CIBC FirstCaribbean International Bank

FOR WHAT MATTERS.

Annual Report (BAHAMAS) 2013

Contents

CIBC FirstCaribbean International Bank

FOR WHAT MATTERS.

Corporate Profile

We are one of the largest regionally-listed financial services institution in the English and Dutch speaking Caribbean, with over US$11.4 billion in assets and market capitalisation of US$1.8 billion.

CIBC FirstCaribbean International Bank is a relationship bank offering a full range of market-leading financial services through our Wholesale Banking, Retail & Business 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 and two (102) branches, banking centres and offices. We are one of the largest regionally-listed financial services institutions in the English and Dutch speaking Caribbean, with over US$11.4 billion in assets and market capitalisation of US$1.8 billion. The Bahamas Operating Company comprises operations in The Bahamas and the Turks and Caicos Islands where there are twenty (20) branches and agencies, thirty-seven (37) Instant Teller® Machines, and Wealth Management and Corporate Investment Banking centres, spread over New Providence, Grand Bahama, Abaco, Eleuthera and the Turks and Caicos Islands.

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 organisations. 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

2013 Highlights

In 2013, the focus was on deepening client relationships in order to be the leading financial services provider in the region.

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

- Continued to refresh our network of Instant Teller® vestibules and several branches to improve the aesthetic appeal
- Upgraded several Instant Teller® machines in key locations to dispense both B$ and US$ cash to accommodate our international visitors

Delivering cutting edge products and services:

- Introduced a new Bank@Work program which is a tailored special package for employees of large corporate clients and key professional groups and focused our efforts on creating convenience to our clients by taking banking to them
- Introduced a medical profession offering
- Introduced the Home Equity Line of Credit – helping our customers achieve their personal goals
- Introduced the bizline™ Credit Card to boost business capability

Reaching new markets and clients:

- Market penetration of our International Visa Debit Card
- Implementing consumer loan campaigns to secure greater market share

First for Employees

We continued our focus on training, development and retention to improve our delivery of customer service excellence.

Employee initiatives:

- Joined other CIBC FirstCaribbean territories and CIBC Canada to host Employee Appreciation Day
- Significant investment in training of our sales and support teams
- Regular wellness sessions were arranged for staff across The Bahamas to enourage healthy living
- Introduced a "What Matters to You" campaign where employees received vital information on the special benefits for staff relative to the Bank's products and services

The 2013 Employee Voice (E-voice) survey:

- Employee commitment figures remained steady over last year's with improvements in the areas of communication, colleagues, tools, and resources continuing to be high
- Focus on increasing employee commitment via career development opportunities and employee engagement

Increasing visibility of senior leaders:

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

First for Communities

We continued to be good corporate citizens utilising the CIBC FirstCaribbean International Comtrust Foundation to support our communities.

Corporate Social responsibility:

- Recognition that the good health of our citizens matters to us and the viability of our communities lies in finding a cure for diseases that threaten their livelihoods – giving rise to the Bank's Walk for the Cure initiative to champion the fight against cancer. In total, over $28,000 was raised and donated to cancer societies throughout The Bahamas

Supporting youth in the community:

- We participated as sponsors of the 42nd annual CARIFTA regional championships held in The Bahamas in 2013
- Provided support to The Bahamas CARIFTA Swim Team
- Sponsored youth baseball teams in both the Freedom Farm Baseball and the Junior Baseball Leagues
- Provided a scholarship to a deserving student for the Bahamas Primary School Student of the Year Awards

Charting the way forward for youth entrepreneurs:

- Continued sponsorship of Junior Achievement (JA) companies in New Providence and Grand Bahama. Our employees volunteered their time to provide guidance to students in the JA Companies

Actively participating in worthwhile causes to develop our communities:

- The Bank made a substantial donation to the Salvation Army. Contributions made to the Bahamas Red Cross, the Royal Bahamas Police Force Summer Youth Programmes, and many other organisations
- Supporting the Bahamian cultural activities – The Class A and B Junkanoo Groups received funding for the annual Boxing Day and New Year's Eve Junkanoo Parades in New Providence
- Continued staff involvement and volunteerism with community special causes through the Bank's Adopt-a-Cause programme

First for Shareholders

- Maintained our capital strength, with Tier 1 Capital Ratio at 28%, well above regulatory minimum requirements
- Maintained our dividend payment level throughout the economic downturn

Awards

- CIBC FirstCaribbean International Bank's Bahamas business has been awarded the prestigious Bank of the Year 2013 by The Banker magazine

2013 Highlights

Financial Highlights

B$(000), except per share amounts, as at or for the year ended October 31	2013	2012	2011	2010	2009
Common share information					
(Loss)/earnings per share-basic (B$ cents)	**(14.9)**	46.9	48.2	51.5	65.4
Share price - closing (B$)	**7.25**	7.20	8.14	9.74	9.87
Shares outstanding (thousands) - end of period	**120,216**	120,216	120,216	120,216	120,216
Market capitalisation	**871,566**	865,555	978,558	1,170,904	1,186,532
Value measures					
Price to earnings multiple (share price/earnings per share)	**n/m**	15.3	16.9	18.9	15.1
Dividend yield (dividends per share/share price)	**3.9%**	3.9%	3.4%	3.2%	3.5%
Dividend payout ratio (dividends/net income)	**n/m**	55.4%	58.1%	60.2%	53.5%
Financial results					
Total operating income	**168,243**	171,975	173,318	173,025	168,235
Loans loss impairment	**77,502**	33,217	32,223	34,068	18,519
Operating expenses	**108,596**	82,321	83,208	77,094	71,079
Net (loss)/income	**(17,855)**	56,437	57,887	61,863	78,637
Financial measures					
Efficiency ratio (operating expenses/total revenue)	**64.5%**	47.9%	48.0%	45.6%	42.2%
Return on equity (net income/average equity)	**(3.1%)**	9.6%	10.4%	11.6%	16.7%
Net interest margin (net interest income/average total assets)	**4.0%**	4.2%	3.9%	3.5%	3.6%
Statement of Financial Position					
Loans and advances to customers	**2,122,045**	2,259,537	2,342,151	2,418,836	2,541,756
Total assets	**3,304,076**	3,357,111	3,536,725	3,598,996	3,762,672
Deposits & other borrowed funds	**2,499,328**	2,503,239	2,712,978	2,767,359	2,985,964
Total equity	**744,455**	790,329	758,225	730,854	707,181
Statement of Financial Position quality measures					
Common equity to risk weighted assets	**38%**	37%	31%	29%	26%
Risk weighted assets	**1,976,780**	2,163,919	2,409,543	2,543,580	2,712,548
Tier I Capital ratio	**28%**	27%	24%	21%	19%
Tiers I and II Capital ratio	**29%**	28%	24%	21%	19%
Other information					
Full time equivalent employees (#)	**740**	747	743	788	773

* n/m - Not meaningful

Marie A. Rodland-Allen
Managing Director

Managing Director's Letter

This year, the Bank was awarded the prestigious 'Bank of the Year 2013 for Bahamas' by The Banker magazine. This is an award that recognizes excellence in banking.

In addition, the top two performing branches for sales amongst CIBC FirstCaribbean's branches in the Caribbean region in 2013 were located in the Turks and Caicos Islands, which are a part of the Bahamas' Operating Company. The Leeward Highway branch and The Grace Bay branch obtained first and second place, respectively.

Financial Performance

The Bank's results continue to be negatively impacted by the ongoing economic challenges which contributed to the reported net loss of $17.9 million for the year ended October 31, 2013. While the Bank generated $168 million in revenues, the overall net loss was driven by significant increases in specific and collective allowances for loan losses, and restructuring related expenses geared at positioning us for future cost savings and to better service our customers. Despite the challenges, the Bank maintained strong capital levels with a Total Capital Ratio of 29%. This provides us with strength to endure challenging times and suitably position us to invest in future opportunities.

Retail and Business Banking

In the face of the challenges during 2013, our Retail and Business Banking segment increased its focus on improving the efficiency of the branch network via technological improvements to our account opening process, and enhancement of the customer experience by upgrading and expanding our ABM network. As such, we recently introduced two ABM kiosks at the Lynden Pindling International Airport Arrival and Domestic International Departure terminals.

The Bank's Channel Strategy is based on the fundamental objective of "Convenience Banking for our Clients". The aim is to ensure that we are accessible at all times. We have developed and enhanced a series of products and services, inclusive of our Visa debit platform; creation of our bizline™ Visa business credit card; a rewards program for credit cards; a medical professional offering; Bank@Work and "Pound the Pavement" initiatives. Through many of these programmes we have tailored special packages for employees of large corporate clients and key professional groups and focused our efforts on creating convenience to our clients by taking banking to them.

We have successfully presented ourselves as a Bank who has a commitment to ensuring that both our employees and customers are top priority. As such, we continued to invest in training for staff through our innovative CIBC FirstCaribbean Online learning portal and face to face experiences, ensuring that our staff are well equipped to provide exceptional service. Additionally, to assist our clients with managing the impact of the economic pressures which exist, we have created a task force to provide financial solutions during hardship and created avenues for financial advice within the branches. Recognising the importance of our clients to our business, February 14th, 2013 was designated as Customer Appreciation Day in our branches throughout The Bahamas and the Caribbean. This was well received by our clients.

Our brand image, "The Bank of Choice", remains paramount. We have refreshed the banking halls of several of our branches to create a more comfortable and inviting environment for our clients.

Wholesale Banking

During the year we changed the name of the Corporate Investment Banking segment to Wholesale Banking. The renaming of this segment now closely aligns to the naming architect in use at our parent company, CIBC.

In 2013, we were able to capitalize on the expertise of our Client Solutions Group and The Structuring and Distribution Group

Managing Director's Letter

which allowed us to expand our product offering to our client base. The implementation of our credit enhancement tool, Integrated Credit Analysis Program (ICAP), has resulted in an improvement in our credit, monitoring and control processes.

Leveraging on the infrastructure expertise of our parent, CIBC, we hosted a Public-Private Partnership conference on Infrastructure Development and Financing in Nassau, Bahamas. This was well attended by key players and stakeholders from the Caribbean and North American region. Feedback from individuals attending the conference was overwhelmingly positive.

Notwithstanding the challenges of this fiscal, the team remains committed and focused on providing excellent service to our customers which will translate to increased loan growth for the upcoming year. We will continue to build on strong relationships with our key internal stakeholders to facilitate a robust product offering to our clients.

Community Partnership

In 2013, we continued our tradition of being a good corporate citizen. Support of the youth was a continued priority in 2013. The Bank was a proud sponsor of the 42nd annual CARIFTA Track & Field Championships held in The Bahamas. We also continued our sponsorship of the Junior Achievement programme and the Royal Bahamas Police Force Summer Youth Programmes.

The Bank made a substantial donation to the Salvation Army and contributed to many other charitable organiations. We also made donations to the Class A and B Junkanoo groups participating in the Boxing Day and New Year's Day Junkanoo parades.

Our employees continue to drive our community service efforts as we advanced our Adopt-a-Cause initiatives in a wide range of projects throughout the year, significantly impacting the lives of many in our communities.

The Bank's Walk for the Cure initiative got staff involved in a range of public awareness and fundraising activities. Over $28,000 was raised and donated to Bahamian organisations and causes championing awareness of the fight against cancer.

People

One of the greatest investments any organisation can make is in its people. CIBC FirstCaribbean continued the tradition of empowering employees through training programs and exposure to job enrichment opportunities. Through the FirstCaribbean University, new internal courses were developed and introduced to employees to further enable them to enhance the customer experience.

Based on feedback received through the Employee Voice survey, numerous town hall meetings were held with staff to engage them on different topics. Additionally, regular wellness sessions were arranged across The Bahamas and were well attended by staff. Other engagement activities included a "What Matters to You" campaign where employees received vital information on the special benefits for staff in relation to the Bank's products and services.

This year, The Bahamas and Turks and Caicos Islands along with other CIBC FirstCaribbean territories joined CIBC Canada to host an Employee Appreciation Day. The event was a smashing success with employees, who took the opportunity to recognise one another and express appreciation for the many acts of teamwork and kindness that sometimes go unnoticed and unrecognised.

Appreciation

Mr. Michael Mansoor has retired as the Group's Executive Chairman and has resigned as Chairman of the Bahamas' Board of Directors. Mr. Mansoor has made an invaluable contribution to the growth of the Bank and I would like to thank him for his leadership, support and guidance. In addition, effective February 2014, Mr. Terence Hilts is no longer a director as he has reached the mandatory age of retirement from the Board of Directors. I would like to thank him for all his contributions to the Bank over the years as he was also a former managing director during his long tenure with CIBC and FirstCaribbean International Bank.

