	**$ 638,343**	**$ 29,644**	**$ 1,650,515**

The accompanying notes are an integral part of the financial statements.

Consolidated Statement of Cash Flows

For the year ended October 31
(Expressed in thousands of United States dollars)

	2012	2011
Cash flows from operating activities		
Income before taxation	$ 74,273	$ 78,864
Loan loss impairment	119,967	87,244
Depreciation of property and equipment	20,101	19,333
Amortisation of intangible assets	717	2,963
Net losses/(gains) on disposals of property and equipment	107	(74)
Net gains on disposals and redemption of investment securities	(1,686)	(1,409)
Net hedging gains	(5,646)	(3,498)
Interest income earned on investment securities	(71,029)	(71,118)
Interest expense incurred on other borrowed funds and debt securities	4,555	4,388
Net cash flows from operating income before changes in operating assets and liabilities	141,359	116,693
Changes in operating assets and liabilities:		
- net decrease/(increase) in due from banks	9,373	(564,394)
- net increase in loans and advances to customer	(325,622)	(84,615)
- net decrease/(increase) in financial assets at fair value through profit or loss	12,464	(27,319)
- net decrease in other assets	5,446	12,674
- net increase in customer deposits	225,778	517,446
- net (decrease)/increase in financial liabilities at fair value through profit or loss	(12,464)	27,319
- net increase/(decrease) in other liabilities	23,439	(59,545)
Income taxes paid	(11,582)	(14,750)
Net cash from/(used in) operating activities	68,191	(76,491)
Cash flows from investing activities		
Purchases of property and equipment	(23,305)	(22,933)
Proceeds from disposals of property and equipment	756	80
Purchases of investment securities	(1,727,448)	(727,165)
Proceeds from disposals and redemption of investment securities	1,763,186	749,455
Interest income received on investment securities	70,634	70,297
Acquisition of subsidiaries, net of cash acquired	-	949,749
Purchase of non-controlling interest in subsidiary	(1,172)	-
Net cash from investing activities	82,651	1,019,483
Cash flows from financing activities		
Net proceeds/(repayments) on other borrowed funds and debt securities	59	(29,474)
Interest expense paid on other borrowed funds and debt securities	(4,672)	(4,444)
Dividends paid to equity holders of the parent	(46,706)	(89,857)
Dividends paid to non-controlling interests	(1,496)	(1,611)
Net cash used in financing activities	(52,815)	(125,386)
Net increase in cash and cash equivalents for the year	98,027	817,606
Effect of exchange rate changes on cash and cash equivalents	(5,165)	(1,383)
Cash and cash equivalents, beginning of year	1,352,580	536,357
Cash and cash equivalents, end of year (note 10)	$ 1,445,442	$ 1,352,580

The accompanying notes are an integral part of the financial statements.

1. General Information

FirstCaribbean International Bank Limited and its subsidiaries ("the Group") are registered under the relevant financial and corporate legislations of 17 countries in the Caribbean to carry on banking and other related activities. The Group's parent company, FirstCaribbean International Bank Limited ("the Bank"), is a company incorporated and domiciled in Barbados at Warrens, St. Michael. The ultimate parent company and controlling party of the Bank is Canadian Imperial Bank of Commerce ("CIBC") which holds 91.7% of the Bank's issued shares and is a company incorporated in Canada.

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

2. Accounting Policies

2.1 Basis of presentation

These consolidated financial statements have been prepared on a historical cost basis, except for available-for-sale investment securities, financial assets and liabilities at fair value through profit or loss and derivative financial instruments, which have all been measured at fair value. The carrying value of recognised assets 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 United States dollars, and all values are rounded to the nearest thousand except where 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.

Subsidiaries

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 activities, have been fully consolidated. The principal subsidiaries of the Bank are disclosed in note 36.

All inter-company transactions, balances and unrealised surpluses and deficits on transactions and balances have been eliminated.

Subsidiaries are consolidated from the date on which the effective control is transferred to the Bank. Control is achieved where the Bank has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of income from the date of acquisition or up to the date of disposal.

Non-controlling interests represent the portion of profit or loss and net assets not owned, directly or indirectly, by the Bank and are presented separately in the consolidated statement of income and within equity in the consolidated statement of financial position, separately from equity attributable to equity holders of the parent.

Prior to November 1, 2009, losses incurred by the Group were attributed to the non-controlling interests until the balance was reduced to nil. Any further excess losses were attributable to the parent, unless the non-controlling interests had a binding obligation to cover these.

With effect from November 1, 2009, losses are attributed to the non-controlling interests even if that results in a deficit balance.

Transactions with non-controlling interests

The Group applies a policy of treating transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Interests in the equity of subsidiaries not attributable to the parent are reported in consolidated equity as non-controlling interests. Profits or losses attributable to non-controlling interests are reported in the consolidated statement of comprehensive income.

Transactions with jointly controlled entities

IFRS 3 Business Combinations does not apply to a business combination of entities or businesses under common control. A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory.

The Group accounts for the acquisition of commonly controlled entities as follows:

- The assets, liabilities, income and expenses of a subsidiary are included in the consolidated financial statements prospectively from the acquisition date.
- The assets and liabilities of the subsidiaries are reflected in the consolidated financial statements at their carrying amounts and are not revalued to fair value.
- No new goodwill is recognised as a result of the combination. Instead, any difference between the fair value of consideration and the carrying value of the net assets is reflected as an adjustment to retained earnings.

2.2 Significant accounting judgements and estimates

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

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

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 of or inputs to actual market transactions and using the Group'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.

Impairment losses on loans and advances

The Group reviews its individually significant loans and advances at each reporting date to assess whether an impairment loss should be recorded in the statement of income. In particular, judgement 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 judgements about the borrower's financial situation and the net realisable value of 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 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.

Retirement benefit obligations

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

Income taxes

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

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

Impairment of available-for-sale investments

Management makes judgements 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.

Intangible assets

The Group's financial statements include goodwill and customer-related intangible assets arising from acquisitions. In accordance with 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 judgements at each reporting date to determine whether intangible assets are impaired or not.

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 Group.

2.4 Summary of significant accounting policies

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

Foreign currency translation

Each entity in the Group determines its own functional currency, and items included in the financial statements of each entity are measured using that currency.

The functional currency of the Bank is Barbados dollars, however, these consolidated financial statements are presented in United States dollars as this is the single largest currency of use throughout the Group and is universally accepted and recognised in all the territories in which the Group operates.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction. 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 and then converted to the Group's presentation currency using prevailing average monthly exchange rates. Realised and unrealised gains and losses on foreign currency positions are reported in income of the current year. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the available-for- sale revaluation reserve in equity.

Group companies

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

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the reporting date.
- Income and expenses for each statement of comprehensive income or statement of income presented are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- All resulting exchange differences are recognised in other comprehensive income.

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

Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments such as forward currency contracts and interest rate swaps to manage its foreign currency risks and interest rate risks, 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 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 Group formally designates and documents the hedge relationship to which the Group 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 Group's strict criteria for hedge accounting are accounted for as follows:

- *Fair value hedge*

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

  If the 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.

- *Cash flow hedge*

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

Amounts accumulated in other comprehensive income are recycled to the 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 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 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 gains or losses within operating income.

Interest income and expense

Interest income and expense are recognised in the statement of income for all interest-bearing instruments on an accrual basis using the effective interest 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 discounts and premiums 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.

Fee and commission income

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

Customer loyalty programmes

The Group offers customer points programmes through its Credit Card products. A portion of the net fee revenues are deferred in relation to award credits under customer loyalty programmes as a separately identifiable revenue component. The amount deferred represents the fair value of the award credits and is recognised when the awards are utilised or are expired.

Financial instruments

The Group classifies its financial assets into the following categories:

- Financial assets at fair value through profit or loss;
- Loans and receivables; or
- Available-for-sale financial assets.

Management determines the classification of its investments at initial recognition.

Financial assets and 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.

Loans and receivables

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

Available-for-sale financial assets

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

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

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

Available-for-sale financial assets and financial assets or liabilities 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 receivables are carried at amortised cost using the effective interest 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 statement of income as gains and losses from investment securities.

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

All gains and losses from disposals and/or changes in the fair value of financial assets and liabilities 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 hedging gains or 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 Group and the counterparty. When this occurs for reasons other than those which could be considered indicators of impairment (see 'Impairment of assets') the group 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 instruments interest rate. If the restructured terms are significantly different, the group derecognises the original financial asset and recognises a new one at fair value, with any difference recognised in the statement of income.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the 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.

Sale and repurchase agreements

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

Impairment of financial assets

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

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the Group granting to a borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;
- it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- 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 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 original 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 allowance for credit losses 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 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 the statement of income. In circumstances where Central Bank guidelines and regulatory rules require provisions in excess of those calculated under IFRS, the difference is disclosed as an appropriation of retained earnings and is included in a non-distributable general banking reserve.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. An intangible asset is only recognised when its cost can be reliably measured and it is probable that the expected future economic benefits attributable to it will flow to the Group.

Intangible assets acquired in business combinations prior to November 1, 2009 are accounted for as follows:

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 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 the 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.

Customer-related intangible assets

Customer-related intangible assets represent the fair value of each customer relationship acquired in a business combination, as of the acquisition date, which met the contractual legal criterion for identification as an intangible asset in the statement of financial position separated from goodwill. The fair value of the customer relationships is amortised on a straight-line basis over its expected useful life of six years. At each reporting date, an assessment is made to determine whether there are any indications of impairment, and if such an indication exists, then the recoverable amount shall be estimated.

Property and equipment

All property and equipment are stated at historical cost less accumulated depreciation, with the exception of land which is not depreciated. Historical cost includes expenditures that are directly attributable to the acquisition of the items. Land and buildings comprise mainly branches and offices.
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 Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of income during the financial period in which they are incurred.

Depreciation on all property and equipment is computed on the straight-line method at rates considered adequate to write-off the cost of depreciable assets, less salvage, over their useful lives.

The annual rates used are:

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

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

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

Leases

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

Cash and cash equivalents

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

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more than likely that an 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.

Retirement benefit obligations

Pension obligations

The Group operates a number of pension plans, the assets of which are generally held in separate trustee-administered funds. The pension plans are generally funded by payments from the relevant Group companies, taking account of the recommendations of independent qualified actuaries. The Group has both defined benefit plans and defined contribution plans. A defined benefit plan is a pension plan that defines an amount of pension benefit to be provided, usually as a function of one or more factors such as age, years of service or compensation. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation 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 or liability recognised in the statement of financial position in respect of defined benefit pension plans 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 cost. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by the estimated future cash outflows using interest rates of government securities, which have terms to maturity approximating the terms of the related liability. Most of the pension plans are final salary plans and the charge for such pension plans, representing the net periodic pension cost less employee contributions, is included in staff costs.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to income over the expected average remaining service lives of the related employees.

Past service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, past service costs are amortised on a straight-line basis over the vesting period.

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

Other post-retirement obligations

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

Deferred tax

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

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

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

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

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 statement of income over the period of the borrowings, using the effective interest method.

Share capital

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 issue.

Dividends on common shares

Dividends on common 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 these financial statements.

Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the parent by the weighted average number of common shares (excluding treasury shares) outstanding during the year.

Fiduciary activities

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

Segment reporting

Business 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 business segments of an entity. The Group has determined the Group's Senior Executive Team as its chief operating decision-maker.

Interest income is reported net within revenue as management primarily relies on net interest income as a performance measure and not the gross income and expense.

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

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 Group's accounting periods beginning on or after November 1, 2012.

Of these, the following are relevant to the Group but have not been early adopted:

- IAS 1 Presentation of items of other comprehensive income – amendments to IAS 1

(Expressed in thousands of United States dollars)

- 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 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 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.

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 Group and the timing of their adoption.

3. Net interest income

	2012	2011
Interest and similar income		
Cash, balances with Central Banks and due from banks	$ **4,683**	$ 8,173
Investment securities	**71,029**	71,118
Loans and advances to customers	**423,722**	416,275
	499,434	495,566
Interest and similar expense		
Customer deposits	**86,796**	101,807
Debt securities in issue	**2,451**	2,484
Borrowed funds and other	**13,365**	17,136
	102,612	121,427
	$ **396,822**	$ 374,139

(Expressed in thousands of United States dollars)

4. Operating income

	2012	2011
Net fee and commission income	$ 99,191	$ 73,361
Foreign exchange commissions	42,143	42,666
Foreign exchange revaluation net (losses)/gains	(1,622)	2,578
Net trading (losses)/gains	(5,061)	2,219
Net investment securities gains	1,686	1,409
Net hedging gains	5,646	3,498
Other operating income	4,112	7,588
	$ 146,095	$ 133,319

Net trading (losses)/gains have arisen from either disposals and/or changes in the fair value on financial assets and liabilities at fair value through profit or loss, trading securities and derivatives held for trading which include failed hedges.