In closing, I would like to thank all of our valued customers, staff and shareholders for their continued support and loyalty in 2013. I would also like to thank the members of our Board of Directors for their guidance throughout the year. CIBC FirstCaribbean will continue to be a leader in the financial services sector by developing new and innovative products, and improving and diversifying channel experiences within a world class banking environment as we seek to deliver on our promise to help our clients achieve what matters to them.

Marie A. Rodland-Allen
Managing Director

Board of Directors

Michael Mansoor
Chairman

Marie Rodland-Allen
Managing Director

Terence Hilts
Retired Banker

Trevor Torzsas
Managing Director,
Customer Relationship Management
and Strategy

Willie Moss
Attorney-at-Law

G. Diane Stewart
Attorney-at-Law

Senior Management and Advisors

Pictured seated, left to right, are:

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

Jennifer Brown
Director Regional Operations Northern Caribbean

Marie Rodland-Allen
Managing Director

Sherma Hercules
Head of Corporate

Standing, left to right, are:

Stacia Williamson
Controller & Chief Financial Officer

Sherrylyn Bastian
Legal Counsel and Corporate Secretary

Lakeisha Moss
Country Treasurer

Paul Major
Head of International Banking

Gezel Farrington
Director, Retail Banking Channels

Glenda Whylly
Senior Manager, Managing Director's Office

Missing from photo:

Catherine Gibson
Director, Origination & Capital Markets Products Northern Caribbean

Andrew McFall
Senior Manager, Receivables Management

Basil Longley
Senior Project Manager II

Registered Office

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

Regional Audit Committee

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

Auditors

Ernst & Young

Legal Advisors

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

Registrar and Transfer Agents

CIBC Trust Company (Bahamas) Limited

Section 2

Our Communities

CIBC FirstCaribbean International Bank provided support to The Bahamas CARIFTA swim team to assist them with their participation in the swimming competitions held in Jamaica

Pictured left to right are: Managing Director, Marie Rodland-Allen, Senior Project Manager II, Basil Longley, Mrs. Susan Roberts, Cancer Society of the Bahamas and Managing Director, Customer Relationship Management and Strategy, Trevor Torzsas.

In 2013, the Bank was quite involved with youth in the community as we were a sponsor of the 42nd Annual CARIFTA Track & Field championships which was held in The Bahamas over the 2013 Easter weekend. The Bahamas' team hosted the Bank's 2013 Easter Tour for our colleagues and their families across the Caribbean region this same weekend. We used this opportunity for our visiting colleagues to assist with the downtown Nassau beautification project. That same day, over 50 children from the Nazareth Home were treated to an afternoon of Easter fun and activities. The smiles and happiness reflected on the faces of the children from the home made this event well worth the effort. Children from both the Nazareth Home and Elizabeth Estates Home were treated to the Saturday afternoon CARIFTA events.

CIBC FirstCaribbean International Bank provided support to The Bahamas CARIFTA swim team to assist them with their participation in the swimming competitions held in Jamaica. The Bank sponsored youth baseball teams in both the Freedom Farm Baseball and the Junior Baseball Leagues. We also donated to the Royal Bahamas Police Force Summer Youth programmes and continued the sponsorship of Junior Achievement companies in New Providence and Grand Bahama.

In Fiscal 2013, the Bank made a substantial donation to the Salvation Army to assist with their community outreach progammes. The Bank made donations to the Class A and B Junkanoo groups participating in the Boxing Day and New Year's Junkanoo parades.

This was the second year that the Bank joined our colleagues at CIBC and CIBC FirstCaribbean in promoting the " Walk for the Cure" for cancer. In The Bahamas, the Bank partnered with the Cancer Society of the Bahamas' Stride for Life Walk. Staff got involved in a range of activities to raisefunds for cancer. In total, over $28,000 was raised and donated to cancer societies throughout The Bahamas. On Saturday, October 5th, 2013 while participating in the Walk for the Cure activities at the Stride for Life Walk, Personal Credit Services made a special presentation of an afghan to the Cancer Society of the Bahamas. This was a special and touching tribute that the entire Personal Credit Services team participated in. Team Leader, Robert Cox, presented the afghan to the Cancer Society President, Ms. Lovern Wildgoose. The story of the afghan was framed and presented along with it.

With the Adopt-a-Cause programme, our employees were very involved in our communities, working on a wide range of projects throughout the year.

Section 3

Management's Discussion and Analysis

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

Overview

FirstCaribbean International Bank (Bahamas) Limited (the Bank) 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, Wholesale Banking and Wealth Management.

The business segments 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 under the heading "Business Segment Overview".

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

Nature of the business

The Bank offers traditional banking solutions for what matters to its clients in the markets in which it operates. It maintains capital well in excess of the regulatory minimums and deploys this capital together with other deposits in interest earning assets within its managed risk appetite. The Bank operates and is regarded as one of the largest banks in two main geographic markets – The Bahamas and Turks and Caicos Islands. The macroeconomic environments in these territories influence the Bank and its results. The Bank is also affected by the global macroeconomic environment to the extent they affect the drivers of financial risks to which the Bank is exposed such as credit and liquidity risk and other market risks such as currency risk, interest rate risk and other price risk.

Objectives and strategies

The Bank continues to focus on five strategic priorities to address market trends: Cultivating deeper relationships with its clients across its business; Focusing on value for its clients through understanding their needs; Competing in businesses where the Bank can leverage its expertise to add differentiated value; Pursuing risk-controlled growth in the region; and Continuously investing in its client base, people and infrastructure.

Resources, risks and relationships

The most important resources and relationships available to the Bank are driven by its clients, employees, communities (including its regulators) and its shareholders. Over the years, the Bank has developed these resources and relationships to synergistically deliver what matters.

Using the capital provided and reinvested by shareholders and other funding from clients, the Bank, through the work of its employees is able to provide a stable affordable source of funding to its clients, contributing to building the communities in which the Bank resides.

The risks faced by the Bank (including credit, market, compliance, operational, and liquidity) and our approach to managing these risks are discussed further under the heading "Risk Management Approach" in this discussion and analysis section.

Review of results, performance measures and indicators

Review of the Consolidated Statement of (Loss)/Income

Highlights

B$ thousands, except per share amounts, as at or for the year ended October 31	2013	2012
Total revenue	**168,243**	171,975
Net (loss)/income	**(17,855)**	56,437
Total assets	**3,304,076**	3,357,111
Basic (loss)/earnings per share (cents)	**(14.9)**	46.9
Dividends per share (cents)	**26.00**	26.00
Closing price per share (cents)	**7.25**	7.20
Return on tangible equity*	**(3.1%)**	9.6%
Efficiency ratio	**64.5%**	47.9%
Tier 1 capital ratio	**28%**	27%
Total capital ratio	**29%**	28%

* Based on four quarters rolling averages

Management's Discussion and Analysis

Net loss for the year was $17.9 million, compared to net income of $56.4 million in 2012. During 2013, the Board of Directors of FirstCaribbean International Bank approved and announced a plan to restructure its regional operations with the aim of enhancing its long term competitiveness through reductions in costs, duplication and complexity in the years ahead. The plan will achieve operational efficiencies and annual savings. The plan is estimated to cost the Bank $12.2 million, which has been included in operating expenses for this year.

Further contributing to the decline this year was the significant increase in loan loss impairment, increased operating expenses and declining net interest income. The region continues to face significant economic challenges and this is reflected in the protracted slowdown in business activity and increased rates of loan delinquency.

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

2013

- $44.3 million increase in loan loss impairment reflecting further deterioration of collateral values and updates to key assumptions
- $26.3 million increase in operating expenses which includes the $12.2 million related to restructuring expenses and an increase in Head Office expense allocations
- $4.9 million decrease in net interest income largely due to sustained downward pressure on loan volumes in key markets

2012

- $3.9 million decline in other operating income as a result of increases in net hedging losses coupled with a reduction of foreign exchange revaluation gains
- $2.6 million increase in net interest income primarily driven by lower deposit rates and declines in deposit and hedging instrument volumes. The reduction in interest expense was partially offset by a decline in interest income as a result of lower loan volumes and yields

Total revenue is down year on year by $3.7 million due to lower net interest income of $4.9 million mitigated by increased other operating income of $1.2 million.

Total expenses increased year over year by $70.6 million due to increased operating expenses of $26.3 million and increased loan loss impairment of $44.3 million.

Review of Consolidated Statement of (Loss)/Income

Net interest income and margin

B$ thousands for the year ended October 31	2013	2012
Average total assets	**3,348,638**	3,347,950
Net interest income	**135,491**	140,434
Net interest margin	**4.06%**	4.20%

Net interest income (NII) represents interest earned on loans, securities and deposits with other banks, less interest paid on deposits from customers and other borrowings. NII decreased by $4.9 million or 3.5% year over year. The reduction was primarily driven by declines in income earned on loans and securities due to lower average volumes and yields, and partially offset by reduced cost of funding. The reduction in deposit costs was due to declines in deposit rates combined with lower deposit volumes.

Operating income

B$ thousands for the year ended October 31	2013	2012
Net fee & commission income	**20,578**	19,705
Foreign exchange earnings	**9,626**	9,753
Net investment securities and hedging losses	**(435)**	(461)
Other	**2,983**	2,544
	32,752	31,541

Other operating income increased year on year by $1.2 million, or 3.8%. This increase was a result of higher fee and commission income, primarily from deposit services and cards products.

Other operating expenses

B$ thousand for the year ended October 31	2013	2012
Remuneration and benefits		
Wages and salaries	**28,578**	28,977
Benefits	**21,950**	10,323
	50,528	39,300
Business license and management fees	**29,420**	16,865
Occupancy and maintenance	**12,980**	12,870
Depreciation	**4,796**	3,288
Communication	**2,526**	2,291
Professional fees	**1,032**	1,265
Other	**7,314**	6,442
	108,596	82,321

Operating expenses increased year on year by $26.3 million (31.9%) primarily due to restructuring expenses of $12.2 million and an increase in the allocation of the expenses incurred by the Parent on behalf of its subsidiaries (management fees). The costs of restructuring include severance benefits, curtailment gains and losses on retirement benefit and obligations, and accelerated depreciation. These costs were the main driver of the increases to remuneration and benefits, occupancy and maintenance and depreciation expenses. Other expenses increased largely due to an increase in non-credit losses.

Loan loss impairment

B$ thousands for the year ended October 31	2013	2012
Individual impairment		
Mortgages	**22,854**	16,683
Personal loans	**5,826**	7,627
Business & Government loans	**44,263**	8,433
	72,943	32,743
Collective impairment charge	**4,559**	474
	77,502	33,217

Loan loss impairment expense (LLE) increased by $44.3 million, or 133.3%, year over year. The specific allowances increased by $40.2 million as a result of declining collateral values, new non-performing loans and assumptions updates. The collective allowance increased by $4.1 million due to assumption updates reflecting the continued strained economic conditions.

The ratio of LLE to gross loans was 3.7% compared to 1.4% at the end of 2012. However, there was a smaller increase in the ratio of non-performing loans to gross loan, to 16.1% from 15.7%.

Review of the Consolidated Statement of Total Comprehensive (Loss)/Income

B$ thousand for the year ended October 31	2013	2012
Net (loss)/income for the year	**(17,855)**	56,437
Other comprehensive income:		
Net gains on available-for-sale investment securities	**3,237**	6,923
Total comprehensive (loss)/income	**(14,618)**	63,360

Other comprehensive income declined year on year as a result of lower net gains from investment securities sales compared with the gains in the prior year.

Review of the Consolidated Statement of Financial Position

B$ thousands, at October 31	2013	2012
Assets		
Cash, balances with The Central Bank and due from banks	**265,249**	246,625
Investment securities	**690,454**	606,911
Financial assets at FV through profit or loss	**-**	14,855
Loans and advances to customers:		
Mortgages	**1,117,040**	1,150,584
Personal loans	**224,528**	232,061
Business & Government loans	**880,558**	932,516
Provision for impairment (net of recoveries and write offs)	**(113,826)**	(76,985)
Interest receivable	**26,775**	36,037
Unearned fee income	**(13,030)**	(14,676)
	2,122,045	2,259,537
Other assets	**226,328**	229,183
	3,304,076	3,357,111
Liabilities and Equity		
Customer deposits		
Individuals	**854,925**	904,567
Business & Government	**1,447,704**	1,383,038
Banks	**191,741**	207,700
Interest payable	**4,958**	7,934
	2,499,328	2,503,239
Financial liabilities at FV through profit or loss	**-**	14,855
Other liabilities	**60,293**	48,688
Equity	**744,455**	790,329
	3,304,076	3,357,111

Total assets of $3.3 billion decreased by $53.0 million, or 1.6%, from prior year. The decrease primarily reflects a reduction in the loans and advances to customers, partially offset by increases in cash resources and investment securities balances.

Total liabilities of $2.6 billion remained relatively flat to prior year, decreasing by $7.2 million (0.3%). Decreases in customer deposits and derivative financial liabilities, and the extinguishment of financial liabilities at fair value through profit or losses were partially offset by an increase in retirement benefit obligations and accruals established for other restructuring costs.