Net investment securities gains have arisen from disposals of investment securities held as available-for-sale.

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 net fee and commission income:

	2012	2011
Underwriting	$ 3,694	$ 1,848
Deposit services	39,933	38,762
Credit services	8,605	9,455
Card services	20,038	19,434
Fiduciary & investment management	24,762	1,991
Other	2,159	1,871
	$ 99,191	$ 73,361

5. Operating expenses

	2012	2011
Staff costs	$ 196,900	$ 191,354
Property and equipment expenses	43,798	40,541
Depreciation (note 17)	20,101	19,333
Other operating expenses	87,161	87,159
	$ 347,960	$ 338,387

Analysis of staff costs:

	2012	2011
Wages and salaries	$ 153,189	$ 145,015
Pension costs - defined contribution plans (note 19)	4,572	4,192
Pension costs - defined benefit plans (note 19)	6,063	8,781
Post retirement medical benefits charge (note 19)	2,892	328
Other share and cash-based benefits	1,389	1,232
Severance	1,918	6,218
Risk benefits	8,736	7,918
Other staff related costs	18,141	17,670
	$ 196,900	$ 191,354

(Expressed in thousands of United States dollars)

Analysis of other operating expenses:

	2012	2011
Business taxes	$ 22,509	$ 17,072
Professional fees	10,267	10,667
Advertising and marketing	6,722	7,390
Business development and travel	3,698	4,379
Communications	9,778	10,113
Losses/(gains) on sale of property and equipment	107	(74)
Consumer related expenses	6,882	7,268
Outside services	5,359	5,384
Other	21,839	24,960
	$ 87,161	$ 87,159

6. Income tax expense

	2012	2011
The components of income tax expense for the year are:		
Current tax charge	$ 4,743	$ 9,428
Deferred tax charge/(credit)	860	(5,270)
Prior year tax (credit)/ charge	(3,199)	1,040
	$ 2,404	$ 5,198

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

	2012	2011
Income before taxation	$ 74,273	$ 78,864
Tax calculated at the statutory tax rate of 25%	$ 18,568	$19,716
Effect of different tax rates in other countries	(28,781)	(27,952)
Effect of income not subject to tax	(14,239)	(10,540)
Effect of income subject to tax at 12.5%	1,030	(2,005)
Under/(over) provision of prior year deferred tax liability	281	(443)
(Over)/under provision of current year corporation tax liability	(3,001)	1,428
Movement in deferred tax asset not recognised	19,550	21,298
Effect of expenses not deductible for tax purposes	8,996	3,696
	$ 2,404	$ 5,198

7. Earnings per share

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

Basic earnings per share

	2012	2011
Net income attributable to equity holders of the parent	$ 69,161	$ 70,827
Weighted average number of common shares (thousands)	1,577,095	1,529,502
Basic earnings per share (expressed in cents per share)	4.4	4.6

There are no potentially dilutive instruments

(Expressed in thousands of United States dollars)

8. Components of other comprehensive income/(losses), net of tax

	2012	2011
Available-for-sale investment securities, net of tax:		
Net gains/(losses) arising during the year	$ 16,081	$ (2,582)
Reclassification adjustments for gains included in the statement of income	(1,686)	(1,409)
	14,395	(3,991)
Attributable to:		
Equity holders of the parent	14,070	(3,749)
Non-controlling interests	325	(242)
	14,395	(3,991)
Net exchange losses on translation of foreign operations, net of tax		
Attributable to:		
Equity holders of the parent	(5,100)	(1,364)
Non-controlling interests	(65)	(19)
	(5,165)	(1,383)
Other comprehensive income/(losses) for the year, net of tax	$ 9,230	$ (5,374)

9. Income tax effects relating to other comprehensive income/(losses)

	2012	2011
Available-for-sale investment securities, net of tax		
Before Tax	$ 14,953	$ (4,854)
Tax	(558)	863
After Tax	14,395	(3,991)
Net exchange losses on translation of foreign operations, net of tax		
Before and after tax	(5,165)	(1,383)
Other comprehensive income/(losses) for the year, net of tax	$ 9,230	$ (5,374)

10. Cash and balances with Central Banks

	2012	2011
Cash	$ 92,161	$ 88,000
Deposits with Central Banks - interest bearing	77,301	97,584
Deposits with Central Banks - non-interest bearing	551,471	462,981
Cash and balances with Central Banks	720,933	648,565
Less: Mandatory reserve deposits with Central Banks	(301,295)	(273,047)
Included in cash and cash equivalents as per below	$ 419,638	$ 375,518

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

(Expressed in thousands of United States dollars)

Cash and cash equivalents

	2012	2011
Cash and balances with Central Banks as per above	$ **419,638**	$ 375,518
Due from banks (note 11)	**1,025,804**	977,062
	$ **1,445,442**	$ 1,352,580

11. Due from banks

	2012	2011
Included in cash and cash equivalents (note 10)	$ **1,025,804**	$ 977,062
Greater than 90 days maturity from date of acquisition	**634,311**	671,932
	$ **1,660,115**	$ 1,648,994

The average effective yield on these amounts during the year was 0.3% (2011 – 0.7%).

12. 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 that is the basis upon which changes in the value of derivatives are measured.

2012	Notional amount	Assets	Liabilities
Interest rate swaps	$ **486,915**	$ **2,510**	$ **72,608**
Foreign exchange forwards	**250,633**	**10**	**1,140**
Interest rate options	**151,618**	**188**	**188**
		$ **2,708**	$ **73,936**

2011	Notional amount	Assets	Liabilities
Interest rate swaps	$ 552,704	$ 1,378	$ 61,954
Foreign exchange forwards	240,018	4,755	151
Interest rate options	80,750	144	144
Commodity options	5,984	78	78
		$ 6,355	$ 62,327

The Group 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.

Interest rate options
Interest rate options are contractual agreements which convey the right, but not the obligation, to pay or receive a specified amount calculated from movements in interest rates.

Commodity options
Commodity options are contractual agreements which convey the right, but not the obligation to pay or receive a specified amount calculated with reference to changes in commodity prices.

(Expressed in thousands of United States dollars)

Derivative financial instruments held or issued for hedging purposes

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

During the year, the Group recognised gains on effective hedges of $5,646 (2011 - $3,498) due to losses on hedging instruments of $9,322 (2011 - $5,851), and gains on hedged items attributable to the hedged risk of $14,968 (2011 - $9,349). These gains are included within operating income as net hedging gains.

During the year, the Group recognised no gains or losses (2011 - gains of $511) as a result of failed hedges which are included within operating income as part of net trading gains as these derivatives are classified as trading derivatives upon failure.

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

The Group has a financial asset which is classified under IAS39 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 Group's return on the transaction is recognised within operating income.

14. Other assets

	2012	2011
Prepayments and deferred items	$ 9,381	$ 8,509
Other accounts receivables	8,503	11,439
	$ 17,884	$ 19,948

15. Investment securities

	2012	2011
Available-for-sale		
Equity securities – unquoted	$ 698	$ 877
Government debt securities	1,330,990	1,171,741
Other debt securities	348,061	520,807
	1,679,749	1,693,425
Add: Interest receivable	23,849	23,454
	$ 1,703,598	$ 1,716,879

The average effective yield during the year on debt securities and treasury bills was 4.2% (2011 - 4.2%). The Group has a regulatory reserve requirement to maintain a percentage of deposit liabilities in cash or in the form of Government securities. At October 31, 2012 the reserve requirement amounted to $432,711 (2011 - $447,243) of which $301,295 (2011 - $273,047) is included within cash and balances with Central Banks (note 10).

Available-for-sale securities in the amount of $14,689 (2011 - $14,670) were pledged as security for investment note certificates issued by the Group (note 22).

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

	2012	2011
Balance, beginning of year	$ 1,693,425	$ 1,656,621
Additions (purchases, changes in fair value and foreign exchange)	1,749,510	715,907
Disposals (sales and redemptions)	(1,763,186)	(749,455)
Acquisition of subsidiaries	-	70,352
Balance, end of year	$ 1,679,749	$ 1,693,425

(Expressed in thousands of United States dollars)

16. Loans and advances to customers

	Mortgages	Personal Loans	Business & Sovereign	2012
Performing loans	$ 2,127,711	$ 522,861	$ 3,520,622	**$ 6,171,194**
Impaired loans	348,495	67,355	457,962	**873,812**
Gross loans	2,476,206	590,216	3,978,584	**7,045,006**
Less: provisions for impairment	(59,349)	(39,694)	(145,231)	**(244,274)**
	$ 2,416,857	$ 550,522	$ 3,833,353	**6,800,732**
Add: Interest receivable				**67,359**
Less: Unearned fee income				**(36,394)**
				$ 6,831,697

	Mortgages	Personal Loans	Business & Sovereign	2011
Performing loans	$ 2,246,509	$ 648,455	$ 2,990,679	$ 5,885,643
Impaired loans	289,966	61,046	575,450	926,462
Gross loans	2,536,475	709,501	3,566,129	6,812,105
Less: provisions for impairment	(46,079)	(31,413)	(140,472)	(217,964)
	$ 2,490,396	$ 678,088	$ 3,425,657	6,594,141
Add: Interest receivable				62,667
Less: Unearned fee income				(40,311)
				$ 6,616,497

Movement in provisions for impairment is as follows:

	Mortgages	Personal Loans	Business & Sovereign	2012
Balance, beginning of year	$ 46,079	$ 31,413	$ 140,472	**$ 217,964**
Individual impairment	20,304	15,568	78,350	**114,222**
Collective impairment	1,542	2,365	1,838	**5,745**
Recoveries and write offs	(8,576)	(9,652)	(58,204)	**(76,432)**
Interest accrued on impaired loans	–	–	(17,225)	**(17,225)**
Balance, end of year	$ 59,349	$ 39,694	$ 145,231	**$ 244,274**

Movement in provisions for impairment is as follows:

	Mortgages	Personal Loans	Business & Sovereign	2011
Balance, beginning of year	$ 29,127	$ 36,806	$ 130,224	$ 196,157
Individual impairment	20,362	7,472	63,305	91,139
Collective impairment	(1,825)	(379)	(1,691)	(3,895)
Recoveries and write offs	(1,585)	(12,486)	(42,151)	(56,222)
Interest accrued on impaired loans	-	-	(9,215)	(9,215)
Balance, end of year	$ 46,079	$ 31,413	$ 140,472	$ 217,964

Ageing analysis of past due but not impaired loans:

	Mortgages	Personal Loans	Business & Sovereign	2012
Less than 30 days	$ 89,714	$ 11,699	$ 26,910	**$ 128,323**
31 – 60 days	64,715	13,453	29,167	**107,335**
61- 89 days	36,161	4,540	14,750	**55,451**
	$ 190,590	$ 29,692	$ 70,827	**$ 291,109**

(Expressed in thousands of United States dollars)

Ageing analysis of past due but not impaired loans:

	Mortgages	Personal Loans	Business & Sovereign	2011
Less than 30 days	$ 85,545	$ 12,356	$ 47,566	$ 145,467
31 – 60 days	69,099	9,510	35,065	113,674
61- 89 days	28,893	9,597	22,462	60,952
	$ 183,537	$ 31,463	$ 105,093	$ 320,093

The average interest yield during the year on loans and advances was 6.6% (2011 – 6.7%). Impaired loans as at October 31, 2012 amounted to $873,812 (2011 - $926,462) and interest taken to income on impaired loans during the year amounted to $6,107 (2011 - $7,494).

Loans and advances to customers include finance lease receivables:

	2012	2011
No later than 1 year	$ **5,847**	$ 6,638
Later than 1 year and no later than 5 years	**15,917**	16,469
Gross investment in finance leases	**21,764**	23,107
Unearned finance income on finance leases	**(2,934)**	(2,817)
Net investment in finance leases	$ **18,830**	$ 20,290

17. Property and equipment

	Land and buildings	Equipment, furniture and vehicles	Leasehold improvements	2012
Cost				
Balance, beginning of year	$ 99,861	$ 209,319	$ 29,737	**$ 338,917**
Purchases	1,811	19,099	2,395	**23,305**
Disposals	(280)	(123)	(701)	**(1,104)**
Net transfers/write-offs (*)	981	(5,423)	282	**(4,160)**
Balance, end of year	102,373	222,872	31,713	**356,958**
Accumulated depreciation				
Balance, beginning of year	31,084	158,467	18,110	**207,661**
Depreciation	2,316	14,901	2,884	**20,101**
Disposals	(131)	(110)	-	**(241)**
Net transfers/write-offs (*)	62	(3,650)	(572)	**(4,160)**
Balance, end of year	33,331	169,608	20,422	**223,361**
Net book value, end of year	$ 69,042	$ 53,264	$ 11,291	**$ 133,597**

(Expressed in thousands of United States dollars)

	Land and buildings	Equipment, furniture and vehicles	Leasehold improvements	2011
Cost				
Balance, beginning of year	$ 98,223	$ 188,688	$ 24,295	$ 311,206
Acquisition of subsidiaries	-	3,822	1,274	5,096
Purchases	726	18,525	3,682	22,933
Disposals	-	(297)	(21)	(318)
Net transfers/write-offs (*)	912	(1,419)	507	-
Balance, end of year	99,861	209,319	29,737	338,917
Accumulated depreciation				
Balance, beginning of year	28,531	140,961	15,194	184,686
Acquisition of subsidiaries	-	2,768	1,186	3,954
Depreciation	2,553	15,029	1,751	19,333
Disposals	-	(291)	(21)	(312)
Balance, end of year	31,084	158,467	18,110	207,661
Net book value, end of year	$ 68,777	$ 50,852	$ 11,627	$ 131,256

Included as part of equipment, furniture and vehicles is an amount for $15,130 (2011 - $13,575) relating to systems development costs and work in progress which is incomplete, not yet in operation and on which no depreciation has been charged.

* This refers to transfers and net write-offs of fully depreciated assets which are no longer in use by the Bank.

18. Deferred tax assets/(liabilities)

The movement on the net deferred tax assets/(liabilities) was as follows:

	2012	2011
Net deferred tax position, beginning of year	$ **14,383**	$ 8,250
Deferred tax (charge)/credit to statement of income for the year	**(860)**	5,270
Deferred tax (charge)/credit to other comprehensive income/(losses) for the year	**(558)**	863
Net deferred tax position, end of year	$ **12,965**	$ 14,383

Represented by:

	2012	2011
Deferred tax assets	$ **13,922**	$ 17,067
Deferred tax liabilities	**(957)**	(2,684)
Net deferred tax position, end of year	$ **12,965**	$ 14,383

The components of the net deferred tax position are:

	2012	2011
Accelerated tax depreciation	$ **431**	$ 185
Loan loss provisions	**2,151**	1,320
Other provisions	**2,533**	3,336
Tax losses carried forward	**13,632**	14,878
Pension and other post-retirement benefit assets	**(6,736)**	(6,791)
Changes in fair value of available-for-sale investment securities in other comprehensive income/(losses)	**954**	1,455
	$ **12,965**	$ 14,383

(Expressed in thousands of United States dollars)

The deferred tax assets include assets established on tax losses carried forward of $50,103 (2011 - $55,635), of which $41,817 (2011- $50,942) will expire over the next nine years.

The Group has tax losses of $618,954 (2011 - $572,081) for which no deferred tax assets have been recognized due to uncertainty of their recoverability. These losses will expire over the next nine years.

19. Retirement benefit assets and obligations

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

The total expense relating to the contributory plans charged for the year was $4,572 (2011 - $4,192), which represents contributions to defined contribution plans by the Group at rates specified in the rules of the plan. Refer to note 5.

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

	Defined benefit pension plans		Post-retirement medical benefits	
	2012	2011	2012	2011
Fair value of the plan assets	$ 288,461	$ 278,496	$ -	$ -
Present value of the obligations	(258,025)	(249,792)	(29,707)	(26,655)
	30,436	28,704	(29,707)	(26,655)
Unrecognised actuarial losses	13,210	14,677	12,303	10,826
Net retirement benefit assets/(obligations)	$ 43,646	$ 43,381	$ (17,404)	$ (15,829)

The pension plan assets include the Bank's common shares with a fair value of $1,281 (2011 - $1,415).

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

	2012	2011
Opening fair value of plan assets	$ 278,496	$ 251,885
Expected return	20,205	17,624
Contributions by employer	7,579	5,727
Benefits paid	(6,728)	(7,174)
Foreign exchange translation (losses)/gains	(1,663)	181
Assets transferred out	(625)	(611)
Actuarial (losses)/gains	(8,803)	10,864
Closing fair value of plan assets	$ 288,461	$ 278,496

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

	2012	2011
Opening obligations	$ (249,792)	$ (229,320)
Interest costs	(17,205)	(16,882)
Current service costs	(8,239)	(8,325)
Vested past service costs	-	(371)
Benefits paid	6,728	7,174
Foreign exchange translation gains/(losses)	1,248	(123)
Actuarial gains/(losses) on obligations	9,235	(1,945)
Closing obligations	$ (258,025)	$ (249,792)

(Expressed in thousands of United States dollars)

Changes in the present value of the obligations for post-retirement medical benefits were as follows:

	2012	2011
Opening obligations	**$ (26,655)**	$ (6,763)
Acquisition of subsidiaries	-	(10,946)
Interest costs	**(1,449)**	(450)
Current service costs	**(838)**	(123)
Curtailment	**6,181**	-
Vested past service costs	**(1,247)**	(180)
Benefits paid	**1,295**	49
Foreign exchange translation gains/(losses)	**48**	(2)
Actuarial losses on obligations	**(7,042)**	(8,240)
Closing obligations	**$ (29,707)**	$ (26,655)

The Bank expects to contribute $9,097 (2011 - $6,014) to its defined benefit pension plan in the following year.

The amounts recognised in the statement of income were as follows:

	Defined benefit pension plans		Post-retirement medical benefits	
	2012	2011	2012	2011
Current service costs	**$ 8,239**	$ 8,325	**$ 838**	$ 123
Interest costs	**17,205**	16,882	**1,449**	450
Expected return on plan assets	**(20,205)**	(17,624)	-	-
Net actuarial losses/(gains) recognised during the year	**824**	827	**2,209**	(425)
Curtailment	-	-	**(2,851)**	-
Vested past service costs	-	371	**1,247**	180
Total amount included in staff costs (note 5)	**$ 6,063**	$ 8,781	**$ 2,892**	$ 328
Actual return on plan assets	**$ 11,281**	$ 28,488	$ -	$ -

The movements in the net asset/(obligations) recognised on the statement of financial position were as follows:

	Defined benefit pension plans		Post-retirement medical benefits	
	2012	2011	2012	2011
Balance, beginning of year	**$ 43,381**	$ 46,975	**$ (15,829)**	$ (8,620)
Acquisition of subsidiaries	-	-	-	(6,928)
Charge for the year	**(6,063)**	(8,781)	**(2,892)**	(328)
Contributions by employer	**7,579**	5,727	-	-
Benefits paid	-	-	**1,295**	49
Foreign exchange translation gains/(losses)	**(626)**	71	**22**	(2)
Transfer of assets	**(625)**	(611)	-	-
Balance, end of year	**$ 43,646**	$ 43,381	**$ (17,404)**	$ (15,829)

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

	Main Plan		Bahamas Plan		Jamaica Plan		Bahamas Trust Plan	
	2012	2011	2012	2011	2012	2011	2012	2011
Equity instruments	**50%**	52%	**56%**	57%	**11%**	13%	**83%**	82%
Debt instruments	**48**	43	**43**	43	**51**	50	**17**	18
Property	-	-	-	-	**23**	21	-	-
Other assets	**2**	5	**1**	-	**15**	16	-	-

(Expressed in thousands of United States dollars)

The principal actuarial assumptions used at the reporting date for our plans are influenced significantly by the regions that each plan serves and the specific assumptions therefore were as follows:

	Defined benefit pension plans	
	2012	2011
Discount rate	5.0 – 10.0%	5.0 – 10.0%
Expected return on plan assets	6.12 – 10.75%	6.75 – 10.75%
Future salary increases	5.0 – 8.0%	5.0 – 8.0%
Future pension increases	0.0 – 6.0%	0.0 – 6.0%

	Post-retirement medical benefits	
	2012	2011
Discount rate	4.0 – 10.0%	5.0 – 10.0%
Premium escalation rate	4.0 – 6.0%	4.5 – 6.0%
Existing retiree age	60 – 65	60 – 65

An increase of 1% in the assumed medical cost trend rate for each future year would have resulted in a higher defined benefit obligation of $24,353 at October 31, 2012 (2011 - $17,250) and a higher charge for the year of $1,361 (2011 - $600). A decrease of 1% in the medical cost trend rate for each future year would have resulted in a lower defined benefit obligation of $18,143 at October 31, 2012 (2011 - $13,100) and a lower charge for the year of $1,024 (2011 - $460).

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

	2012	2011	2010	2009	2008
Fair value of the plan assets	$ 288,461	$ 278,496	$ 251,885	$ 234,036	$ 228,285
Present value of the obligations	(258,025)	(249,792)	(229,320)	(212,865)	(194,733)
	$ 30,436	$ 28,704	$ 22,565	$ 21,171	$ 33,552

FirstCaribbean International Bank Limited Retirement Plan

The last actuarial valuation was conducted as at November 1, 2010 and revealed a fund deficit of $699.

FirstCaribbean International Bank (Bahamas) Limited Retirement Plan

The last actuarial valuation was conducted as at November 1, 2010 and revealed a fund surplus of $6,916.

FirstCaribbean International Bank (Jamaica) Limited Retirement Plan

The last actuarial valuation was conducted as at October 31, 2009 and revealed a fund surplus of $14,299.

CIBC Trust Company (Bahamas) Limited Retirement Plan

The last actuarial valuation was conducted as at November 1, 2009 and revealed a fund deficit of $652.

20. Intangible assets

	Goodwill	Customer- related intangible	2012	2011
Cost				
Balance, beginning and end of year	$ 334,907	$ 17,748	**$ 352,655**	$ 352,655
Accumulated amortisation				
Balance, beginning of year	-	17,031	**17,031**	14,068
Amortisation	-	717	**717**	2,963
Balance, end of year	-	17,748	**17,748**	17,031
Net book value, end of year	$ 334,907	$ -	**$ 334,907**	$ 335,624

(Expressed in thousands of United States dollars)

Goodwill

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

	2012	2011
St. Vincent	$ 946	$ 946
Barbados (Wealth Management Operations)	17,040	17,040
Bahamas	177,920	177,920
Cayman	105,369	105,369
Trinidad	4,260	4,260
Curaçao	29,372	29,372
	$ 334,907	$ 334,907

The recoverable amount for each group of cash-generating units 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.

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
St. Vincent	13%	13%	3%	3%
Barbados (Wealth Management Operations)	7	8	2	5
Bahamas	10	11	3	3
Cayman	8	8	3	3
Trinidad	11	12	2	4
Curaçao	7	8	2	2

Customer-related intangible assets
Customer-related intangible assets represent the fair value of each customer relationship acquired in a business combination, as of the acquisition date, which met the contractual-legal criterion for identification as an intangible asset in the statement of financial position separated from goodwill. The fair value of the customer relationships was amortised on a straight-line basis over its expected useful life of six years which concluded in 2012.

21. Customer deposits

	Payable on demand	Payable after notice	Payable at a fixed date	2012	2011
Individuals	$ 1,221,863	$ 1,771,264	$ 2,028,661	$ 5,021,788	$ 4,416,809
Business & Sovereign	1,950,603	522,063	2,014,773	4,487,439	4,877,379
Banks	1,768	-	97,866	99,634	83,846
	3,174,234	2,293,327	4,141,300	9,608,861	9,378,034
Add: Interest payable	763	985	13,996	15,744	20,793
	$ 3,174,997	$ 2,294,312	$ 4,155,296	$ 9,624,605	$ 9,398,827

The average effective rate of interest on customer deposits during the year was 0.9 % (2011 - 1.1%).