Equity

Total equity has decreased year on year by $45.9 million (5.8%) due mainly to net loss for the year of $17.9 million and dividends of $31.3 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 business opportunities. The Bank's capital ratios remain strong, with Tier I and Total Capital Ratios well above the regulatory requirement of 9.6% and 17%, respectively. At October 31, 2013, the Tier I capital ratio and the Total Capital Ratio of the Bank were 28% (2012 – 27%) and 29% (2012 – 28%), respectively.

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 reflected on the consolidated financial statements. Economic profits include funds transfer pricing, management allocations, and charges for the segments' use of capital.

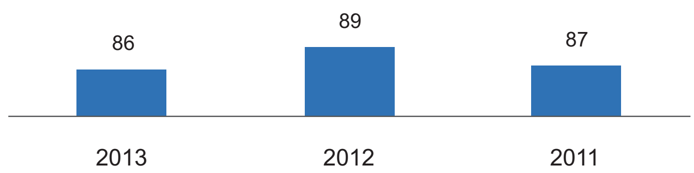
Transactions between the business segments are on normal commercial terms and conditions.

Retail & Business Banking

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

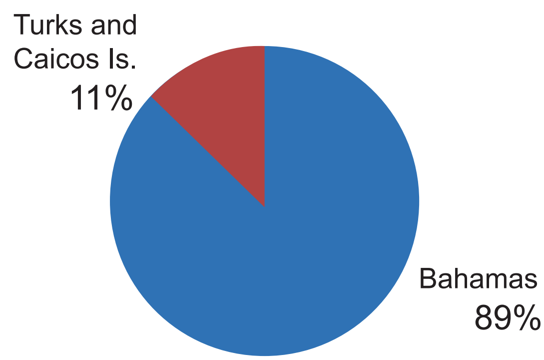
External revenues declined year on year by $2.9 million or 3.2% due to lower productive lending volumes and high levels of new non-performing loans, as we continue to feel the impact of the sluggish economy. These were partially offset by increased revenue from our Cards and Insurance products, driven by higher volumes and improved claims experience, respectively.

External Revenues $'MM



The distribution of external revenues by geography is depicted in the following table:

External Revenues



Segment results decreased year on year by $49.2 million as a result of higher than historical loan loss impairment, impacted by declining collateral values and new non-performing loans, and the decline in external revenues.

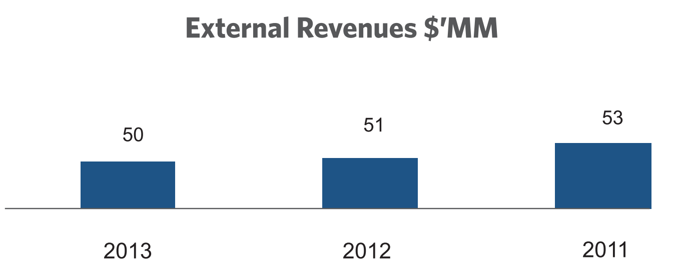
Wholesale Banking

This segment comprises: Corporate and Investment Banking.

Corporate Banking 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.

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

External revenues declined by $1.5 million or 2.8% year on year mainly due to reduced volumes on productive loans. Additionally, the segment has been impacted by lower service related fees due to these reduced volumes. The reduction in income was partially offset by lower deposit funding costs caused by lower deposit rates and volumes.



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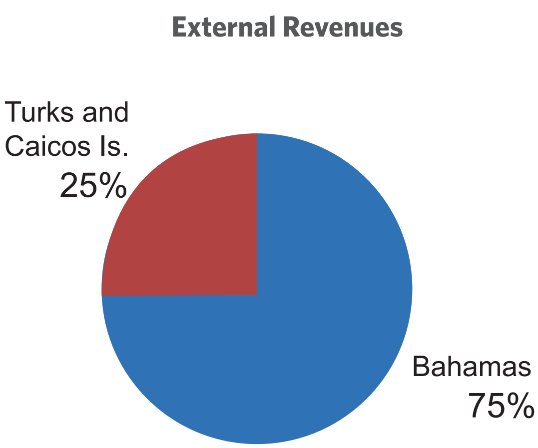


Administration

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 charge is allocated to the business segments.

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

Risk management approach

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

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

Primary responsibility for the identification and assessment of risk lies with line management in our various individual businesses. The Risk Management department, which reports to the Chief Risk Officer, develops risk policies and procedures and provides independent oversight, analysis and adjudication through centrally based teams which manage credit, market, and operational risks.

The Bank's risk management policies and procedures are designed to identify and analyse these risks, to set appropriate risk limits, and to monitor and enhance risk management practices to reflect changes in markets, products and evolving best practice.

A robust control and governance structure is embedded within each strategic business unit. Representatives from Risk Management interact with the senior leadership of each strategic business unit in order to identify and manage risks in the respective businesses. This approach is supported by 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 Bank's key credit policies and setting credit risk appetites and tolerances, the Risk and Conduct Review Committee of the Board also delegates credit approval limits to the Credit Committee of the Bank. The Credit Committee is chaired by the Chief Risk Officer, who also delegates lending authority to individual members of the Credit Risk Management Department, and also to some 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 specialized loan restructuring teams. Classification is automated and operates strictly in line with regulatory and accounting standards. Credit provisions are independently calculated in accordance with International Financial Reporting Standards for statutory reporting and in accordance with Central Bank guidelines, to meet regulatory requirements, by a central risk and financial controls team.

Market Risk

Market risk is the measurement of potential loss arising from adverse movements in interest rates, foreign exchange rates, equity and commodity prices, and credit spread risk in the Bank's investment portfolios. It arises in treasury activities, as well as in the natural course of wholesale and retail business. The principal aim of the Bank's market risk management activities is to limit the adverse impact of interest rate and exchange rate movements on profitability and shareholder value and to report risk within their recommended defined limits.

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

There is no single risk measure that captures all aspects of market risk. The Bank uses several risk measures including Value at Risk ('VaR'), sensitivity measures and stress testing. Market risks are managed by setting limits based upon the specific markets and products where the Bank is involved, as well as the amount of the Bank's capital at risk. These measurement methodologies utilise international best practice. There is a centralised, dedicated risk management team charged with the responsibility to ensure that the risk measurement methodologies used are appropriate for the risks being taken and that appropriate measurement, monitoring and control procedures are in place.

Compliance Risk

Compliance risks are associated with failures to comply with laws, regulations, rules, and the codes of ethics and conduct applicable to our business activities. Such failures can give rise to legal or regulatory sanctions, material financial loss, or a loss of reputation to the Bank.

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

Operational Risk

The Bank defines operational risk as the measurement of potential loss or damaged reputation from failed or inadequate internal processes, people and systems, or from external events. Operational risks are inherent in all activities within the Bank, including its outsourced activities and in all interactions with external parties.

Strong internal governance and controls, including a fraud framework, operational risk testing, and trained staff, is key to successful operational risk management. Each strategic business unit is primarily responsible for identifying, assessing and managing operational risks in that business unit. An Operational Risk Management team develops and maintains the framework for identifying, monitoring and controlling operational risks and supports each business unit in implementing the framework and raising awareness of operational risks. This team also sets policy and monitors compliance. Operational risk management activities across the Bank are reported regularly to the Audit & Governance Committee and Risk and Conduct Review Committee.

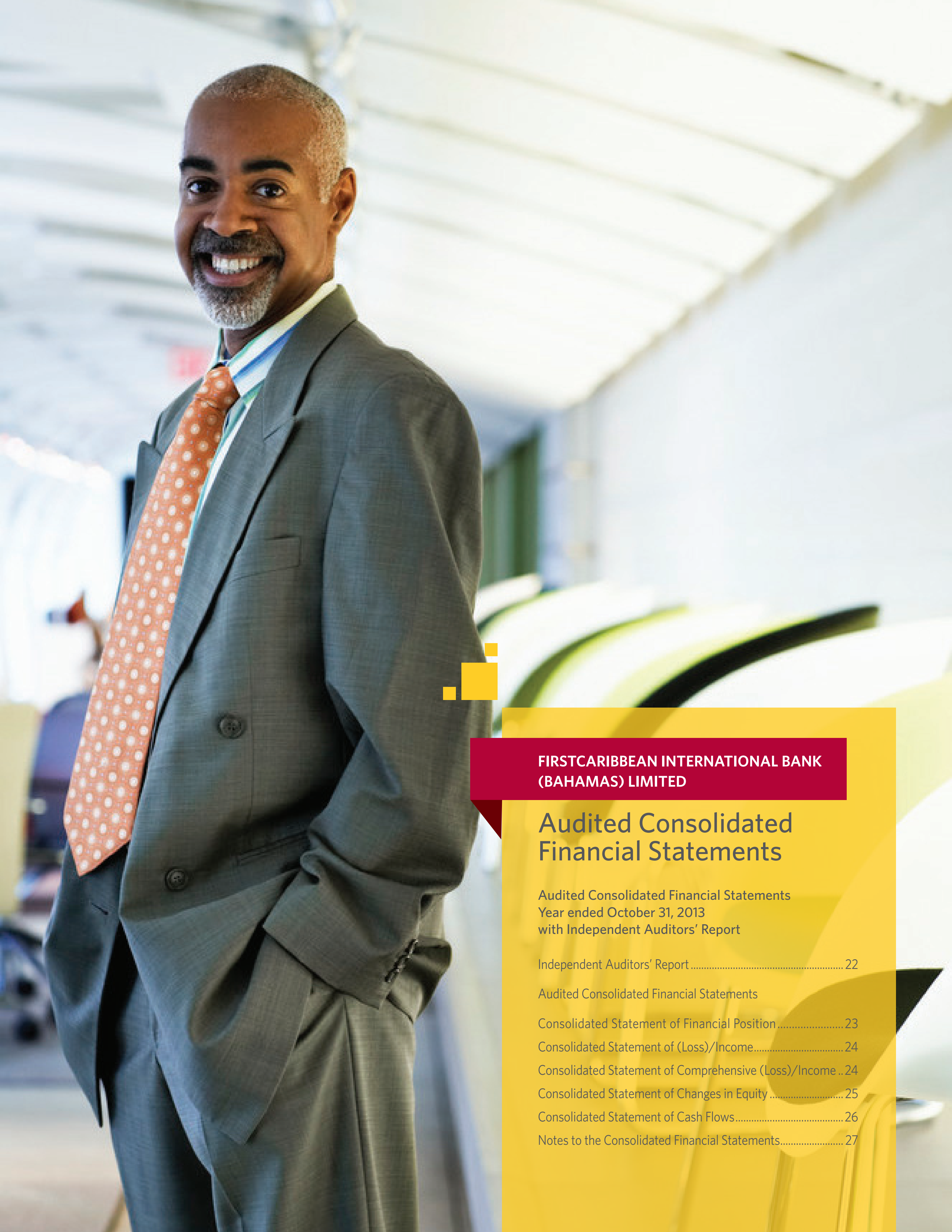
The Bank's operational risk management framework includes ongoing monitoring through self-assessment of control deficiencies and weaknesses, and the tracking of incidents and loss events to ensure that, once identified, control deficiencies are communicated and remedied in a timely fashion across the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

Liquidity Risk

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

The Bank's exposure to liquidity risk is governed by a Liquidity Management Policy and Framework approved by the Board. The operation of the policy is delegated to management in the form of the Asset and Liabilities Committee (ALCO). The Bank's ALCO is responsible for monitoring liquidity risk and adherence to the Liquidity Management Policy. Day-to-day management of liquidity is handled by the Treasury team.

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



FIRSTCARIBBEAN INTERNATIONAL BANK (BAHAMAS) LIMITED

Audited Consolidated Financial Statements

Audited Consolidated Financial Statements
Year ended October 31, 2013
with Independent Auditors' Report

ERNST & YOUNG

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Nassau, Bahamas

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INDEPENDENT AUDITORS' REPORT

The Shareholders and Directors
FirstCaribbean International Bank (Bahamas) Limited

We have audited the accompanying consolidated financial statements of FirstCaribbean International Bank (Bahamas) Limited (the "Bank") which comprise the consolidated statement of financial position as of October 31, 2013, and the consolidated statement of loss, consolidated statement of comprehensive loss, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and the related notes.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Bank as of October 31, 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst + Young

December 18, 2013

Consolidated Statement of Financial Position

As of October 31, 2013
(Expressed in thousands of Bahamian dollars)

	Notes	2013 $	2012 $
ASSETS			
Cash and balances with The Central Bank	3	**167,082**	131,446
Due from banks	4	**98,167**	115,179
Derivative financial instruments	5	**984**	683
Financial assets at fair value through profit or loss	6	**-**	14,855
Other assets	7	**6,720**	8,722
Investment securities	8	**690,454**	606,911
Loans and advances to customers	9	**2,122,045**	2,259,537
Property and equipment	10	**24,294**	26,517
Retirement benefit assets	11	**6,583**	5,514
Goodwill	12	**187,747**	187,747
Total assets		**3,304,076**	3,357,111
LIABILITIES			
Derivative financial instruments	5	**16,826**	23,165
Customer deposits	13	**2,499,328**	2,503,239
Financial liabilities at fair value through profit or loss	6	**-**	14,855
Other liabilities	14	**27,791**	19,010
Retirement benefit obligations	11	**15,676**	6,513
Total liabilities		**2,559,621**	2,566,782
EQUITY			
Issued capital	15	**477,230**	477,230
Reserves	15	**(14,888)**	(19,776)
Retained earnings		**282,113**	332,875
Total equity		**744,455**	790,329
Total liabilities and equity		**3,304,076**	3,357,111

Approved by the Board of Directors on December 18, 2013 and signed on its behalf by:

Marie Rodland-Allen
Managing Director

G. Diane Stewart
Director

See accompanying notes.