(Expressed in thousands of United States dollars)

22. Other borrowed funds

	2012	2011
Investment note certificates and other fund raising instruments	$ 14,689	$ 14,670
Add: Interest payable	1,730	1,720
	$ 16,419	$ 16,390

The average effective rate of interest on other borrowed funds during the year was 12.1% (2011 - 12.1%).

Investment note certificates issued by the Group amounting to $14,689 (2011 - $14,670) are secured by debt securities referred to in note 15.

23. Other liabilities

	2012	2011
Accounts payable and accruals	$ 68,269	$ 47,622
Amounts due to related parties	1,632	2,702
	$ 69,901	$ 50,324

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

24. Debt securities in issue

	2012	2011
TT$195 million subordinated fixed rate notes due 2017	$ 30,472	$ 30,432
Add: Interest payable	138	265
	$ 30,610	$ 30,697

In March 2007, the Group issued subordinated term notes with a face value of TT $195 million through its Trinidad subsidiary due in March 2017. The interest on the notes was fixed for the first two years at 7.90%; then fixed for the next three years at 8.15%; thereafter fixed at 8.75% for the remaining term. Effective September 2012, the subordinated notes were amended, and the maturity date was extended to September 2018 and the interest was reduced to 4.35% per annum for the remaining term.

The average effective interest rate during 2012 was 8.06% (2011 - 8.15%).

(Expressed in thousands of United States dollars)

25. Issued capital

	2012	2011
Balance, beginning of year	$ 1,193,149	$ 1,117,349
Issue of share capital	-	75,800
Balance, end of year	$ 1,193,149	$ 1,193,149

The Bank is entitled to issue an unlimited number of common shares with no par value. Common shareholders are entitled to attend and vote at all meetings of shareholders. Common shareholders have one vote for each share owned.

The Bank had 1,525,176,762 shares issued and outstanding at the beginning of 2011. In 2011 the Bank issued 51,917,808 shares pursuant to the acquisition of all of the issued and outstanding shares in CIBC Bank and Trust Company (Cayman) Limited, a Cayman Islands company and CIBC Trust Company (Bahamas) Limited, a Bahamian company, for consideration of US$75.8 million ("the purchase price").

The Bank has 1,577,094,570 common shares issued and outstanding at the end of both years.

Capital

Objectives, policies and procedures

Capital strength provides protection for depositors and creditors and allows the Group to undertake profitable business opportunities as they arise. Our objective is to employ a strong and efficient capital base.

Regulatory requirements

Our regulatory capital requirements are determined in accordance with guidelines issued by our banking regulators across the region and in the case of Barbados, by the Central Bank of Barbados. These guidelines evolved 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 I and Tier I & Tier II ratios of 4% and 8% respectively. The Central Bank of Barbados has established that FirstCaribbean International Bank Limited maintains a minimum ratios of 7% and 14% respectively. During the year, we have complied in full with all of our regulatory capital requirements.

Regulatory capital

Regulatory capital consists of Tier I and Tier II capital, less certain deductions. Tier I capital comprises common stock, retained earnings, and non-controlling interests in consolidated subsidiaries, less goodwill and other deductions. Tier II capital principally comprises hybrid capital instruments such as subordinated debt and general provisions and 45% of revaluation reserves on available-for-sale securities.

As at October 31, 2012, Tier I and Tier I & Tier II capital ratios were 23% and 24% respectively (2011 - 21% and 22% respectively).

(Expressed in thousands of United States dollars)

26. Reserves

	2012	2011
Statutory and general banking reserves	$ 265,459	$ 254,258
Revaluation reserve – available-for-sale investment securities	7,210	(6,901)
Translation reserve	(22,781)	(18,727)
Contributed surplus reserve	3,119	3,119
Reverse acquisition reserve	(463,628)	(463,628)
Total reserves	$ (210,621)	$ (231,879)

Statutory and general banking reserves

	2012	2011
Balance, beginning of year	$ 254,258	$ 246,506
Transfers from retained earnings	11,201	7,752
Balance, end of year	$ 265,459	$ 254,258

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

Revaluation reserve – available-for-sale investment securities

	2012	2011
Balance, beginning of year	$ (6,901)	$ (3,152)
Net gains/(losses) from changes in fair value of available-for-sale investment securities	14,070	(3,749)
Purchase of non-controlling interest in subsidiary	41	-
Balance, end of year	$ 7,210	$ (6,901)

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

Translation reserve

	2012	2011
Balance, beginning of year	$ (18,727)	$ (17,363)
Foreign currency translation difference arising during the year	(5,100)	(1,364)
Purchase of non-controlling interest in subsidiary	1,046	-
Balance, end of year	$ (22,781)	$ (18,727)

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are recognized in other comprehensive income and are reflected in the translation reserve.

Contributed surplus reserve

	2012	2011
Balance, beginning and end of year	$ 3,119	$ 3,119

This reserve represents the settlement of certain obligations on behalf of the Bank by the parent.

(Expressed in thousands of United States dollars)

Reverse acquisition reserve

	2012	2011
Balance, beginning and end of year	$ (463,628)	$ (463,628)

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

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

27. Dividends

As at October 31, 2012, the Directors recommended for approval a final common share dividend, which is not reflected in these financial statements, of one point five cents ($0.015) per common share (2011 - $0.015), bringing the total dividend payout for 2012 to three cents ($0.030) per common share (2011 - $0.045).

28. Other employee benefits

Long-term incentive plan

The Group operates a long-term incentive plan whereby under the rules of the plan cash based awards are granted to employees on a discretionary basis and vest over varying periods. The award granted in 2012 amounted to $3,148 (2011 - $3,800). The amounts expensed during the year related to these cash awards were $4,408 (2011 - $2,362).

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's 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's contributions are expensed as incurred and totalled $1,389 in 2012 (2011 - $1,232).

(Expressed in thousands of United States dollars)

29. Related party transactions and balances

The Group's major shareholder is CIBC.

A number of banking transactions are entered into with related parties in the normal course of business. The key related party balances and transactions included in the Group's financials are disclosed below. During 2012, the Group loaned a wholly-owned US subsidiary of the major shareholder $500 million in order to deploy excess liquidity. The loan matures on April 16, 2017 and yields one month libor plus 3.15%.

	Directors and key management personnel		Major shareholder	
	2012	2011	**2012**	2011
Asset balances:				
Cash and due from banks	$ -	$ -	**$ 1,233,720**	$ 1,107,472
Loans and advances to customers	**3,091**	2,561	**500,750**	2
Derivative financial instruments	-	-	**322**	4,969
Liability balances:				
Customer deposits	**7,466**	4,893	**11,087**	422
Derivative financial instruments	-	-	**44,113**	14,573
Financial liabilities at fair value through profit or loss	-	-	**14,855**	27,319
Due to banks	-	-	**1,582**	567
Revenue transactions:				
Interest income earned	**166**	153	**10,359**	338
Other revenue	**4**	3	**5,665**	2,110
Expense transactions:				
Interest expense incurred	**62**	24	**8,063**	11,543
Other expenses for banking and support services	-	-	**2,746**	872

Key management compensation

	2012	2011
Salaries and other short-term benefits	**$ 6,575**	$ 6,820
Post-employment benefits	**585**	561
Long-term incentive benefits	**1,384**	419
	$ 8,544	$ 7,800

Non-executive directors' remuneration

A listing of the members of the Board of Directors is included within the Group's Annual Report. In 2012, the total remuneration for the non-executive directors was $180 (2011 - $180). The executive directors' remuneration is included under key management compensation.

(Expressed in thousands of United States dollars)

30. Commitments, guarantees and contingent liabilities

The Bank conducts business involving letters of credit, guarantees, performance bonds and indemnities, which are not reflected in the statement of financial position.

	2012	2011
Letters of credit	$ 132,499	$ 108,221
Loan commitments	807,137	707,264
Guarantees and indemnities	128,290	161,381
	$ 1,067,926	$ 976,866

The Group is the subject of legal actions arising in the normal course of business. Management considers that the liability, if any, of these actions would not be material beyond what is already provided for in these financial statements.

31. Future rental commitments under operating leases

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

	2012	2011
Not later than 1 year	$ 9,151	$ 8,179
Later than 1 year and less than 5 years	17,215	14,856
Later than 5 years	2,895	3,274
	$ 29,261	$ 26,309

32. Fiduciary activities

The Group provides custody and trustee discretionary investment management services to third parties. Those assets that are held in a fiduciary capacity are not included in these financial statements. At the reporting date, the Group had investment assets under administration on behalf of third parties amounting to $63,151,814 (2011 - $61,019,311).

33. Business segments

The Group implemented a new organizational structure with effect from January 1, 2012 which introduced a new business segment, Wealth Management. The Group's operations are now organized into three business segments, Retail Banking ("RB"), Corporate Lending & Investment Banking ("CLIB") and Wealth Management ("WM"), which are supported by the functional units within the Administration ("Admin") segment (which includes Treasury, Finance, HR, Technology & Operations, Risk and Other). The Administration segment results include the earnings on economic capital and capital charges for Treasury and the offset of the same for RB, CLIB, and WM.

Concurrently, the assumptions underpinning the segment allocation methodologies were updated resulting in changes to segment performance. Prior period disclosures were amended to conform to this current presentation basis.

Management monitors the operating results of its business segments 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 before taxes reflected on the consolidated financial statements. Economic profits include funds transfer pricing, management allocations, and earnings/charges for the segments' use of capital.

Income taxes are managed on a group basis and are not allocated to business segments. Transactions between the business segments are on normal commercial terms and conditions.

(Expressed in thousands of United States dollars)

Segment assets and liabilities comprise of operating assets and liabilities, being the majority of the statement of financial position, but excludes items such as taxation and intangible assets. Securities and cash placements are normally held within the Treasury unit within the Administration segment.

The Administration segment results include the earnings on economic capital and the capital charges for Treasury and the offset of the same for Retail Banking, Corporate Lending & Investment Banking and Wealth Management.

2012 Segment Reporting

	RB	CLIB	WM	Admin	2012
External revenues	$ 182,728	$ 241,281	$ 49,362	$ 69,546	**$ 542,917**
Revenues from other segments	17,745	(6,365)	47,344	(58,724)	**-**
Total revenues	$ 200,473	$ 234,916	$ 96,706	$ 10,822	**$ 542,917**
Segment results	$ (15,158)	$ (10,964)	$ 44,241	$ 56,154	**$ 74,273**
Income tax expense	-	-	-	2,404	**2,404**
Net income for the year					**$ 71,869**

Segment results include the following items of income or expense:

	RB	CLIB	WM	Admin	2012
Interest income	$ 184,809	$ 219,535	$ 66,398	$ 28,692	**$ 499,434**
Interest expense	49,418	38,744	8,139	6,311	**102,612**
Loan loss impairment	20,110	94,507	5,350	-	**119,967**
Net hedging gains	-	-	-	5,646	**5,646**
Depreciation	5,311	1,231	804	12,755	**20,101**
Amortisation	-	-	-	717	**717**

Total assets and liabilities by segment are as follows:

	RB	CLIB	WM	Admin	2012
Segment assets	$ 2,418,709	$ 4,012,888	$ 328,533	$ 4,368,903	**$ 11,129,033**
Unallocated assets					**371,258**
Total assets					**$ 11,500,291**
Segment liabilities	$ 2,812,808	$ 2,212,739	$ 4,271,920	$ 550,263	**$ 9,847,730**
Unallocated liabilities					**2,046**
Total liabilities					**$ 9,849,776**

(Expressed in thousands of United States dollars)

2011 Segment Reporting

	RB	CLIB	WM	Admin	2011
External revenues	$ 184,275	$ 232,366	$ 25,987	$ 64,830	$ 507,458
Revenues from other segments	22,626	(5,571)	42,780	(59,835)	-
Total revenues	$ 206,901	$ 226,795	$ 68,767	$ 4,995	$ 507,458
Segment results	$ 4,253	$ (2,719)	$ 30,227	$ 47,103	$ 78,864
Income tax expense	-	-	-	5,198	5,198
Net income for the year					$ 73,666

Segment results include the following items of income or expense:

	RB	CLIB	WM	Admin	2011
Interest income	$ 197,262	$ 188,374	$ 52,668	$ 57,262	$ 495,566
Interest expense	57,183	29,923	7,107	27,214	121,427
Loan loss impairment	5,838	76,977	4,429	-	87,244
Net hedging gains	-	-	-	3,498	3,498
Depreciation	5,183	359	648	13,143	19,333
Amortisation	-	-	-	2,963	2,963

Total assets and liabilities by segment are as follows:

	RB	CLIB	WM	Admin	2011
Segment assets	$ 2,492,958	$ 3,852,474	$ 353,244	$ 4,160,518	$ 10,859,194
Unallocated assets					368,550
Total assets					$ 11,227,744
Segment liabilities	$ 2,799,181	$ 2,396,225	$ 3,808,883	$ 597,424	$ 9,601,713
Unallocated liabilities					7,241
Total liabilities					$ 9,608,954

34. Financial risk management

Introduction

Risk is inherent in the Group'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 Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is exposed to credit risk, liquidity risk, market risk, and operating risk.

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

The Group also seeks to raise its interest margins by obtaining above average margins, net of provisions, through lending to commercial and retail borrowers with a range of credit standings. The Group also enters into guarantees and other commitments such as letters of credit and performance and other bonds.

Credit risk

Credit risk primarily arises from direct lending activities, as well as trading, investment and hedging activities. 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.

Process and control

The Risk Management Team is responsible for the provision of the Group'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 Group's Delegation of 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.

Credit risk limits

Credit risk limits are established for all loans (mortgages, personal, business & sovereign) for the purposes of diversification and managing concentration. Limits are also established for individual borrowers, groups of related borrowers, industry sectors, individual countries 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 one 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.

Collateral

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

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

The Group's credit risk management policies include requirements relating to collateral valuation and management, including verification requirements and legal certainty. Valuations are updated periodically depending upon the nature of the collateral. Management monitors the market value of collateral 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 Group's credit exposure.

(Expressed in thousands of United States dollars)

Geographic distribution

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

	Drawn	Undrawn	Gross maximum exposure 2012	Drawn	Undrawn	Gross maximum exposure 2011
Barbados	$ 1,395,668	$ 165,556	$ **1,561,224**	$ 841,483	$ 191,336	$ 1,032,819
Bahamas	1,957,775	148,983	**2,106,758**	2,028,189	149,613	2,177,802
Cayman	1,284,716	93,937	**1,378,653**	1,376,899	94,120	1,471,019
Eastern Caribbean	772,083	78,045	**850,128**	850,096	80,324	930,420
Jamaica	337,425	68,162	**405,587**	375,931	50,099	426,030
BVI	131,003	19,122	**150,125**	156,259	18,738	174,997
Belize	58,482	12,578	**71,060**	67,410	11,866	79,276
Curaçao	154,332	7,100	**161,432**	140,278	7,986	148,264
Trinidad	410,041	182,307	**592,348**	397,784	68,441	466,225
Other	543,481	31,347	**574,828**	577,776	34,741	612,517
	$ 7,045,006	$ 807,137	$ **7,852,143**	$ 6,812,105	$ 707,264	$ 7,519,369

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 impairment, interest receivable and unearned fee income.

	Drawn	Undrawn	Gross maximum exposure 2012	Drawn	Undrawn	Gross maximum exposure 2011
Agriculture	$ 48,148	$ 3,983	$ **52,131**	$ 62,601	$ 1,102	$ 63,703
Sovereign	1,040,904	120,364	**1,161,268**	944,988	51,483	996,471
Construction	580,168	56,651	**636,819**	601,001	49,408	650,409
Distribution	368,871	89,101	**457,972**	377,269	90,068	467,337
Electricity, gas & water	57,735	17,646	**75,381**	69,354	12,580	81,934
Fishing	10,032	2,869	**12,901**	44,643	4,328	48,971
Health & social work	23,379	-	**23,379**	23,940	-	23,940
Hotels & restaurants	376,223	23,462	**399,685**	502,412	17,098	519,510
Individuals & individual trusts	2,136,487	356,390	**2,492,877**	2,187,673	353,391	2,541,064
Manufacturing	163,414	39,000	**202,414**	182,441	36,764	219,205
Mining & quarrying	56,086	3,108	**59,194**	26,149	4,534	30,683
Miscellaneous	933,445	60,832	**994,277**	967,243	41,701	1,008,944
Other financial corporations	541,936	4,712	**546,648**	48,585	12,576	61,161
Real estate, renting & other activities	614,205	17,526	**631,731**	664,552	21,602	686,154
Transport, storage & communications	93,973	11,493	**105,466**	109,254	10,629	119,883
	$ 7,045,006	$ 807,137	$ **7,852,143**	$ 6,812,105	$ 707,264	$ 7,519,369

Derivatives

The Group maintains strict control limits on net open derivative positions, that is, the difference between purchase and sale contracts, by both amount and term. At any one time the amount subject to credit risk is limited to the current fair value of instruments that are favourable to the Group (i.e. assets), which in relation to derivatives is only a small fraction of the contract or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is usually obtained for credit risk exposures on these instruments.

Master netting arrangements

The Group restricts its exposure to credit losses by entering into master netting arrangements with counter parties with whom it undertakes a significant volume of transactions. Master netting arrangements do not generally result in an offset of 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 Group's overall exposure to credit risk on derivative instruments subject to master netting arrangements can change substantially within a short period since it is affected by each transaction subject to the arrangement.

Credit related instruments

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

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

Maximum exposure to credit risk

The following table shows the maximum exposure to credit risk for the components of the statement of financial position. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting and collateral arrangements. Where financial instruments are recorded at fair value, the amounts shown represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

(Expressed in thousands of United States dollars)

	Gross maximum exposure 2012	2011
Balances with Central Banks	$ **628,772**	$ 560,565
Due from banks	**1,660,115**	1,648,994
Derivative financial instruments	**2,708**	6,355
Financial assets at fair value through profit or loss	**14,855**	27,319
Investment securities		
- Government debt securities	**1,330,990**	1,171,741
- Other debt securities	**348,061**	520,807
- Interest receivable	**23,849**	23,454
Loans and advances to customers		
- Mortgages	**2,476,206**	2,536,475
- Personal loans	**590,216**	709,501
- Business & Sovereign loans	**3,978,584**	3,566,129
- Interest receivable	**67,359**	62,667
Other assets	**8,503**	11,439
Total	**11,130,218**	10,845,446
Commitments, guarantees and contingent liabilities (Note 30)	**1,067,926**	976,866
Total credit risk exposure	**$ 12,198,144**	$ 11,822,312

Geographical concentration

The following table reflects additional geographical concentration information.

2012	Total assets	Total liabilities	Commitments, guarantees and contingent liabilities	External revenues	Capital expenditure (*)	Non-current assets (**)
Barbados	$ 4,337,167	$ 3,304,757	$ 232,023	$ 176,617	$ 12,414	$ 66,961
Bahamas	3,509,079	2,761,590	218,063	153,618	3,110	209,338
Cayman	2,831,937	2,409,591	115,339	91,064	581	156,974
Eastern Caribbean	1,221,851	1,261,888	85,801	67,332	4,477	22,798
Jamaica	548,092	450,658	92,182	47,688	1,117	6,967
BVI	558,201	456,375	24,525	14,658	479	5,194
Belize	139,510	122,554	21,699	8,367	677	2,445
Curaçao	534,445	449,290	26,491	15,561	178	1,600
Trinidad	635,992	560,932	218,355	20,732	39	3,305
Other	1,012,631	914,289	33,448	39,525	233	6,985
	15,328,905	12,691,924	1,067,926	635,162	23,305	482,567
Eliminations	(3,828,614)	(2,842,148)	-	(92,245)	-	(14,063)
	$ 11,500,291	**$ 9,849,776**	**$ 1,067,926**	**$ 542,917**	**$ 23,305**	**$ 468,504**

(Expressed in thousands of United States dollars)

2011	Total assets	Total liabilities	Commitments, guarantees and contingent liabilities	External revenues	Capital expenditure (*)	Non-current assets (**)
Barbados	$ 2,847,218	$ 1,876,089	$ 253,520	$ 175,768	$ 13,597	$ 65,333
Bahamas	3,449,419	2,734,783	234,100	149,575	3,139	208,940
Cayman	2,131,002	1,722,550	120,452	75,907	638	158,639
Eastern Caribbean	955,978	940,484	95,891	65,636	3,346	21,023
Jamaica	608,213	506,557	75,149	52,512	1,392	8,167
BVI	577,624	476,332	24,016	14,660	226	5,345
Belize	130,074	112,387	20,604	8,287	129	2,234
Curaçao	729,573	646,393	26,092	14,253	179	1,555
Trinidad	615,668	544,585	87,147	18,381	(174)	1,740
Other	983,344	892,055	39,895	36,943	461	7,961
	13,028,113	10,452,215	976,866	611,922	22,933	480,937
Eliminations	(1,800,369)	(843,261)	-	(104,464)	-	(14,057)
	$ 11,227,744	$ 9,608,954	$ 976,866	$ 507,458	$ 22,933	$ 466,880

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

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

Credit quality

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

	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

(Expressed in thousands of United States dollars)

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 the reporting date, investment securities were all rated standard or high grade, except for $2,762 classified as 'sub-standard' (2011 – 2,218). Cash balances and amounts due from banks are held with counterparties that are high grade including 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, after credit risk mitigation, valuation adjustments related to the financial guarantors, and collateral on agreements.

	Notes	High grade	Standard	Substandard	Impaired	2012
Loans and advances to customers						
-Mortgages		$ 1,963,247	$ 128,303	$ 36,161	$ 348,495	**$ 2,476,206**
-Personal loans		496,948	21,373	4,540	67,355	**590,216**
-Business & Sovereign loans		3,460,150	45,722	14,750	457,962	**3,978,584**
Total	16	$ 5,920,345	$ 195,398	$ 55,451	$ 873,812	**$ 7,045,006**

	Notes	High grade	Standard	Substandard	Impaired	2011
Loans and advances to customers						
- Mortgages		$ 2,089,371	$ 128,245	$ 28,893	$ 289,966	$ 2,536,475
- Personal loans		620,802	18,056	9,597	61,046	709,501
- Business & Sovereign loans		2,895,046	73,171	22,462	575,450	3,566,129
Total	16	$ 5,605,219	$ 219,472	$ 60,952	$ 926,462	$ 6,812,105

For our Business & Sovereign loans, we employ risk ratings in managing our credit portfolio. Business and Sovereign 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 $211,782 (2011 - $255,910).

Market risk

Market risk is the risk that the fair value of future cash flows of financial instruments will fluctuate due to the change 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 Group are foreign exchange, interest rate and credit spread. Market Risk within the Bank is a centralized group. The parent bank classifies market risk exposures into trading and non-trading, however due to the small size of the trading portfolio the key types of measures used for market risk are not segregated and the following sections give a comprehensive review of the Group's entire exposures.

Policies and Standards

The Group has a comprehensive policy for market risk management related to its identification and to the measurement monitoring and control of market risks. This policy is reviewed and approved annually by the Risk and Conduct Review Committee. The policy includes the annual approval of the Board limits which is used by the Bank 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 Bank. The highest level is set at the Board. The second tier is delegated by the Chief Risk Officer and the third tier to Treasury, which limits traders to specific size of deal, documented through a formal delegation letter and monitored using the Group's treasury system.

Process & 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 Profit and Loss (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 Group has four main measures of market risk:

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

Position

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

Sensitivity

The main two measures utilized by the Group are the DV01 (delta value of a 1 basis point move, also known as the PV01 or Present value of a 1 basis point move) and the CSDV01 (Credit Spread Delta of a 1 basis point move). The DV01 measure is calculated for a 1 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 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, assigning risk to capital and non product general ledger accounts as well as considering market specific pricing situations.

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 Group's VaR methodology utilizes the tested and validated CIBC parent models. It is a statistical, 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 1% 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 1 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 99% parameter and hence may underestimate losses. To counter this, the Group has various stress measures to calculate potential tail event losses.