Consolidated Statement of (Loss)/Income

For the year ended October 31, 2013
(Expressed in thousands of Bahamian dollars)

	Notes	2013 $	2012 $
Interest and similar income		**156,405**	167,910
Interest and similar expense		**20,914**	27,476
Net interest income	16	**135,491**	140,434
Other operating income	17	**32,752**	31,541
Total operating income		**168,243**	171,975
Operating expenses	18	**108,596**	82,321
Loan loss impairment	9	**77,502**	33,217
Total operating expenses		**186,098**	115,538
Net (loss)/income for the year		**(17,855)**	56,437
Basic (loss)/earnings per share (expressed in cents per share)	19	**(14.9)**	46.9

Consolidated Statement Of Comprehensive (Loss)/Income

For the year ended October 31, 2013
(Expressed in thousands of Bahamian dollars)

	Notes	2013 $	2012 $
Net (loss)/income for the year		**(17,855)**	56,437
Other comprehensive income:			
Net gain on available-for-sale investment securities	21	**3,237**	6,923
Comprehensive (loss)/income for the year		**(14,618)**	63,360

See accompanying notes.

Consolidated Statement Of Changes in Equity

For the year ended October 31, 2013
(Expressed in thousands of Bahamian dollars)

	Notes	Issued capital $	Reserves $	Retained earnings $	Total equity $
Balance at October 31, 2011		**477,230**	**(27,820)**	**308,815**	**758,225**
Comprehensive income for the year		-	6,923	56,437	63,360
Dividends	20	-	-	(31,256)	(31,256)
Transfer to statutory reserve fund – Turks & Caicos Islands	15	-	2,196	(2,196)	-
Transfer from statutory loan loss reserve – Bahamas	15	-	(1,075)	1,075	-
Balance at October 31, 2012		477,230	(19,776)	332,875	790,329
Comprehensive loss for the year		-	3,237	(17,855)	(14,618)
Dividends	20	-	-	(31,256)	(31,256)
Transfer to statutory reserve fund – Turks & Caicos Islands	15	-	2,655	(2,655)	-
Transfer from statutory loan loss reserve – Bahamas	15	-	(1,004)	1,004	-
Balance at October 31, 2013		**477,230**	**(14,888)**	**282,113**	**744,455**

See accompanying notes.

Consolidated Statement Of Cash Flows

For the year ended October 31, 2013
(Expressed in thousands of Bahamian dollars)

	Notes	2013 $	2012 $
Cash flows from operating activities			
Net (loss)/income for the year		**(17,855)**	56,437
Adjustments to reconcile net (loss)/income to net cash from/(used in) operating activities:			
Loan loss impairment	9	**77,502**	33,217
Depreciation of property and equipment	10	**4,796**	3,288
Loss on disposal of property and equipment	18	**-**	337
Net gains on sale and redemption of investment securities	17	**(4,261)**	(995)
Interest income on investment securities	16	**(27,680)**	(29,941)
Net hedging losses		**4,696**	1,456
Interest expense on other borrowed funds	16	**2,598**	2,523
Net cash flows from net income before changes in operating assets and liabilities		**39,796**	66,322
Changes in operating assets and liabilities:			
- net decrease in due from banks greater than 90 days		**47,880**	15,332
- net decrease in mandatory reserves with The Central Bank		**1,296**	4,799
- net decrease in financial assets at fair value through profit or loss	6	**14,855**	12,464
- net decrease in loans and advances to customers		**59,990**	49,397
- net decrease in other assets		**632**	270
- net decrease in customer deposits		**(3,911)**	(209,739)
- net decrease in financial liabilities at fair value through profit or loss	6	**(14,855)**	(12,464)
- net increase in other liabilities		**11,654**	10,479
Net cash from/(used in) operating activities		**157,337**	(63,140)
Cash flows from investing activities			
Purchases of property and equipment	10	**(2,573)**	(3,442)
Proceeds from disposal of property and equipment		**-**	3
Purchases of investment securities		**(191,440)**	(202,651)
Interest paid on other borrowed funds		**(2,647)**	(2,517)
Interest income received on investment securities		**28,252**	30,606
Proceeds from sale and redemption of investment securities		**110,127**	248,525
Net cash (used in)/from investing activities		**(58,281)**	70,524
Cash flows from financing activities			
Dividends paid	20	**(31,256)**	(31,256)
Net cash used in financing activities		**(31,256)**	(31,256)
Net increase/(decrease) in cash and cash equivalents		**67,800**	(23,872)
Cash and cash equivalents, beginning of year		**137,292**	161,164
Cash and cash equivalents, end of year	3	**205,092**	137,292

See accompanying notes.

1. Corporate information

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

The Bank is a subsidiary of FirstCaribbean International Bank Limited, formerly CIBC West Indies Holdings Limited (the "Parent" or "FCIB"), a company incorporated in Barbados, which owns 95.2% of the Bank. The Parent and its subsidiaries (collectively, the "Parent Group") is owned by CIBC (the "Ultimate Parent"). From October 11, 2002, the major shareholders of FirstCaribbean International Bank (Bahamas) Limited were jointly CIBC and Barclays Bank PLC, ("Barclays"), a company incorporated in England. On December 22, 2006, CIBC acquired Barclays' interest in the Parent and now owns 91.7% of the shares of FirstCaribbean International Bank Limited.

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

2. Accounting policies

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

2.1 Basis of presentation

The consolidated financial statements have been prepared on a historical cost basis, except for available-for-sale investment securities, derivative financial instruments and financial assets and financial liabilities at fair value through profit or loss, which have all been measured at fair value. The carrying values of recognised assets and liabilities that are hedged items in fair value hedges, and otherwise carried at amortised cost, are adjusted to record changes in fair value attributable to the risks that are being hedged. The consolidated financial statements are presented in Bahamian dollars, and all values are rounded to the nearest thousands, except 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, 2013 (the "reporting date"). The financial statements of the subsidiaries are prepared for the same reporting year as the Bank, using consistent accounting policies.

All subsidiaries, which are those companies in which the Bank directly or indirectly holds the majority of the voting rights and where it determines their financial and business policies and is able to exercise control over them in order to benefit from their financial and business activities, have been fully consolidated. The principal subsidiaries of the Bank are disclosed in Note 29.

All inter-company 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.

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

2.2 Significant accounting judgments, estimates and assumptions

The preparation of the Bank's consolidated financial statements requires management to make certain significant judgments, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

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

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 Bank's best estimates of the most appropriate model assumptions. Models are adjusted to reflect the spread for bid and ask prices to reflect costs to close out positions, counterparty credit and liquidity spread and limitations in the model.

Impairment losses on loans and advances

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

Loans and advances 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 benefits that employees have earned in return for their service in the current and prior periods. These actuarial assumptions are based on management's best estimates of the variables that will determine the ultimate cost of providing post-employment benefits and comprise both demographic and financial assumptions. This includes assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Variations in the financial assumptions can cause material adjustments in future years, if it is determined that the actual experience differed from the estimate.

Impairment of available-for-sale investments

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

Goodwill

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

2.3 Adoption of new accounting policies

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

The Bank has adopted IAS *1 Presentation of items of other comprehensive income – amendments to IAS 1*, which was required for annual periods beginning after July 1, 2012.

Adoption of this revised standard did not have any effect on the financial performance or position of the Bank.

2.4 Summary of significant accounting policies

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

Foreign currency translation

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

Transactions in foreign currencies are initially recorded by the Bank at the 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 using prevailing average monthly exchange rates. Realised and unrealised gains and losses on foreign currency positions are reported in income of the current year. Translation differences on non-monetary items, such as equities classified as available-for-sale securities, are included in the available-for-sale revaluation reserve in equity.

Financial instruments

The Bank recognises financial instruments on its consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument and 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 liabilities, other than derivatives and financial liabilities at fair value through profit or loss, are measured at amortised cost. Derivatives and financial liabilities at fair value through profit or loss are measured at fair value. Interest expense is recognised on an accrual basis using the effective interest method.

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.

Recognition

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

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

Subsequent Measurement

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 consolidated statement of income as gains and losses from investment securities.

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

All gains and losses from disposals and/or changes in the fair value of financial assets 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 Bank and the counterparty. When this occurs for reasons other than those which could be considered indicators of impairment (see 'Impairment of financial assets'), the Bank assesses whether the restructured or renegotiated financial asset is significantly different from the original one by comparing the present value of the restructured cash flows discounted at the original instrument's interest rate.

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

Offsetting financial instruments
Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Derecognition of financial assets and financial liabilities

(i) Financial assets

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

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

When the Bank has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Bank's continuing involvement in the asset. In that case, the Bank also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to pay.

(ii) Financial liabilities

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

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement
The Bank uses derivative financial instruments such as forward currency contracts and interest rate swaps to manage its foreign currency 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 consolidated statement of income, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income.

For the purpose of hedge accounting, hedges are classified as:
- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment (except for foreign currency risk); or

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

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

- *Fair value hedges*
  For hedging relationships which are designated and qualify as fair value hedges and that prove to be highly effective in relation to the hedged risk, changes in the fair value of the derivatives are recorded in the consolidated statement of income in 'Net hedging gains/losses' (Note 17), along with the corresponding change in fair value of the hedged asset or liability that is attributable to that specific hedged risk.

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

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

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

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

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

Sale and repurchase agreements

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

Impairment of financial assets

The Bank assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset, or group of financial assets, is impaired includes observable data that comes to the attention of the Bank 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 Bank granting to a borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;
- 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 to customers or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the carrying amount and the recoverable amount, being the estimated present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted based on the 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 provision for impairment upon settlement (realisation) of collateral or in advance of settlement (no realisation) where the determination of the recoverable value is completed and there is no realistic prospect of recovery above the recoverable value. Any subsequent recoveries are credited to the consolidated statement of income. If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited to 'loan loss impairment' in the consolidated statement of income.

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

Impairment of non-financial assets

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

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

Interest income and expense

Interest income and expense are recognised in the consolidated statement of income for all interest-bearing instruments on an accrual basis using the effective interest 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. Origination fees for loans which have a high probability of being drawn, are deferred (together with related direct costs) and recognised as an adjustment to the effective interest yield on the loan. Commissions and fees arising from originating, negotiating, or participating in the negotiation of a transaction for a third party, such as the acquisition of loans, shares or other securities, or the purchase or sale of businesses, are recognised on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-apportionate basis. Asset management fees related to investment funds are recognised 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 programs

The Bank offers customer points programs through its Credit Card products. A portion of the net fee revenues are deferred in relation to award credits under customer loyalty programs 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.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the net identifiable assets of the acquired subsidiary undertaking at the date of acquisition and is reported in the consolidated statement of financial position as an intangible asset. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Goodwill is allocated to 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.

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 Bank and the cost of the item can be measured reliably.

All other repairs and maintenance are charged to the consolidated statement of income during the financial period in which they are incurred.

Depreciation on property and equipment is computed using the straight-line method at rates considered adequate to write-off the cost of depreciable assets, less salvage, over their useful lives. Changes in the expected useful life are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates.

The annual rates used are:

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

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. The asset's recoverable amount is the higher of the asset's fair value less costs to sell and the value in use. Gains and losses on disposal of property and equipment are determined by comparing proceeds with carrying amounts and are recognised in 'other operating income' or 'other operating expenses' within the consolidated statement of income.

Leases

Operating lease payments are recognised as an expense on a straight-line basis over the lease term and included in 'operating expenses' (Note 18).

Financial guarantees

Financial guarantees are financial contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Financial guarantee contracts issued by the Group are treated as contingent liabilities and not recognised in the consolidated statement of financial position until a payment under the guarantee has been made, at which time the payment is treated as a loan and advance to customers.

Provisions

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

Retirement benefit obligations

Pension obligations

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

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

The asset or liability recognised in the consolidated statement of financial position in respect of the defined benefit sections of the plan is the present value of the defined benefit obligation at the reporting date minus the fair value of plan assets, together with adjustments for unrecognised actuarial gains/losses and past service costs. The defined benefit obligation is calculated 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 that have terms to maturity approximating the terms of the related liability. The pension plan is a final salary plan and the charge, 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 the defined contribution section of the plan, the Bank makes contributions to a private trustee-administered fund. Once the contributions have been paid, the Bank has no further payment obligations. The regular contributions constitute net periodic costs for the year in which they are due and as such are included in staff costs. The Bank's contributions in respect of the defined contribution section of the plan are charged to the consolidated statement of income in the year to which they relate.

Other post-retirement obligations

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

Borrowings

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

Cash and cash equivalents

For the purposes of the consolidated 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 The Central Bank (excluding mandatory reserve deposits), treasury bills and other money market placements.

Share capital and dividends

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

Equity reserves
The reserves recorded in equity (other comprehensive income) on the Bank's statement of financial position include:

- Available-for-sale reserve, which comprises changes in fair value of available-for-sale investments;
- Cash flow hedge reserve, which comprises the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge; and
- Other capital reserve, which includes the statutory reserves (Note 15)

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

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

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

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

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

2.5 Future changes in accounting policies

Certain new standards, and amendments to existing standards, have been published that are mandatory for the Bank's accounting periods beginning on or after November 1, 2013. Of these, the following are relevant to the Bank but have not been early adopted:

- 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

IAS 19 "Employee Benefits" – In June 2011, the IASB published an amended version of IAS 19. The amendments require the following:

(i) recognition of actuarial gains and losses in other comprehensive income in the period in which they arise;
(ii) recognition of interest income on plan assets in net income, which is to be calculated using the same rate as that used to discount the defined benefit obligation; and
(iii) recognition of all past service costs (gains) in net income in the period in which they arise.

Retrospective application of the amendments will result in a decrease of approximately $18.2 million in equity (a combination of accumulated other comprehensive income and retained earnings) as at November 1, 2011 due to the recognition in equity of unamortised actuarial losses and unamortised past service gains as at October 31, 2011. Retrospective application will also result in an increase in the defined benefit and post-retirement medical benefits expense of approximately $0.2 million for the year ended October 31, 2012 and a decrease of approximately $3.6 million for the year ended October 31, 2013. In addition, the remeasurement of the funded status of the Bank's post-employment defined benefit plans through other comprehensive income will result in a decrease in other comprehensive income of approximately $0.5 million for the year ended October 31, 2012 and a decrease in other comprehensive income of approximately $0.5 million for the year ended October 31, 2013. The cumulative impact of the above will result in a decrease of approximately $15.8 million in equity as at October 31, 2013.

(Expressed in thousands of Bahamian dollars)

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.

All of the standards noted above are effective for annual periods beginning on or after January 1, 2013, except for IFRS 9 which is required for annual periods beginning on or after January 1, 2015. Early adoption is permitted, and management is considering the implications of these new standards, the impact on the Bank and the timing of their adoption.

3. Cash and balances with The Central Bank

	2013 $	2012 $
Cash	**34,210**	32,901
Deposits with The Central Bank - non-interest bearing	**132,872**	98,545
Cash and balances with The Central Bank	**167,082**	131,446
Less: Mandatory reserve deposits with The Central Bank	**(44,380)**	(45,676)
Included in cash and cash equivalents, as per below	**122,702**	85,770

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

Cash and balances with The Central Bank are non-interest bearing.

Cash and cash equivalents

	2013 $	2012 $
Cash and balances with The Central Bank, as per above	**122,702**	85,770
Due from banks, included in cash and cash equivalents (Note 4)	**82,390**	51,522
	205,092	137,292

(Expressed in thousands of Bahamian dollars)

4. Due from banks

	2013 $	2012 $
Included in cash and cash equivalents (Note 3)	**82,390**	51,522
Greater than 90 days maturity from date of acquisition	**15,769**	63,563
Due from banks	**98,159**	115,085
Add: Accrued interest receivable	**8**	94
	98,167	115,179

Due from banks comprises deposit placements and include amounts placed with other FirstCaribbean International Bank entities of $13,499 (2012: $58,885) and deposit placements with CIBC entities of $24,857 (2012: $23,541) (Note 23). Due from banks include placements with FCIB Jamaica totalling $13,241 (2012: $54,327) (Note 23), which are pledged in favour of that bank in support of loans granted to certain of its customers. The average effective yield on deposit placements during the year was 0.50% (2012: 0.46%).

5. Derivative financial instruments

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

	Notional Amount		Fair Values	
	Assets $	Liabilities $	Assets $	Liabilities $
2013				
Interest rate swaps	**86,778**	**69,247**	**517**	**16,820**
Foreign exchange forwards	**82,044**	**-**	**461**	**-**
Interest rate options	**1,008**	**1,008**	**6**	**6**
			984	**16,826**
2012				
Interest rate swaps	80,051	74,758	673	22,607
Foreign exchange forwards	37,271	56,397	10	558
			683	23,165

(Expressed in thousands of Bahamian dollars)

The Bank has positions in the following types of derivatives:

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

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

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.

Derivative financial instruments held or issued for hedging purposes
As part of its asset and liability management, the Bank uses derivatives for hedging purposes in order to reduce its exposure to specified risks. Fair value hedges are used by the Bank 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 securities, and are hedged by interest rate swaps.

During the year, the Bank recognised net losses on effective hedges of $4,696 (2012: $1,456) due to gains on hedging instruments of $376 (2012: losses of $4,291) and losses on hedged items attributable to the hedged risk of $5,072 (2012: gains of $2,835). These results are included within other operating income as part of net hedging gains/losses (Note 17).

Foreign exchange forwards represent commitments to purchase foreign currency including undelivered spot transactions.

CIBC entities are counterparties to the Bank's foreign exchange forward and certain of its interest rate swap contracts (Note 23).

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

The Bank had a financial asset which was classified under IAS 39 *Financial Instruments* as held at fair value through profit or loss. This asset was funded by an offsetting liability also designated as held at fair value through profit or loss. The fair value of these financial instruments was based on the fair value of a basket of equity securities, and the equal and offsetting changes in fair value plus the Bank's return on the transactions was recognised within 'other operating income' as part of net trading gains/losses. Trading gains/losses as at October 31, 2013 and 2012 were nil. During the year, the financial asset wound up and paid final distributions. As a result, the offsetting liability was settled.

	2013	2012
	$	$
Balance, beginning of year	**14,855**	27,319
Additions	**6,142**	–
Disposals	**(19,266)**	(6,814)
Change in fair value	**(1,731)**	(5,650)
Balance, end of year	–	14,855

7. Other assets

	2013	2012
	$	$
Branch clearings and suspense	**2,553**	4,390
Other accounts receivables (Note 23)	**3,038**	2,969
Prepayments and deferred items	**1,129**	1,363
	6,720	8,722

(Expressed in thousands of Bahamian dollars)

8. Investment securities

	2013 $	2012 $
Available-for-sale		
Government debt securities	**478,728**	463,223
Corporate debt securities	**201,917**	133,308
	680,645	596,531
Add: Interest receivable	**9,809**	10,380
	690,454	606,911

Debt securities issued or guaranteed by the Government of The Bahamas amounted to $309,579 (2012: $272,522). The effective yield during the year on investment securities was 4.43% (2012: 4.75%). The Bank has a regulatory reserve requirement to maintain a percentage of deposit liabilities in cash or in the form of certain government securities. At October 31, 2013, the reserve requirement amounted to $179,147 (2012: $179,010) of which $44,380 (2012: $45,676) is included within cash and balances with The Central Bank (Note 3).

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

	2013 $	2012 $
Balance, beginning of year	**596,531**	635,942
Additions (purchases, changes in fair value and foreign exchange)	**189,980**	208,119
Disposals (sales and redemptions)	**(105,866)**	(247,530)
Balance, end of year	**680,645**	596,531

9. Loans and advances to customers

	Mortgages $	Personal Loans $	Business & Government Loans $	2013 Total $
Performing loans (Note 27)	**920,744**	**181,270**	**762,156**	**1,864,170**
Impaired loans (Note 27)	**196,296**	**43,258**	**118,402**	**357,956**
Gross loans (Note 27)	**1,117,040**	**224,528**	**880,558**	**2,222,126**
Less: Provisions for impairment	**(55,773)**	**(22,176)**	**(35,877)**	**(113,826)**
	1,061,267	**202,352**	**844,681**	**2,108,300**
Add: Interest receivable				**26,775**
Less: Unearned fee income				**(13,030)**
				2,122,045

(Expressed in thousands of Bahamian dollars)

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

Movement in provisions for impairment for 2013 is as follows:

	Mortgages $	Personal Loans $	Business & Government Loans $	Total $
Balance, beginning of year	41,107	19,570	16,308	**76,985**
Identified impairment	22,854	5,826	44,263	**72,943**
Unidentified impairment	1,038	247	3,274	**4,559**
Interest accrued on impaired loans	-	-	(10,480)	**(10,480)**
Recoveries of bad and doubtful debts	-	1,208	670	**1,878**
Bad debts written off	(12,901)	(4,675)	(14,483)	**(32,059)**
Balance, end of year	52,098	22,176	39,552	**113,826**

Movement in provisions for impairment for 2012 is as follows:

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

(Expressed in thousands of Bahamian dollars)

Ageing analysis of past due but not impaired loans for 2013:

	Mortgages	Personal Loans	Business & Government Loans	Total
	$	$	$	$
Less than 30 days	45,729	3,943	6,491	**56,163**
31 - 60 days	40,723	3,495	1,486	**45,704**
61 - 89 days	16,371	5,196	598	**22,165**
	102,823	12,634	8,575	**124,032**

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

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

The average interest yield during the year on loans and advances was 6.58% (2012: 6.61%). Interest deducted from income on impaired loans during the year amounted to $3,092 (2012: interest taken to income on impaired loans was $983).

Loan loss impairment is calculated as follows:

	2013	2012
	$	$
Identified impairment	**72,943**	32,743
Unidentified impairment	**4,559**	474
Loan loss impairment for the year	**77,502**	33,217

(Expressed in thousands of Bahamian dollars)

10. Property and equipment

	Land and Buildings $	Equipment, Furniture and Vehicles $	Leasehold Improvements $	Total $
Cost				
Balance, November 1, 2012	**21,664**	**31,553**	**14,043**	**67,260**
Purchases	**-**	**1,412**	**1,161**	**2,573**
Disposals	**-**	**(22)**	**-**	**(22)**
Net transfers	**-**	**221**	**(221)**	**-**
Balance, October 31, 2013	**21,664**	**33,164**	**14,983**	**69,811**
Accumulated depreciation				
Balance, November 1, 2012	**5,294**	**25,532**	**9,917**	**40,743**
Depreciation (Note 18)	**587**	**1,908**	**2,301**	**4,796**
Disposals	**-**	**(22)**	**-**	**(22)**
Balance, October 31, 2013	**5,881**	**27,418**	**12,218**	**45,517**
Net book value, October 31, 2013	**15,783**	**5,746**	**2,765**	**24,294**

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

Included as part of equipment, furniture and vehicles is an amount for $2,000 (2012: $1,250) relating to systems development costs and work in progress which is incomplete, not yet in operation and on which no depreciation has been charged.

(Expressed in thousands of Bahamian dollars)

11. Retirement benefit assets and obligations

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

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

	Defined Benefit Pension Plans		Post Retirement Medical Benefits	
	2013	2012	**2013**	2012
	$	$	**$**	$
Fair value of the plan assets	**101,895**	92,086	-	-
Present value of the obligations	**(106,543)**	(98,744)	**(20,204)**	(12,797)
	(4,648)	(6,658)	**(20,204)**	(12,797)
Unrecognised actuarial losses	**11,231**	12,172	**4,528**	6,284
Retirement benefit assets/(obligations)	**6,583**	5,514	**(15,676)**	(6,513)

The pension plan assets include 100,000 (2012: 100,000) ordinary shares in the Bank, with a fair value of $725 (2012: $720).
The actual return on plan assets for the defined benefit sections of the pension plan was $10,854 (2012: $1,910).