Stress testing & scenario analysis

Stress testing and scenario analysis are designed to add insight to possible outcomes of abnormal (or tail event) market conditions and to highlight where risk concentrations could be a concern. The Group has two distinct approaches to this which are as follows:

- For the hard currency testing it sends its position sensitivity to CIBC and utilises the suite of measures that the parent company has developed. The stress testing measures the effect on the hard currency portfolio values over a wide range of extreme moves in market prices. The stress testing methodology assumes no actions are taken or are able to be taken during the event to mitigate the risk, reflecting the decreased liquidity that frequently accompanies market shocks. The scenario analysis approach again for the Group's hard currency exposures simulate an impact on earnings of extreme market events up to a period of one quarter. Scenarios are developed using actual historical data during periods of market disruption, or are based upon hypothetical occurrence of economic or political events or natural disasters and are designed by our parent company's economists, business leaders and risk managers. 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 consider the market data over approximately the last 10 years and identify the greatest curve or data point moves over both sixty and single days. These are then applied to the existing positions/sensitivities of the Group.

  This is performed and reported on a monthly basis as they do not tend to change rapidly. For foreign exchange stresses, the Group considers what the effect of a currency coming off a peg would have on the earnings of the Group. This is largely judgemental, as it has happened so infrequently in the region and it is supplemented by some historical reviews both within the region and in other areas where pegged currency regimes have existed or do exist.

Summary of key market risks

From the multitude of market risks arising from the various currencies, yield curves and spreads throughout the regional and broader international markets, the following risks are considered by management the most significant for the Group. The risk of credit spreads widening in a similar fashion to the Credit Crisis of 2008 on bonds held within the investment portfolios, and the magnitude of the risk, but low probability of a peg breaking between the USD and a local currency, particularly the BSD, impacting the structural long position of the bank. The largest interest rate risk run through multiple scenarios is that of the USD yield curve moves in a similar fashion to the 60 day recovery period after the sub prime crisis. The following section highlights these key risks as well as some of the lesser ones that arise from the Group's ongoing banking operations.

Foreign exchange risk

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

(Expressed in thousands of United States dollars)

The following table highlights the currencies that the Bank had significant exposures to at October 31, 2012. It also highlights the measures used by the Group to measure, monitor and control that risk.

	2012				2011			
Currency	Trading Position Long (Short) vs USD	VaR	Stressed Loss	Total FX Position (Trading + Structural)	Trading Position Long (Short) vs USD	VaR	Stressed Loss	Total FX Position (Trading + Structural)
Cayman Islands dollars	**$ (71,211)**	**N/A Pegged**	**$ 5,697**	**$ 226,560**	$ (43,545)	N/A Pegged	$ 3,484	$ 239,364
Trinidad and Tobago dollars	**583**	**12.0**	**146**	**69,049**	(5,791)	17.3	463	58,709
Barbados dollars	**53,455**	**N/A Pegged**	**16,037**	**(62,052)**	68,064	N/A Pegged	20,419	(130,432)
Bahamian dollars	**1,989**	**N/A Pegged**	**597**	**705,432**	3,986	N/A Pegged	1,196	681,705
Jamaican dollars	**(227)**	**1.3**	**18**	**86,492**	7,173	67.5	2,869	97,551
East Caribbean dollars	**25,607**	**N/A Pegged**	**7,682**	**92,459**	15,459	N/A Pegged	4,638	125,177

The Group 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 change on the Group's investment in foreign operations, retained earnings and profit derived throughout the year in non USD. Due to the size of investments in the Bahamas, Cayman, the Eastern Caribbean and Jamaica this significantly increases the Group's long exposure to these currencies and is reflected in the "Total FX Position columns". The increase in the KYD position is due to increases in local currency deposits and the methodology used in the country to settle trades between the financial institutions. The Barbados dollar decrease year over year is due largely to client demand for USD.

Interest Rate Risk

As described earlier, the Group utilizes a combination of high level Board measures and limits to monitor risk as well as the more granular Chief Risk Officer's measurements and limits. The key interest risk measures are shown in the tables below with the second being a subset highlighting the currencies where the Group has their more significant interest rate exposures.

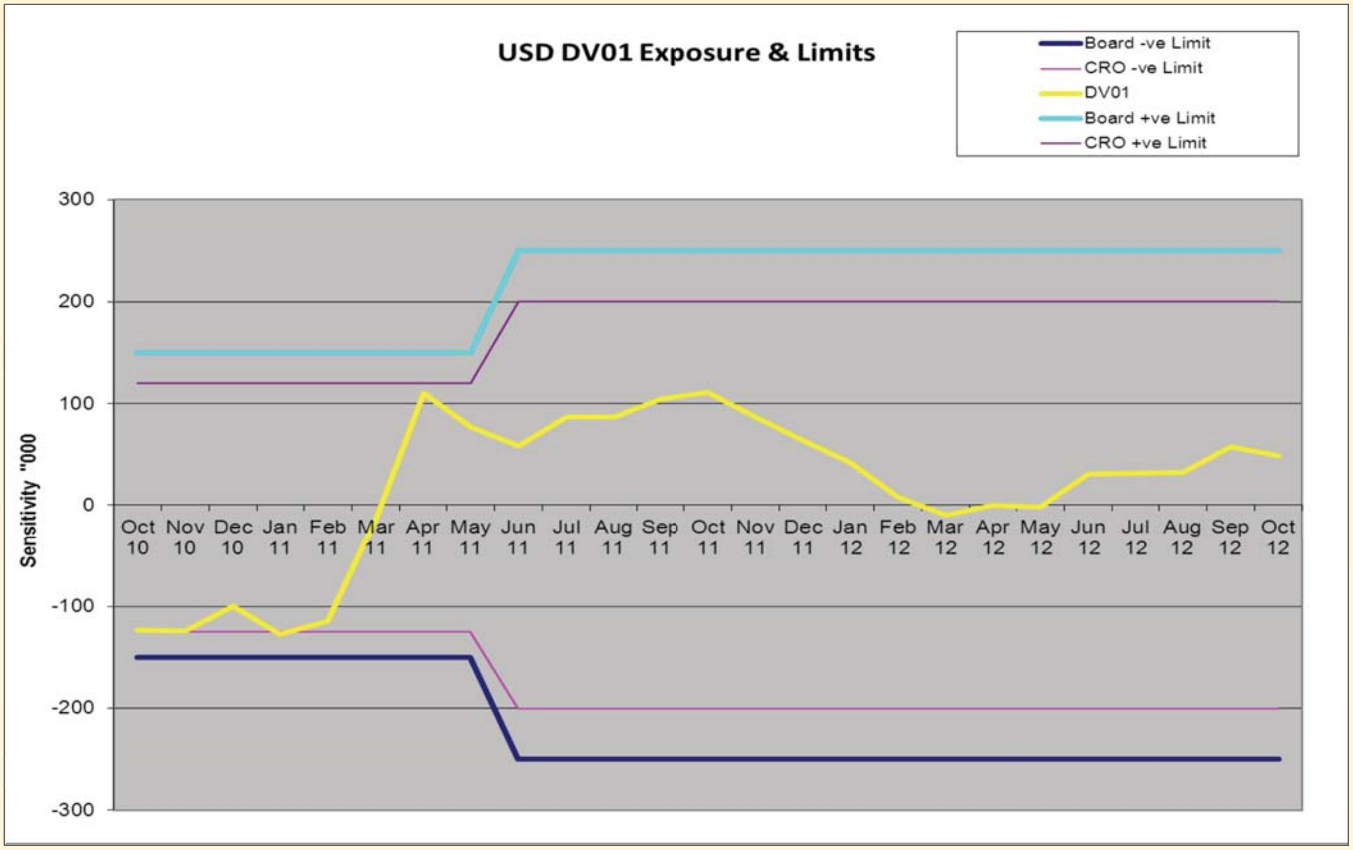
	2012	2011
Market risk metrics		
Interest rate VaR – hard currency (HC)	**$ 1,015**	$ 1,454
Interest rate VaR – local currency (LC)	**281**	371
Interest rate VaR – total	**1,027**	1,517
Interest rate stress worst case loss of value – HC 1 day	**9,084**	6,048
Interest rate stress worst case loss of value – HC 60 days	**18,595**	14,572
Interest rate stress worst case loss of value – LC 1 day	**8,145**	5,346
Interest rate stress worst case loss of value – LC 60 days	**19,461**	15,512
DV01 HC	**26**	111
DV01 LC	**154**	74

(Expressed in thousands of United States dollars)

The following table shows the key measures for the significant currencies of the Group:

	2012			2011		
Currency	DV01	VaR	60 day stressed loss	DV01	VaR	60 day stressed loss
United States dollars	**48**	**1,125**	**18,595**	111	1,495	14,572
Trinidad and Tobago dollars	**14**	**11**	**1,001**	5	111	702
Barbados dollars	**106**	**79**	**5,134**	69	240	4,478
Bahamian dollars	**93**	**0.1**	**4,535**	58	16	1,627
Jamaican dollars	**(20)**	**64**	**4,895**	(19)	57	3,793
East Caribbean dollars	**(14)**	**204**	**913**	(11)	214	527

The USD DV01 has reduced slightly over the year. During the first four (4) months of fiscal 2012 the DV01 declined following the reduction of the structural hedge portfolio by $100 million. There was very little activity over the next four (4) months as shown below. Towards the end of the year the DV01 exposure grew with the holdings in the Caribbean bond portfolio increasing following investments in the Government of Bermuda and Government of Aruba.



Credit spread risk

Credit spread exists as the benchmark curve and the reference asset curves either converge or diverge. The Group has two portfolios that have a material amount of credit spread risk. 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 United States dollars)

Credit spread risk by operating company (OPCO):

2012

	Locally Isued Hard Dollar Bonds			Non Regional Hard Dollar Bonds			Total		
	Notional	Credit Spread DV01	Stress Loss	Notional	Credit Spread DV01	Stress Loss	Notional	Credit Spread DV01	Stress Loss
Bahamas	$ 189,440	$ 121	$ 29,739	$ 25,000	$ 6	$ 1,439	$ 214,440	$ 127	$ 31,178
Cayman	131,054	82	21,055	155,554	38	9,046	286,608	120	30,101
Barbados	60,000	15	4,247	–	–	–	60,000	15	4,247
Offshore	34,447	20	5,737	10,000	3	591	44,447	23	6,328
Trinidad	67,484	44	10,963	–	–	–	67,484	44	10,963
Jamaica	14,479	2	734	–	–	–	14,479	2	734
TOTAL	**$ 496,904**	**$ 284**	**$ 72,475**	**$ 190,554**	**$ 47**	**$ 11,076**	**$ 687,458**	**$ 331**	**$ 83,551**

2011

	Locally Isued Hard Dollar Bonds			Non Regional Hard Dollar Bonds			Total		
	Notional	Credit Spread DV01	Stress Loss	Notional	Credit Spread DV01	Stress Loss	Notional	Credit Spread DV01	Stress Loss
Bahamas	$ 246,366	$ 151	$ 37,661	$ 38,835	$ 9	$ 2,283	$ 285,201	$ 160	$ 39,944
Cayman	118,276	53	14,284	266,602	94	18,969	384,878	147	33,253
Barbados	50,000	13	1,284	–	–	–	50,000	13	1,284
Offshore	563	–	27	–	–	–	563	–	27
Trinidad	71,963	50	12,433	–	–	–	71,963	50	12,433
Jamaica	958	–	75	–	–	–	958	–	75
TOTAL	$ 488,126	$ 267	$ 65,764	$ 305,437	$ 103	$ 21,252	$ 793,563	$ 370	$ 87,016

The Regional Hard Currency portfolio did not change significantly year over year, most of the change in risk relates to the effect of reduced time to maturity. At fiscal year end the weighted average rating of the positions in this portfolio as at 31st October 2012 was BBB+ and the average weighted maturity was 6.4 years. However, as mentioned above, the non regional hard currency portfolio reduced primarily due to the sale of $100 million European bonds and maturities during the year. These positions form a significant part of the structural interest rate hedge and thus all of the positions currently have a maturity within 5 years. Virtually all of the positions are in supranational financial institutions or AA rated banks.

Commodity Risk

During 2012 the Group assisted regional clients in hedging their exposure to moves in energy prices. All of these transactions are hedged with the parent bank such that immaterial market risk remains on the Group's books.