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

	Defined Benefit Pension Plans		Post Retirement Medical Benefits	
	2013	2012	**2013**	2012
	$	$	**$**	$
Current service costs	**3,223**	3,358	**67**	63
Interest costs	**5,032**	4,944	**631**	458
Expected return on plan assets	**(5,603)**	(6,059)	**-**	-
Net actuarial losses recognised during the year	**420**	231	**4,375**	1,438
Curtailments	**(2,504)**	-	**4,534**	**-**
Vested past service costs	**-**	-	**461**	538
Total amount included in staff costs (Note 18)	**568**	2,474	**10,068**	2,497

(Expressed in thousands of Bahamian dollars)

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

	Defined Benefit Pension Plans		Post Retirement Medical Benefits	
	2013	2012	**2013**	2012
	$	$	**$**	$
Balance, beginning of year	**5,514**	6,304	**(6,513)**	(4,417)
Charge for the year (Note 18)	**(568)**	(2,474)	**(10,068)**	(2,497)
Contributions by employer	**1,637**	1,684	**905**	401
Balance, end of year	**6,583**	5,514	**(15,676)**	(6,513)

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

	2013	2012
	$	$
Opening fair value of plan assets	**92,086**	90,035
Expected return	**5,603**	6,059
Contributions by employer	**1,637**	1,684
Benefits paid	**(2,672)**	(2,236)
Actuarial gains/(losses)	**5,241**	(3,456)
Closing fair value of plan assets	**101,895**	92,086

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

	2013	2012
	$	$
Opening obligations	**(98,744)**	(96,651)
Interest costs	**(5,032)**	(4,944)
Current service costs	**(3,223)**	(3,358)
Curtailments	**2,504**	-
Benefits paid	**2,672**	2,236
Actuarial (losses)/gains on obligations	**(4,720)**	3,973
Closing obligations	**(106,543)**	(98,744)

(Expressed in thousands of Bahamian dollars)

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

	2013 $	2012 $
Opening obligations	**(12,797)**	(9,290)
Interest costs	**(631)**	(458)
Current service costs	**(67)**	(63)
Curtailments	**(4,534)**	-
Past service costs – vested benefits	**(461)**	(538)
Benefits paid	**483**	387
Actuarial losses on obligations	**(2,197)**	(2,835)
Closing obligations	**(20,204)**	(12,797)

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

	2013	2012
Equity instruments	**64%**	57%
Debt instruments	**36%**	43%

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

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

	Defined Benefit Pension Plans	
	2013	2012
Discount rate	**5.0%**	5.0%
Expected return on plan assets	**6.1%**	6.1%
Future salary increases	**4.0%**	4.0%
Future pension increases	**2.5%**	2.5%

	Post Retirement Medical Benefit	
	2013	2012
Discount rate	**5.0%**	5.0%
Premium escalation rate	**6.0%**	6.0%
Existing retiree age	**60**	60

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

Amounts for the current and previous years are as follows:

	2013 $	2012 $	2011 $	2010 $	2009 $
Defined benefit obligation	**(106,543)**	(98,744)	(96,651)	(87,626)	(79,417)
Plan assets	**101,895**	92,086	90,035	82,526	79,005
Deficit	**(4,648)**	(6,658)	(6,616)	(5,100)	(412)
Experience adjustments on plan liabilities	**270**	2,670	940	1,410	1,023
Experience adjustments on plan assets	**5,250**	(3,450)	4,640	1,170	(5,503)

Impact of changes in medical premium escalation rate

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

Item	Change of -1% in medical premium escalation rate $ in Millions	Current IAS 19 Results $ in Millions	Change of +1% in medical premium escalation rate $ in Millions
Current Service Cost + Interest Cost	0.60	0.70	0.82
Present Value of the Obligations	17.24	20.20	23.88

12. Goodwill

	2013 $	2012 $
Carrying amount, October 31	**187,747**	187,747

Impairment tests for goodwill

Goodwill is allocated to the Bank's cash-generating units ("CGUs") identified according to country of operation.

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

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.

(Expressed in thousands of Bahamian dollars)

	Discount rate		Growth rate	
	2013	2012	**2013**	2012
Bahamas	**12%**	10%	**3%**	3%

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

Based on the Bank's assessment of goodwill, there was no impairment charge for the year (2012: Nil).

13. Customer deposits

	Payable on Demand $	Payable after Notice $	Payable at a Fixed Date $	2013 Total $	2012 Total $
Individuals	150,840	189,019	515,066	**854,925**	904,567
Business and governments	810,590	30,917	606,197	**1,447,704**	1,383,038
Banks	5,701	-	186,040	**191,741**	207,700
	967,131	219,936	1,307,303	**2,494,370**	2,495,305
Add: Interest payable	89	74	4,795	**4,958**	7,934
	967,220	220,010	1,312,098	**2,499,328**	2,503,239

Included in deposits from banks are deposits from other Parent Group entities of $186,918 (2012: $207,670) and deposits from CIBC entities of Nil (2012: $81) (Note 23).

The effective rate of interest on deposits during the year was 0.73% (2012: 0.95%).

14. Other liabilities

	2013 $	2012 $
Accounts payable and accruals, including clearings	**18,692**	16,413
Restructuring costs	**6,513**	-
Amounts due to related parties (Note 23)	**2,408**	2,450
Payroll liabilities	**59**	19
Due to brokers and others	**119**	128
	27,791	19,010

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

(Expressed in thousands of Bahamian dollars)

The Bank has embarked on a restructuring plan which aims to enhance its long term competitiveness through reductions in costs, duplication and complexity in the years ahead. The Bank plans to invest approximately $12,226 over the next two years with the aim of achieving operational efficiencies and run-rate annual savings. The cost of the restructuring plan includes termination benefits, additional expenses covering the acceleration of depreciation and contract termination costs related to real estate. Included in other liabilities is a related provision for severance of $5,953 (2012: Nil) and other costs of $560 (2012: Nil).

15. Share capital and reserves

	2013 $	2012 $
Share capital	**477,230**	477,230
Reserves		
Statutory reserve fund – Turks and Caicos Islands	**35,795**	33,140
Statutory loan loss reserve – Bahamas	**8,883**	9,887
Revaluation reserve – Available-for-sale investments	**4,000**	763
Reverse acquisition reserve	**(63,566)**	(63,566)
Total reserves	**(14,888)**	(19,776)
Total share capital and reserves	**462,342**	457,454

The Bank's authorised capital is $20 million, comprising 150 million ordinary shares with a par value of $0.10 each and 50 million preference shares also having a par value of $0.10 each. All issued ordinary shares are fully paid. No preference shares were issued in 2013 and 2012. At October 31, 2013 and 2012, the issued share capital was as follows:

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

Objectives, policies and procedures

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

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

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

Regulatory requirements

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

BIS standards require that banks maintain minimum Tier 1 and Total Capital ratios of 4% and 8%, respectively. The Central Bank has established that Bahamian deposit-taking financial institutions maintain Tier 1 and Total Capital ratios of 9.6% and 17%, respectively. During the year, the Bank has complied in full with all of our regulatory capital requirements.

(Expressed in thousands of Bahamian dollars)

Regulatory capital

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

In 2013, Tier 1 and Total Capital ratios were 28% and 29%, respectively (2012: 27% and 28%, respectively).

The movements in reserves were as follows:

Statutory reserve fund – Turks and Caicos Islands

	2013 **$**	2012 $
Balance, beginning of year	**33,140**	30,944
Transfers from retained earnings	**2,655**	2,196
Balance, end of year	**35,795**	33,140

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

Statutory loan loss reserve – Bahamas

	2013 **$**	2012 $
Balance, beginning of year	**9,887**	10,962
Transfers to retained earnings	**(1,004)**	(1,075)
Balance, end of year	**8,883**	9,887

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

Revaluation reserve – available-for-sale investments

	2013 **$**	2012 $
Balance, beginning of year	**763**	(6,160)
Net gain from changes in fair value of available-for-sale investments (Note 21)	**3,237**	6,923
Balance, end of year	**4,000**	763

(Expressed in thousands of Bahamian dollars)

Reverse acquisition reserve

	2013 $	2012 $
Reverse acquisition reserve, beginning and end of year	**(63,566)**	(63,566)

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

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

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

16. Net interest income

	2013 $	2012 $
Interest and similar income		
Cash and short-term funds	**529**	540
Investment securities	**27,680**	29,941
Loans and advances to customers	**128,196**	137,429
	156,405	167,910
Interest and similar expense		
Banks and customers	**18,316**	24,953
Other	**2,598**	2,523
	20,914	27,476
Net interest income	**135,491**	140,434

(Expressed in thousands of Bahamian dollars)

17. Other operating income

	2013 $	2012 $
Fee and commission income	**20,578**	19,705
Foreign exchange commissions	**9,075**	9,712
Foreign exchange revaluation net gains	**551**	41
Net investment securities gains	**4,261**	995
Net hedging losses (Note 5)	**(4,696)**	(1,456)
Other operating income	**2,983**	2,544
	32,752	31,541

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

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

Analysis of fee and commission income

	2013 $	2012 $
Underwriting	**277**	241
Deposit services	**6,974**	6,623
Credit services	**1,112**	1,605
Card services	**7,293**	6,726
Funds transfer	**3,734**	3,795
Other	**1,188**	715
	20,578	19,705

18. Operating expenses

	2013 $	2012 $
Staff costs	**50,528**	39,300
Business license and management fees	**29,420**	16,865
Occupancy and maintenance	**12,980**	12,870
Depreciation (Note 10)	**4,796**	3,288
Other operating expenses	**10,872**	9,998
	108,596	82,321

Management fees are allocation of costs from the Parent for support and direction provided to the Bank (Note 23).

(Expressed in thousands of Bahamian dollars)

Analysis of staff costs

	2013 $	2012 $
Wages and salaries	**28,578**	28,977
Pension costs:		
- defined benefit sections of the plan (Note 11)	**568**	2,474
- defined contribution section of the plan	**425**	398
Post-retirement medical benefits charge (Note 11)	**10,068**	2,497
Employee share purchase plan (Note 22)	**284**	253
Severance, including restructuring costs (Note 14)	**5,843**	59
Risk benefits	**3,144**	3,437
Other staff related costs	**1,618**	1,205
	50,528	39,300

Analysis of other operating expenses

	2013 $	2012 $
Communications	**2,526**	2,291
Professional fees	**1,032**	1,265
Business development	**238**	402
Advertising and marketing	**191**	224
Loss on disposal of property & equipment	**-**	337
Consumer related expenses	**1,426**	1,236
Non-credit losses	**1,517**	(178)
Postage and courier stationery	**1,587**	1,617
General insurances	**568**	587
Outside services	**622**	581
Other	**1,165**	1,636
	10,872	9,998

19. Earnings per share

Basic earnings per share

	2013 $	2012 $
Net (loss)/income attributable to shareholders	**(17,855)**	56,437
Weighted average number of ordinary shares in issue (Note 15)	**120,216**	120,216
Basic (loss)/earnings per share (expressed in cents per share)	**(14.9)**	46.9

The Bank has no dilutive securities.

(Expressed in thousands of Bahamian dollars)

20. Dividends paid

	2013 $	2012 $
Declared and paid during the year		
First dividend $0.13 (2012 - $0.13)	**15,628**	15,628
Final dividend $0.13 (2012 - $0.13)	**15,628**	15,628
Total dividends declared and paid	**31,256**	31,256

At the Board of Directors meeting held on December 18, 2013, a final dividend for 2013 of $0.13 per share amounting to $15,628 was proposed and declared. The consolidated financial statements for the year ended October 31, 2013 do not reflect this resolution, which will be accounted for in equity as a distribution of retained earnings in the year ending October 31, 2014.

21. Components of other comprehensive income

	2013 $	2012 $
Available-for-sale investment securities:		
Net gains arising during the year	**7,498**	7,918
Less: reclassification adjustments for gains included in the statement of income	**(4,261)**	(995)
Other comprehensive income for the year (Note 15)	**3,237**	6,923

22. Employee share purchase plan

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

All contributions are paid into a trust and used by the plan trustees to purchase common shares in the open market. The Bank's contributions are expensed as incurred and totalled $284 in 2013 (2012: $253) (Note 18).

23. Related party transactions and balances

As discussed in Note 1, the Bank's Parent and major shareholder is FirstCaribbean International Bank Limited who owns 95.2% of the Bank's ordinary shares. From October 11, 2002, FCIB's major shareholders were jointly CIBC and Barclays. On December 22, 2006, CIBC acquired Barclays' interest in FCIB and now owns 91.7% of the shares of FCIB. The remaining shares are widely held.

(Expressed in thousands of Bahamian dollars)

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

	Directors and Key Management Personnel		Parent Group		Ultimate Parent	
	2013 $	2012 $	**2013 $**	2012 $	**2013 $**	2012 $
Asset balances:						
Due from banks	**-**	-	**13,499**	58,885	**24,857**	23,541
Derivative financial instruments	**-**	-	**-**	-	**776**	203
Other assets	**-**	-	**425**	21	**-**	-
Loans and advances to customers	**3,137**	2,690	**-**	-	**-**	-
Liability balances:						
Derivative financial instruments	**-**	-	**-**	(99)	**7,905**	10,379
Customer deposits	**1,985**	3,716	**186,918**	207,670	**-**	81
Financial liabilities at fair value through profit or loss	**-**	-	**-**	-	**-**	14,855
Other liabilities	**-**	-	**2,408**	2,450	**-**	-
Revenue Transactions:						
Interest income	**104**	128	**300**	375	**20**	8
Other income	**-**	-	**-**	-	**(225)**	4,818
Expense Transactions:						
Interest expense	**22**	112	**1,322**	2,699	**1,405**	1,399
Other expenses*	**-**	-	**26,055**	13,061	**5**	273

* Expenses incurred in relation to banking and support services.

	2013 $	2012 $
Key management compensation		
Salaries and short term benefits	**2,739**	2,322

Directors' remuneration

In 2013, the total remuneration to the directors was $36 (2012: $53).

(Expressed in thousands of Bahamian dollars)

24. Commitments, guarantees and contingent liabilities

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

	2013 $	2012 $
Letters of credit	**22,378**	43,135
Undrawn loan commitments	**192,028**	174,393
Guarantees and indemnities	**23,715**	27,823
Total (Note 27)	**238,121**	245,351

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

On December 19, 2008, the Bank entered into a $250 million credit facility with CIBC for general corporate purposes and the Bank is expected to treat the facility as a back-up liquidity facility. The original maturity date was 364 days from the closing date (December 19, 2008) with extension privileges for an additional 364 days. Advances would be available as LIBOR rate advances or Base Rate (Canada) advances. Interest rates are at LIBOR + 300bps (pricing grid to be developed based on external ratings) or US Base rate + 200bps (pricing grid to be develop based on external ratings). On December 19, 2009, the Bank reduced its credit facility to $50 million and exercised its option to extend the facility. Further extensions were effected on December 19, 2010 and December 15, 2011. Effective August 31, 2012, the Bank further reduced its credit facility to $1 million, with the maturity date of March 31, 2013 which has been extended to March 30, 2014. As of October 31, 2013, no advances were made from the facility and all balances are undrawn.

25. Future rental commitments under operating leases

As at October 31, 2013, the Bank held leases on buildings for extended periods. The future rental commitments under these leases are as follows:

	2013 $	2012 $
Not later than 1 year	**4,020**	3,529
Later than 1 year and less than 5 years	**7,896**	5,799
Later than 5 years	**1,180**	1,581
	13,096	10,909

During the year $3,536 (2012: $4,163) of lease payments was charged to net income.

26. Business segments

In August 2013, the Parent Group renamed "Corporate Lending Investment Banking" to "Wholesale Banking" to align with the naming architecture in use by the Ultimate Parent. The Bank's operations are organised into three business segments: Retail Banking, Wholesale Banking and Wealth Management, which are supported by the functional operating units within the Administration segment.

Retail Banking ("RB")

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

Wholesale Banking ("WB")

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

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

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

Wealth Management ("WM")

This segment comprises International Corporate and International Personal Banking.

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

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

Administration ("Admin")

The Administration segment includes Finance, Human Resources, Risk, Technology & Operations, Treasury, and other units which support the business segments. The revenues and expenses of the functional groups are generally allocated to the business segments.

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

The Administration segment results include the earnings on economic capital and capital charges for Treasury, and the offset of the same for RB, WB 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 reflected in the consolidated financial statements. Economic profits include funds transfer pricing, management cost allocations, and a notional charge for the segment's use of capital which is fully offset by a credit within the Administration segment. Transactions between the business segments are on normal commercial terms and conditions.

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

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

Notes to the Consolidated Financial Statements
For the year ended October 31, 2013
(Expressed in thousands of Bahamian dollars)

2013 Segment Reporting

	RB $	WB $	WM $	Admin $	2013 $
External revenues	86,231	50,141	7,119	24,752	**168,243**
Revenues from other segments	(15,028)	18,755	20,150	(23,877)	**-**
Total revenues	71,203	68,896	27,269	875	**168,243**
Net (loss)/income for the year	(35,258)	(13,035)	14,814	15,624	**(17,855)**

Segment results include the following items of income or expense:

	RB $	WB $	WM $	Admin $	2013 $
Interest income	52,457	59,068	22,138	22,742	**156,405**
Interest expense	7,399	6,801	2,985	3,729	**20,914**
Loan loss impairment	36,924	37,770	2,808	-	**77,502**
Net hedging losses	-	-	-	(4,696)	**(4,696)**
Depreciation	1,280	3	5	3,508	**4,796**
Restructuring costs	-	-	-	10,612	**10,612**

Total assets and liabilities by segment are as follows:

	RB $	WB $	WM $	Admin $	2013 $
Segment assets	1,101,961	937,165	108,885	968,318	**3,116,329**
Unallocated assets					**187,747**
Total assets					**3,304,076**
Segment liabilities	755,320	753,314	961,334	89,653	**2,559,621**
Total liabilities					**2,559,621**

2012 Segment Reporting

	RB $	WB $	WM $	Admin $	2012 $
External revenues	89,092	51,602	6,166	25,115	171,975
Revenues from other segments	(14,325)	19,773	18,795	(24,243)	-
Total revenues	**74,767**	**71,375**	**24,961**	**872**	**171,975**
Net income for the year	**13,980**	**14,039**	**15,418**	**13,000**	**56,437**

(Expressed in thousands of Bahamian dollars)

Segment results include the following items of income or expense:

	RB	WB	WM	Admin	2012
	$	$	$	$	$
Interest income	57,620	60,709	20,258	29,323	167,910
Interest expense	9,322	9,695	3,335	5,124	27,476
Loan loss impairment	10,868	19,833	2,516	-	33,217
Net hedging losses	-	-	-	(1,456)	(1,456)
Depreciation	1,150	4	6	2,128	3,288

Total assets and liabilities by segment are as follows:

	RB	WB	WM	Admin	2012
	$	$	$	$	$
Segment assets	1,144,641	1,025,984	114,802	883,937	3,169,364
Unallocated assets					187,747
Total assets					3,357,111
Segment liabilities	761,842	750,883	929,882	124,175	2,566,782
Total liabilities					2,566,782

Geographical segments are set out in Note 27 (C)

27. Financial risk management

A. Introduction

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

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

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

B. Credit risk

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

Process and control

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

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

The Risk Management Team is guided by the Bank's Delegation Authority policy which is based on the levels of exposure and risk. Credits above the discretion delegated to certain front line employees are approved by Risk Management and where applicable by the Credit Committee and the Risk & Conduct Review Committee of the Board (R&CRC). The R&CRC also has the responsibility for approving credit policies and key risk limits, including portfolio limits, which are reviewed annually.

(Expressed in thousands of Bahamian dollars)

Credit risk limits

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

The exposure to any single counterparty, including banks and brokers, is further restricted by sub-limits which include exposures not recognised in the statement of financial position, and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily.

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

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

Collateral

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

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

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

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

Geographic distribution

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

	Drawn $	Undrawn $	Gross Maximum Exposure 2013 $	Drawn $	Undrawn $	Gross Maximum Exposure 2012 $
Bahamas	**1,902,921**	**172,114**	**2,075,035**	1,957,776	148,983	2,106,759
Turks & Caicos Islands	**319,205**	**19,914**	**339,119**	357,385	25,410	382,795
	2,222,126	**192,028**	**2,414,154**	2,315,161	174,393	2,489,554

(Expressed in thousands of Bahamian dollars)

Exposures by industry groups

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

	Drawn $	Undrawn $	Gross Maximum Exposure 2013 $	Drawn $	Undrawn $	Gross Maximum Exposure 2012 $
Agriculture	4,489	14	**4,503**	6,105	10	6,115
Governments	301,304	3,841	**305,145**	325,132	3,710	328,842
Construction	132,609	8,537	**141,146**	162,659	11,435	174,094
Distribution	68,604	22,911	**91,515**	83,462	14,894	98,356
Education	482	-	**482**	-	-	-
Fishing	1,631	3,267	**4,898**	1,495	2,749	4,244
Health & social work	22,788	-	**22,788**	23,379	-	23,379
Hotels & restaurants	186,630	17,614	**204,244**	160,899	15,921	176,820
Individuals & individual trusts	1,056,929	111,419	**1,168,348**	1,048,689	106,086	1,154,775
Manufacturing	34,387	637	**35,024**	50,354	3,414	53,768
Mining & quarrying	160	-	**160**	826	-	826
Miscellaneous	197,162	16,755	**213,917**	216,673	9,244	225,917
Other financial corporations	3,392	1,019	**4,411**	3,401	913	4,314
Real estate, renting & other business activities	202,698	5,830	**208,528**	223,652	5,843	229,495
Transport, storage & communication	8,861	184	**9,045**	8,435	174	8,609
	2,222,126	192,028	**2,414,154**	2,315,161	174,393	2,489,554

Derivatives

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

Master netting arrangements

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

(Expressed in thousands of Bahamian dollars)

Credit related commitments

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

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

Maximum exposure to credit risk

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

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

The following tables reflect additional geographical concentration information:

	Total assets $	Total liabilities $	Commitments, guarantees and contingent liabilities $	Capital expenditure(*) $	External revenues $	Non-current assets(**) $
2013						
Bahamas	**3,079,131**	**2,399,006**	**216,696**	**2,372**	**143,914**	**207,434**
Turks & Caicos Islands	**599,415**	**535,085**	**21,425**	**201**	**24,329**	**4,607**
	3,678,546	**2,934,091**	**238,121**	**2,573**	**168,243**	**212,041**
Eliminations	**(374,470)**	**(374,470)**	**-**	**-**	**-**	**-**
	3,304,076	**2,559,621**	**238,121**	**2,573**	**168,243**	**212,041**

(Expressed in thousands of Bahamian dollars)

	Total assets $	Total liabilities $	Commitments, guarantees and contingent liabilities $	Capital expenditure(*) $	External revenues $	Non-current assets(**) $
2012						
Bahamas	3,091,689	2,369,123	218,063	3,195	146,099	208,979
Turks & Caicos Islands	580,899	513,136	27,288	247	25,876	5,285
	3,672,588	2,882,259	245,351	3,442	171,975	214,264
Eliminations	(315,477)	(315,477)	-	-	-	-
	3,357,111	2,566,782	245,351	3,442	171,975	214,264

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

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

(**) Non-current assets relate only to property and equipment and goodwill.

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

	2013 $	2013 %	2012 $	2012 %
Bahamas	**1,815,338**	**86**	1,915,127	85
Turks & Caicos Islands	**306,707**	**14**	344,410	15
	2,122,045	**100**	2,259,537	100

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

Credit quality

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

(Expressed in thousands of Bahamian dollars)

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

A credit scoring methodology is used to assess Personal customers and a risk grading model is used for Commercial and Corporate customers. This risk rating system is used for portfolio management, risk limit setting, product pricing, and in the determination of economic capital.

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

At October 31, 2013 and 2012, investment securities are standard or high grade. Cash balances and amounts due from banks are held with counterparties that are standard, high grade, or CIBC group entities.

The table below shows the credit quality by class of asset for gross loans and advances to customers based on an ageing analysis of the portfolio. Amounts provided are before allowance for credit losses, and after credit risk mitigation, valuation adjustments related to the financial guarantors, and collateral on agreements.

	Performing				
Grade description	High Grade $	Standard Grade $	Sub-Standard Grade $	Impaired $	2013 Total $
Loans and advances to customers					
- Mortgages	830,098	74,244	16,402	196,296	**1,117,040**
- Personal loans	169,911	6,139	5,220	43,258	**224,528**
- Business & Government loans	755,237	6,080	839	118,402	**880,558**
Total (Note 9)	1,755,246	86,463	22,461	357,956	**2,222,126**

(Expressed in thousands of Bahamian dollars)

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

For our Business & Government loans, we employ risk ratings in managing the credit portfolio. Business and Government borrowers with elevated default risk are monitored on our Early Warning List. Early Warning List characteristics include borrowers exhibiting a significant decline in revenue, income, or cash flow or where we have doubts as to the continuing viability of the business. Early Warning List customers are often, but not always, also delinquent. As of October 31, 2013, Early Warning List customers in the medium to high risk category amounted to $61,639 (2012: $76,058).

E. 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 Banking, Wealth Management and Wholesale Banking businesses. The key risks to the Bank are interest rate, credit spread and foreign exchange ("FX"). The measurement, monitoring and reporting of both local and hard currency exposures is performed at the Parent Group level.

The Ultimate Parent classifies market risk exposure 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 Bank's exposures.

Policies and standards

The Parent Group has a comprehensive policy for market risk management related to the identification, measurement, monitoring and control of these risks. This policy is reviewed and approved annually by the R&CRC of the Parent Group's Board. The policy includes the annual approval of the Board's limits, which is used by the Parent Group to establish explicit risk tolerances expressed in term of the four main risk measures mentioned below. There is a three tiered approach to limits at the Parent Group. The highest level is set at the Board level. The second tier is delegated by the Chief Risk Officer, and the third tier to the Treasury Sales and Trading Group, which limits traders to a specific transaction size, documented through a formal delegation letter and monitored using the Parent Group's treasury system.