Derivatives held for Asset Liability Management (ALM) purposes

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

(Expressed in thousands of United States dollars)

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

	EC	BDS	CAY	BAH	US	JA	Other	2012
Assets								
Cash and balances with Central Banks	$ 191,772	$115,136	$ 4,146	$ 117,100	$ 55,177	$ 52,435	$ 185,167	$ **720,933**
Due from banks	551	4,885	-	5,761	1,229,356	2,053	417,509	**1,660,115**
Derivative financial instruments	-	-	-	-	2,708	-	-	**2,708**
Financial assets at fair value through profit or loss	-	-	-	-	-	-	14,855	**14,855**
Other assets	22,985	14,804	(4,493)	(3,274)	(16,830)	4,983	(291)	**17,884**
Taxation recoverable	20,009	1,010	-	-	-	1,410	-	**22,429**
Investment securities	59,060	434,233	4	275,704	735,893	61,973	136,731	**1,703,598**
Loans and advances to customers	582,436	725,440	372,646	1,241,449	3,463,296	139,259	307,171	**6,831,697**
Property and equipment	21,648	46,193	14,376	21,890	15,460	6,969	7,061	**133,597**
Deferred tax assets	5,130	5,535	-	-	-	720	2,537	**13,922**
Retirement benefit assets	7,288	15,404	-	4,734	2,820	11,805	1,595	**43,646**
Intangible assets	-	305,535	-	-	29,372	-	-	**334,907**
Total assets	910,879	1,668,175	386,679	1,663,364	5,517,252	281,607	1,072,335	**11,500,291**
Liabilities								
Derivative financial instruments	-	-	-	-	73,936	-	-	**73,936**
Customer deposits	747,743	1,347,767	160,365	1,130,019	4,947,512	208,156	1,083,043	**9,624,605**
Financial assets at fair value through profit or loss	-	-	-	-	-	-	14,855	**14,855**
Other borrowed funds	-	-	-	-	-	-	16,419	**16,419**
Other liabilities	67,303	(30,161)	1,781	(20,837)	47,841	(14,840)	18,814	**69,901**
Taxation payable	117	(100)	-	-	123	184	765	**1,089**
Deferred tax liabilities	10	662	-	-	375	163	(253)	**957**
Debt securities in issue	-	-	-	-	-	-	30,610	**30,610**
Retirement benefit obligations	1,731	2,026	2,892	7,997	2,057	473	228	**17,404**
Total liabilities	816,904	1,320,194	165,038	1,117,179	5,071,844	194,136	1,164,481	**9,849,776**
Net assets/(liabilities)	$ 93,975	$ 347,981	$221,641	$ 546,185	$445,408	$ 87,471	$ (92,146)	**$1,650,515**
Commitments, guarantees and contingent liabilities (Note 30)	$ 41,003	$ 78,687	$ 14,483	$ 82,154	$ 706,982	$ 49,388	$ 95,229	**$ 1,067,926**

(Expressed in thousands of United States dollars)

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

	EC	BDS	CAY	BAH	US	JA	Other	2011
Assets								
Cash and balances with Central Banks	$ 122,188	$ 117,486	$ 3,702	$ 136,499	$ 48,563	$ 96,269	$ 123,858	$ 648,565
Due from banks	4,618	16,167	304	24,355	1,408,751	262	194,537	1,648,994
Derivative financial instruments	-	-	-	-	6,355	-	-	6,355
Financial assets at fair value through profit or loss	-	-	-	-	-	-	27,319	27,319
Other assets	(447)	8,544	(388)	1,413	3,720	3,482	3,624	19,948
Taxation recoverable	13,824	517	-	-	-	1,518	-	15,859
Investment securities	48,093	185,604	-	238,826	971,529	59,577	213,250	1,716,879
Loans and advances to customers	654,964	664,799	395,124	1,315,752	3,147,286	138,740	299,830	6,616,497
Property and equipment	19,882	45,462	14,805	21,179	16,260	8,172	5,496	131,256
Deferred tax assets	5,422	7,460	-	-	3	139	4,043	17,067
Retirement benefit assets	7,148	13,440	-	5,348	3,144	12,756	1,545	43,381
Intangible assets	-	305,535	-	-	30,089	-	-	335,624
Total assets	875,692	1,365,016	413,547	1,743,372	5,635,700	320,915	873,502	11,227,744
Liabilities								
Derivative financial instruments	-	-	-	-	62,327	-	-	62,327
Customer deposits	716,143	1,324,986	172,902	1,704,568	4,464,066	194,781	821,381	9,398,827
Financial liabilities at fair value through profit or loss	-	-	-	-	-	-	27,319	27,319
Other borrowed funds	-	-	-	-	-	-	16,390	16,390
Other liabilities	36,591	(397)	1,076	6,352	654	2,981	3,067	50,324
Taxation payable	470	487	-	-	29	598	2,973	4,557
Deferred tax liabilities	90	712	-	-	9	1,865	8	2,684
Debt securities in issue	-	-	-	-	-	-	30,697	30,697
Retirement benefit obligations	999	1,747	-	6,618	1,279	435	4,751	15,829
Total liabilities	754,293	1,327,535	173,978	1,717,538	4,528,364	200,660	906,586	9,608,954
Net assets/(liabilities)	$ 121,399	$ 37,481	$ 239,569	$ 25,834	$ 1,107,336	$ 120,255	$ (33,084)	$1,618,790
Commitments, guarantees and contingent liabilities (Note 30)	$ 52,615	$ 115,740	$ 8,986	$ 91,451	$ 607,521	$ 25,539	$ 75,014	$ 976,866

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

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

Liquidity risk

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

The Group's liquidity management strategies seek to maintain sufficient liquid financial resources to continually fund the 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 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 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 Group's liquidity measurement system provides daily liquidity risk exposure reports for monitoring and review by the Treasury department. The Group's Assets and Liabilities Committee (ALCO) is responsible for recommending the liquidity ratio targets, the stress scenarios and the contingency funding plans. The Group's Board of Directors is ultimately responsible for the Group's liquidity.

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

(Expressed in thousands of United States dollars)

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

	0-3 months	3-12 months	1-5 years	Over 5 years	2012
Assets					
Cash and balances with Central Banks	$ 716,671	$ 4,262	$ -	$ -	$ **720,933**
Due from banks	1,312,495	299,295	48,325	-	**1,660,115**
Derivative financial instruments	2,708	-	-	-	**2,708**
Financial assets at fair value through profit or loss	14,855	-	-	-	**14,855**
Other assets	17,884	-	-	-	**17,884**
Taxation recoverable	22,429	-	-	-	**22,429**
Investment securities	247,973	109,564	776,307	569,754	**1,703,598**
Loans and advances to customers	1,382,221	362,400	888,356	4,198,720	**6,831,697**
Property, plant and equipment	958	444	44,119	88,076	**133,597**
Deferred tax assets	-	-	2,537	11,385	**13,922**
Retirement benefit assets	-	-	-	43,646	**43,646**
Intangible assets	-	-	-	334,907	**334,907**
Total assets	3,718,194	775,965	1,759,644	5,246,488	**11,500,291**
Liabilities					
Derivative financial instruments	39,170	-	-	34,766	**73,936**
Customer deposits	8,413,303	1,006,709	199,667	4,926	**9,624,605**
Financial liabilities at fair value through profit or loss	14,855	-	-	-	**14,855**
Other borrowed funds	1,730	-	-	14,689	**16,419**
Other liabilities	69,901	-	-	-	**69,901**
Taxation payable	451	638	-	-	**1,089**
Deferred tax liabilities	87	-	-	870	**957**
Debt securities in issue	-		-	30,610	**30,610**
Retirement benefit obligations	-	-	-	17,404	**17,404**
Total liabilities	8,539,497	1,007,347	199,667	103,265	**9,849,776**
Net assets/(liabilities)	$ (4,821,303)	$ (231,382)	$ 1,559,977	$ 5,143,223	$ **1,650,515**
Commitments, guarantees and contingent liabilities (Note 30)	$ 884,624	$ 90,502	$ 51,658	$ 41,142	$ **1,067,926**

(Expressed in thousands of United States dollars)

	0-3 months	3-12 months	1-5 years	Over 5 years	2011
Assets					
Cash and balances with Central Banks	$ 637,409	$ 8,929	$ 2,227	$ -	$ 648,565
Due from banks	1,350,115	215,584	83,295	-	1,648,994
Derivative financial instruments	6,355	-	-	-	6,355
Financial assets at fair value through profit or loss	27,319	-	-	-	27,319
Other assets	19,118	830	-	-	19,948
Taxation recoverable	15,859	-	-	-	15,859
Investment securities	138,563	167,105	920,502	490,709	1,716,879
Loans and advances to customers	828,965	668,686	992,008	4,126,838	6,616,497
Property and equipment	212	237	38,945	91,862	131,256
Deferred tax assets	-	-	4,042	13,025	17,067
Retirement benefit assets	-	-	-	43,381	43,381
Intangible assets	717	-	-	334,907	335,624
Total assets	3,024,632	1,061,371	2,041,019	5,100,722	11,227,744
Liabilities					
Derivative financial instruments	29,130	-	278	32,919	62,327
Customer deposits	7,598,040	1,651,394	140,456	8,937	9,398,827
Financial liabilities at fair value through profit or loss	27,319	-	-	-	27,319
Other borrowed funds	1,720	-	-	14,670	16,390
Other liabilities	49,151	1,166	7	-	50,324
Taxation payable	1,958	2,599	-	-	4,557
Deferred tax liabilities	8	-	-	2,676	2,684
Debt securities in issue	-	30,697	-	-	30,697
Retirement benefit obligations	-	-	-	15,829	15,829
Total liabilities	7,707,326	1,685,856	140,741	75,031	9,608,954
Net assets/(liabilities)	$ (4,682,694)	$ (624,485)	$ 1,900,278	$ 5,025,691	$ 1,618,790
Commitments, guarantees and contingent liabilities (Note 30)	$ 731,779	$ 159,189	$ 36,450	$ 49,448	$ 976,866

Fair values of financial assets and liabilities

Determination of fair value and the fair value hierarchy

The Group 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 Group's financial instruments recorded at fair value use the Level 2 valuation technique in the hierarchy to determine and disclose the fair value.

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 Group's estimate of assumptions that a market participant would make when valuing the instruments:

- 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.

- Available-for-sale investment securities

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

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

Fair value of financial instruments not carried at fair value

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

- Loans and advances to customers

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

- Customer deposits and other borrowed funds

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

- Debt securities in issue

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

- Financial assets and liabilities with carrying values that approximate fair value

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

  Set out below is a comparison by class of the carrying amounts and fair values of the Group's financial instruments that are not carried in the financial statements at fair value. It therefore excludes balances related to non-financial assets and liabilities, as well as other assets and other liabilities.

(Expressed in thousands of United States dollars)

	2012			2011		
	Carrying Value	Fair Value	Unrecognised gain/(loss)	Carrying Value	Fair Value	Unrecognised gain/(loss)
Financial Assets						
Cash and balances with Central Banks	**$ 720,933**	**$ 720,933**	**$ -**	$ 648,565	$ 648,565	$ -
Due from banks	**1,660,115**	**1,660,115**	**-**	1,648,994	1,648,994	-
Loans and advances to customers	**6,831,697**	**6,860,349**	**28,652**	6,616,497	6,649,415	32,918
Financial Liabilities						-
Customer deposits	**9,576,605**	**9,584,834**	**(8,229)**	9,398,827	9,408,516	(9,689)
Other borrowed funds	**16,419**	**29,439**	**(13,020)**	16,390	25,204	(8,814)
Debt securities in issue	**30,610**	**32,439**	**(1,829)**	30,697	37,638	(6,941)
			$ 5,574			$ 7,474

35. Acquisition of subsidiaries

On September 30, 2011, the Group entered into an agreement with its majority shareholder CIBC Investments (Cayman) Limited, to acquire all of the issued and outstanding shares in CIBC Bank and Trust Company (Cayman) Limited, a Cayman Islands Company and CIBC Trust Company (Bahamas) Limited, a Bahamian company, for a consideration of US$75.8 million (the "purchase price").

The Bank issued 51,917,808 common shares as payment of the purchase price. CIBC Investments (Cayman) Limited now owns 1,445,725,257 or 91.67% (91.39% prior to the transaction) of the shares of the Bank.

The Group has accounted for this acquisition as a transaction between jointly controlled entities in accordance with the accounting policy defined in Note 2.1: Transactions with jointly controlled entities, and the carrying value of the net assets acquired is disclosed below:

	CIBC Trust Company (Bahamas) Limited	CIBC Bank and Trust Company (Cayman) Limited	Total
Assets			
Cash and balances with banks	$ 503,973	$ 445,776	$ 949,749
Investment securities	-	70,523	70,523
Property and equipment	353	789	1,142
Other assets	904	2,799	3,703
Total assets	505,230	519,887	1,025,117
Liabilities			
Customer deposits	473,892	464,724	938,616
Other liabilities	9,838	7,916	17,754
Total liabilities	483,730	472,640	956,370
Net assets	21,500	47,247	68,747
Consideration share capital issued at fair value	21,500	54,300	75,800
Adjustment recorded in retained earnings	$ -	$ 7,053	$ 7,053

36 Principal subsidiary undertakings

Name	Country of incorporation
FirstCaribbean International Bank Limited	Barbados
FirstCaribbean International Wealth Management Bank (Barbados) Limited	Barbados
FirstCaribbean International Bank (Barbados) Limited	Barbados
FirstCaribbean International Trust and Merchant Bank (Barbados) Limited	Barbados
FirstCaribbean International Land Holdings (Barbados) Limited	Barbados
FirstCaribbean International Operations Centre Limited	Barbados
FirstCaribbean International Finance Corporation (Leeward & Windward) Limited	St. Lucia
FirstCaribbean International Bank (Bahamas) Limited (95.2%)	Bahamas
FirstCaribbean Insurance Agency (Bahamas) Limited	Bahamas
FirstCaribbean International (Bahamas) Nominees Company Limited	Bahamas
CIBC Trust Company (Bahamas) Limited	Bahamas
FirstCaribbean International Land Holdings (TCI) Limited	Turks & Caicos Islands
FirstCaribbean International Bank (Jamaica) Limited (99.04%)*	Jamaica
FirstCaribbean International Securities Limited	Jamaica
FirstCaribbean International Building Society	Jamaica
FirstCaribbean International Bank (Trinidad & Tobago) Limited	Trinidad
FirstCaribbean International Bank (Cayman) Limited	Cayman Islands
FirstCaribbean International Finance Corporation (Cayman) Limited	Cayman Islands
FirstCaribbean International (Cayman) Nominees Company Limited	Cayman Islands
CIBC Bank and Trust Company (Cayman) Limited	Cayman Islands
FirstCaribbean International Finance Corporation (Netherlands Antilles) Limited	Netherlands Antilles
FirstCaribbean International Bank (Curaçao) N.V.	Netherlands Antilles

All subsidiaries are wholly owned unless otherwise stated.

*The ordinary shares of the FirstCaribbean International Bank (Jamaica) Limited ("The Jamaica Bank") were delisted from Jamaica Stock Exchange effective December 30, 2011. During 2012, the Group purchased 74% (7,301,874) of the outstanding minority shares resulting in the current ownership of 99.04% (2011: 96.29%) of The Jamaica Bank.

5

NOTICE OF MEETING

This item contained within Section 5 of the Group Annual Report 2012 will be published on January 31, 2013 in accordance with Section 109 of the Companies Act, Cap 308 of the Laws of Barbados which states that "Notice of the time and place of a meeting of the shareholders must be sent not less than 21 days nor more than 50 days before the meeting." The Board of Directors has set March 21, 2013 as the date of the next Annual Meeting of the Company.

DIRECTORS' REPORT

This item contained within Section 5 of the Group Annual Report 2012 will be published on January 31, 2013 in accordance with Section 109 of the Companies Act, Cap 308 of the Laws of Barbados which states that "Notice of the time and place of a meeting of the shareholders must be sent not less than 21 days nor more than 50 days before the meeting." The Board of Directors has set March 21, 2013 as the date of the next Annual Meeting of the Company.

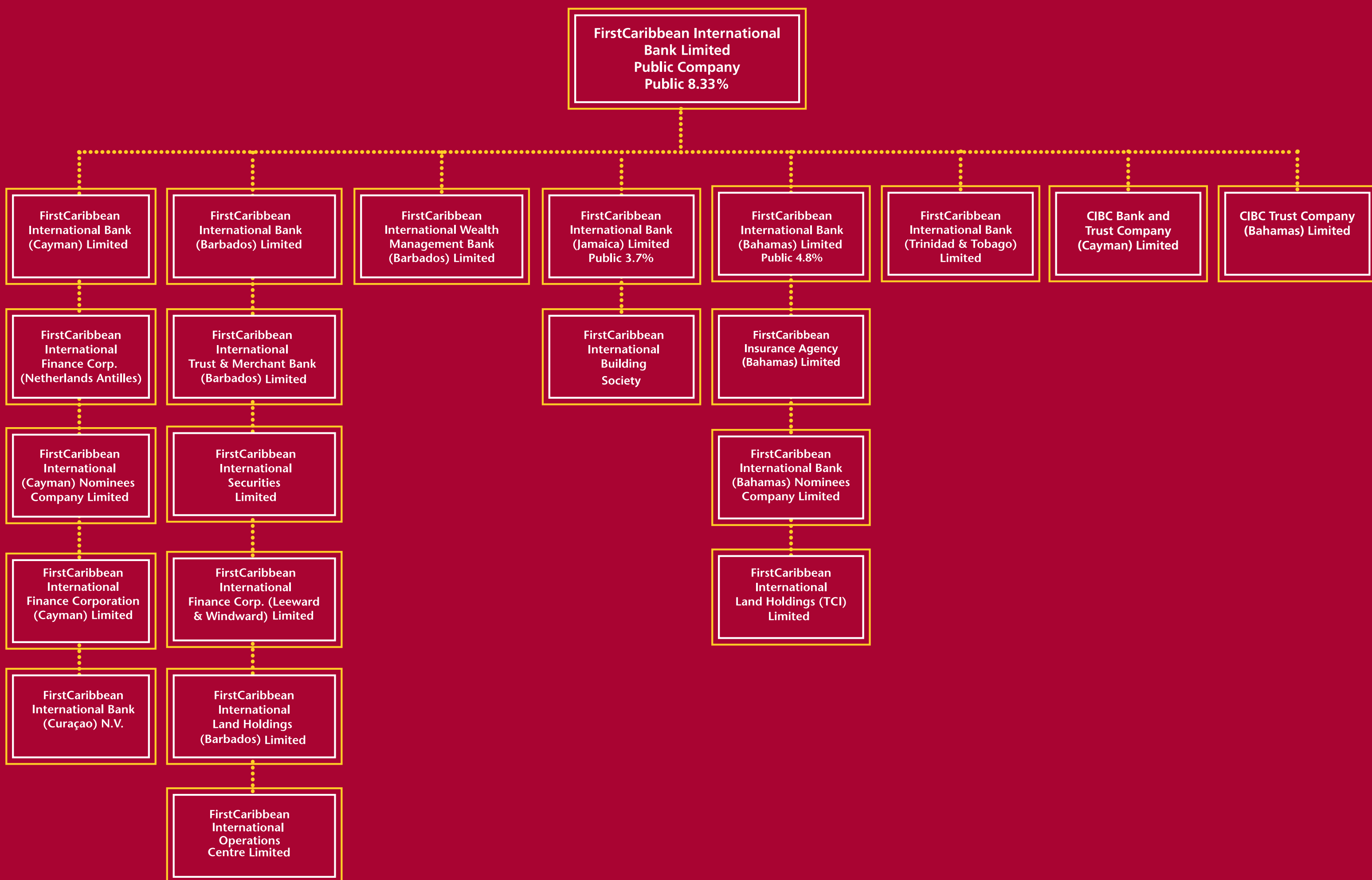
MANAGEMENT PROXY CIRCULAR

This item contained within Section 5 of the Group Annual Report 2012 will be published on January 31, 2013 in accordance with Section 109 of the Companies Act, Cap 308 of the Laws of Barbados which states that "Notice of the time and place of a meeting of the shareholders must be sent not less than 21 days nor more than 50 days before the meeting." The Board of Directors has set March 21, 2013 as the date of the next Annual Meeting of the Company.

PROXY FORM

This item contained within Section 5 of the Group Annual Report 2012 will be published on January 31, 2013 in accordance with Section 109 of the Companies Act, Cap 308 of the Laws of Barbados which states that "Notice of the time and place of a meeting of the shareholders must be sent not less than 21 days nor more than 50 days before the meeting." The Board of Directors has set March 21, 2013 as the date of the next Annual Meeting of the Company.

OWNERSHIP STRUCTURE



CIBC FirstCaribbean International Bank

MAIN BRANCHES & CENTRES

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

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

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

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

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

Belize
P.O. Box 363
21 Albert Street
Belize City
Tel: 011+(501) 227-7212

British Virgin Islands
P.O. Box 70
Road Town
Tortola, VG1110
Tel: (284) 852-9900

Cayman Islands
P.O. Box 68
Grand Cayman KY
1-1102
25 Main Street
George Town
Grand Cayman
Tel: (345) 949-7300

Curaçao
P.O. Box 3144
De Ruyterkade 61
Willemstad
Curaçao
Tel: (+5999) 433 8000

Dominica
P.O. Box 4
Old Street, Roseau
Tel: (767) 255-7900

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

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

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

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

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

St. Maarten
P.O. Box 941
38 Back Street
Philipsburg
Tel: (721) 542-3511

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

Trinidad & Tobago
CIBC FirstCaribbean Bank
Financial Centre
74 Long Circular Road
Maraval, Trinidad, W.I.
Tel: (868) 628-4685

Turks and Caicos Islands
P.O. Box 236
62 Salt Mills Plaza
Grace Bay Branch
Providenciales
Turks & Caicos Islands
Tel: (649) 941-4558

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

CORPORATE BANKING CENTRES

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

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

Corporate Banking Centre
P.O. Box 503
Rendezvous
Christ Church, Barbados
Tel: (246) 467-8768

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

CIBC FirstCaribbean Bank Financial Centre
Corporate & Investment
Banking Units
Ground Floor
74 Long Circular Road
Maraval, Trinidad, W.I.
Tel: (868) 628-4685

Finance Corporation
P O Box 335
Castries St. Lucia
Tel: (758) 456-1110

Corporate Banking Centre
P.O. Box 28
Old Parham Road
St John's, Antigua
Tel: (268) 480-5000

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

WEALTH MANAGEMENT CENTRES

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

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

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

Wealth Management Centre
Liguanea
129 1/2 Old Hope Road
Kingston 6
Tel: (876) 656-9240

Wealth Management Centre
Montego Bay
59 St. James Street,
Montego Bay
Tel: (876 952-0801
or 952-4045/6

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

MAIN BRANCHES & CENTRES

CIBC FirstCaribbean Bank Financial Centre Wealth Management Centre
1st Floor
74 Long Circular Road
Maraval, Trinidad, W.I.
Tel: (868) 628-4685

Wealth Management Centre is on: 1st Floor.
Corporate & Investment Banking Units: Ground Floor.

Wealth Management Centre
P.O. Box 68
Grand Cayman KY 1-1102
25 Main Street, GeorgeTown
Grand Cayman
Cayman Islands
Tel: (345) 949-7300

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

Wealth Management Centre
P.O. Box 698
Leeward Highway
Providenciales
Turks and Caicos Islands
Tel: (649) 946-5303

Wealth Management Centre
P O Box 335
Castries St. Lucia
Tel: (758) 456-1508

St Lucia
Wealth Management Centre
P O Box 335
Rodney Ray
Gros Islet

Wealth Management Centre Curacao
P.O. Box 3144
De Ruyterkade 61
Willemstad
Curaçao
Tel: (+5999) 433 8000

OTHER SUBSIDIARIES

Trust and Merchant Bank
P.O. Box 503
2nd Floor, Rendezvous
Christ Church,
Barbados
Tel: (246) 467-8700

Building Society
P.O. Box 403
23-27 Knutsford Blvd
Kingston 5, Jamaica
Tel: (876) 929-4606

Securities
P.O. Box 162
Kingston 10
23-27 Knutsford Blvd
Kingston 5, Jamaica
Tel: (876) 929-4606

Investment Banking
74 Long Circular Road
Maraval, Trinidad
Tel: (868) 628-4685

CIBC Bank and Trust Company (Cayman) Limited
CIBC Financial Centre
11 Dr. Roy's Drive
P.O. Box 694
Grand Cayman KYI-1107
Cayman Islands

CIBC Trust Company (Bahamas) Limited
Goodman's Bay Corporate Centre
West Bay Street
P.O. Box N. 3933
Nassau, Bahamas


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

10th
ANNIVERSARY