Process and control

Market risk measures are monitored with differing degrees of frequency, dependent upon the nature of the risk. FX positions, Value at Risk (VaR) and certain profit and loss measures are all measured daily, whereas others such as stress tests and credit spread sensitivity are performed on at least either a weekly or monthly basis. Detailed market risk compliance reports are produced and circulated to senior management on a monthly basis and a summary version supplied to the Board quarterly.

Risk measurement

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

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

Position

This risk measure is used predominantly for the Bank's foreign exchange business. Monitored daily, the measure focuses on the outright long or short position in each currency from both a spot or trading position and on a structural basis. Any forward contracts or FX swaps are incorporated and there are also notional position limits on the size of the bond portfolios.

Sensitivity

The two main measures utilised by the Parent Group are the DV01 (Delta Value of a one basis point move, also known as the PV01 or Present Value of a one basis point move) and the CSDV01 (Credit Spread Delta of a one basis point move).

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

- a pre-structural basis that includes contractual maturity positions; and
- a post-structural basis that includes structural assumptions for core balances of non-contractual maturity positions.

The CSDV01 sensitivity is a way to measure the risk of the interest rate spread between USD Treasury securities and the non-Treasury securities in the bond portfolio widening or narrowing.

Value at Risk

The Parent Group's VaR methodology utilises the vetted CIBC parent models. It is a statistical and probability based approach that uses volatilities and correlations to quantify risk into dollar terms. VaR measures the potential one day loss from adverse market movements that can occur with a less than one percent probability of occurring under normal market conditions, based on equally weighted historical data.

VaR uses numerous risk factors as inputs and is computed through the use of historical volatility of each risk factor and the associated correlations among them, evaluated over a one year period and updated on a regular basis. The use of these historical measures causes a degree of limitation to its accuracy as it assumes that future price movements will follow a statistical distribution and thus may not accurately predict the future impact. A further weakness of the VaR measure is that it does not estimate the effects of market variable moves outside of the ninety-nine percent parameter and hence may underestimate losses. To counter this, the Parent Group has various stress measures to calculate potential tail event losses.

Stress testing & scenario analysis

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

- For the hard currency testing, the Parent Group provides its position sensitivity to CIBC and utilises the suite of measures that CIBC has developed. The stress testing measures the effect on 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 for hard currency exposures simulates an impact on earnings of extreme market events up to a period of one quarter. Scenarios are developed using actual historical data during periods of market disruption, or are based upon hypothetical occurrence of economic or political events or natural disasters and are designed by CIBC's economists, business leaders and risk managers. These tests are run on our behalf on a daily basis.

- The local currency stress tests are designed on a similar but smaller scale. For interest rate stresses, Market Risk in conjunction with Treasury considers the market data over approximately the last ten years and identifies the greatest curve or data point moves over both sixty day and single day periods. These are then applied to the existing positions/sensitivities of the Parent Group. This is performed and reported on a monthly basis as the stress results do not tend to change rapidly. For foreign exchange stresses, the Parent Group considers what effect removing the Bahamian Dollar ("BSD") peg to the USD would have on the earnings of the Bank. This is largely judgmental as it has happened so infrequently in the region and it is supplemented by some historical reviews both within the region and in other areas where pegged currency regimes have existed or do exist.

  Of the 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 Bank:

(Expressed in thousands of Bahamian dollars)

- 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 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 moving in a similar fashion to a sixty day period during the Fed Reserve tightening of 1994.

The following section highlights these key risks as well as some of the lesser ones that arise from the Group's ongoing banking operations.

Interest rate risk

As of October 31, 2013 and 2012, the Bank had no trading interest rate risk. Non-trading interest rate risk consists primarily of a combination of the risks inherent in asset and liability management activities and the activities of the core Retail, Wealth and Wholesale Banking businesses. Interest rate risk results from differences in the maturities or re-pricing dates of assets, inclusive of those assets not recognised in the consolidated statement of financial position.

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

	2013			2012		
	Post Structural DV01 $	VaR $	60 day Stressed Loss $	Post Structural DV01 $	VaR $	60 day Stressed Loss $
Currency						
Bahamian Dollars	74,774	4.00	3,839	92,583	0.14	4,535

The USD interest rate risk exposure is calculated for the Bank and reported monthly at both a product and tenor level at the Assets and Liabilities Committee ("ALCO") meetings. As at October 31, the risk sensitivity and related stress results to a one basis point drop in the underlying USD yield curve are as follows:

	2013		2012	
	Post Structural DV01 $	Potential Stress Loss $	Post Structural DV01 $	Potential Stress Loss $
Currency				
United States Dollars	10,934	1,403	15,210	2,525

Credit spread risk

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

(Expressed in thousands of Bahamian dollars)

	2013			2012		
	Notional $	Credit Spread DV01 $	Stressed Loss $	Notional $	Credit Spread DV01 $	Stressed Loss $
Caribbean Bond Portfolio (hard currency denominated)	**154,543**	**85.0**	**20,481**	189,440	121.0	29,739
Non-regional hard currency denominated bond portfolio	**115,000**	**49.0**	**11,631**	25,000	6.0	1,439

Derivatives held for asset and liability management (ALM) purposes

Where derivatives are held as hedges against either sizeable bond holdings or loans from core businesses, and if the transactions meet the accounting criteria, the Bank applies hedge accounting. Derivative hedges that do not qualify for hedge accounting treatment are considered to be economic hedges and are recorded at market value on the consolidated statement of financial position with changes in the fair value recognised through the consolidated statement of income. It should be noted that these are only interest rate risk hedges and other risks such as credit spread on the underlying still exist and are measured separately.

Foreign exchange risk

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

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

	2013			2012		
Currency	Position Long/ (Short) $	Stressed Loss $	Average Position (*) $	Position Long/ (Short) $	Stressed Loss $	Average Position (*) $
Bahamian dollars	**1,177**	**353**	**235**	878	264	1,247
Barbados dollars	**280**	**84**	**151**	2,110	633	573
Canadian dollars	**1,330**	**133**	**327**	69	7	106
Euro dollars	**(5,899)**	**(590)**	**(2,039)**	(3,057)	(306)	(975)
Great Britain pounds	**(3,868)**	**(387)**	**(1,035)**	-	-	34

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

(Expressed in thousands of Bahamian dollars)

In addition to the above, the Bank also has a small number of immaterial residual positions in other currencies, mostly related to previous years' retained earnings.

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

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

	BAH $	US $	Other $	2013 Total $
Assets				
Cash and balances with The Central Bank	153,886	12,603	593	**167,082**
Due from banks	262	67,995	29,910	**98,167**
Derivative financial instruments	-	983	1	**984**
Other assets	4,517	2,452	(249)	**6,720**
Investment securities	312,731	300,677	77,046	**690,454**
Loans and advances to customers	1,136,356	985,687	2	**2,122,045**
Property and equipment	19,615	4,598	81	**24,294**
Retirement benefit assets	5,941	642	-	**6,583**
Goodwill	186,582	1,165	-	**187,747**
Total assets	1,819,890	1,376,802	107,384	**3,304,076**
Liabilities				
Derivative financial instruments	-	16,826	-	**16,826**
Customer deposits	1,149,528	1,159,760	190,040	**2,499,328**
Other liabilities	(12,483)	40,316	(42)	**27,791**
Retirement benefit obligations	14,672	1,004	-	**15,676**
Total liabilities	1,151,717	1,217,906	189,998	**2,559,621**
Net assets/(liabilities)	668,173	158,896	(82,614)	**744,455**
Commitments, guarantees and contingent liabilities (Note 24)	68,010	170,111	-	**238,121**

(Expressed in thousands of Bahamian dollars)

	BAH $	US $	Other $	2012 Total $
Total assets	1,857,699	1,346,071	153,341	3,357,111
Total liabilities	1,150,764	1,169,509	246,509	2,566,782
Net assets/(liabilities)	706,935	176,562	(93,168)	790,329
Commitments, guarantees and contingent liabilities (Note 24)	82,154	140,437	22,760	245,351

F. Cash flow and fair value interest rate risk

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

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

G. Liquidity risk

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

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

Process and control

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

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

Risk measurement

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

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

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

(Expressed in thousands of Bahamian dollars)

	0-3 months $	3-12 months $	1-5 years $	Over 5 years $	2013 Total $
Assets					
Cash and balances with The Central Bank	167,082	-	-	-	**167,082**
Due from banks	98,167	-	-	-	**98,167**
Derivative financial instruments	509	-	-	475	**984**
Other assets	6,720	-	-	-	**6,720**
Investment securities	15,097	51,882	334,523	288,952	**690,454**
Loans and advances to customers	239,610	47,986	310,648	1,523,801	**2,122,045**
Property and equipment	3,668	625	2,808	17,193	**24,294**
Retirement benefit assets	-	-	-	6,583	**6,583**
Goodwill	-	-	-	187,747	**187,747**
Total assets	530,853	100,493	647,979	2,024,751	**3,304,076**
Liabilities					
Derivative financial instruments	-	-	-	16,826	**16,826**
Customer deposits	1,986,188	491,992	21,136	12	**2,499,328**
Other liabilities	27,791	-	-	-	**27,791**
Retirement benefit obligations	-	-	-	15,676	**15,676**
Total liabilities	2,013,979	491,992	21,136	32,514	**2,559,621**
Net assets/(liabilities)	(1,483,126)	(391,499)	626,843	1,992,237	**744,455**
Commitments, guarantees and contingent liabilities (Note 24)	172,259	21,161	2,564	42,137	**238,121**

(Expressed in thousands of Bahamian dollars)

	0-3 months $	3-12 months $	1-5 years $	Over 5 years $	2012 Total $
Total assets	543,545	86,817	520,214	2,206,535	3,357,111
Total liabilities	1,957,172	522,942	59,434	27,234	2,566,782
Net assets/(liabilities)	(1,413,627)	(436,125)	460,780	2,179,301	790,329
Commitments, guarantees and contingent liabilities (Note 24)	232,742	12,609	-	-	245,351

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

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

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

Determination of fair value and the fair value hierarchy

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

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

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

Financial instruments recorded at fair value

The following is a description of the determination of fair value for financial instruments which are recorded at fair value using valuation techniques. These incorporate the Bank'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 consolidated financial statements.

(Expressed in thousands of Bahamian dollars)

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

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

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

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

	2013			2012		
	Carrying Value $	Fair Value $	Unrecognised Gain/(Loss) $	Carrying Value $	Fair Value $	Unrecognised Gain/(Loss) $
Financial assets						
Cash and balances with The Central Bank	**167,082**	**167,082**	**-**	131,446	131,446	-
Due from banks	**98,167**	**98,167**	**-**	115,179	115,179	-
Investment securities	**690,454**	**690,454**	**-**	606,911	606,911	-
Loans and advances to customers	**2,122,045**	**2,125,721**	**3,676**	2,259,537	2,268,115	8,578
Financial liabilities						
Customer deposits	**2,499,328**	**2,502,799**	**(3,471)**	2,503,239	2,507,372	(4,133)
			205			4,445

28. Fiduciary activities

The Bank provides custody and trustee discretionary investment management services to third parties. Those assets that are held in a fiduciary capacity are not included in these consolidated financial statements. At the reporting date, the Bank had investment assets under administration on behalf of third parties amounting to $121,199 (2012: $100,264).

29. Principal subsidiary undertakings

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

All subsidiaries are wholly owned.

Section 4

Notice of Meeting

Annual General Meeting

Notice is hereby given that the Nineteenth Annual General Meeting of FirstCaribbean International Bank (Bahamas) Limited will be held at 6:00 p.m. on Tuesday, March 18, 2014 at the British Colonial Hilton, Governor's Room, One Bay Street, Nassau, Bahamas for the following purposes:

1. To receive and consider the Minutes of the last Annual General Meeting held on March 14, 2013.

2. To receive accounts for the year ended October 31, 2013 and the report of the Directors and Auditors thereon.

3. To elect the following Directors:

   i. Douglas Fridrik Parkhill
   ii. Marie Rodland-Allen
   iii. Trevor Torzsas
   iv. Willie Moss
   v. G. Diane Stewart

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

5. Ratification of dividends for fiscal 2013.

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

By Order Of The Board Of Directors

FirstCaribbean International Bank (Bahamas) Limited
February 24, 2014

Record Date

Holders of FirstCaribbean International Bank (Bahamas) Limited ordinary shares of record at the close of business on February 24, 2014 are entitled to vote at the Meeting.

Financial Statements

The Company's audited financial statements for the year ended October 31, 2013 are included in the Company's 2013 Annual Report, which is enclosed as a part of the proxy soliciting material.

Proxies

Shareholders of the Company entitled to attend and vote at the Meeting are entitled to appoint one or more proxies to attend and in a poll, vote instead of them. A proxy need not be a Shareholder of the Company. Any instrument appointing a proxy must be received at the offices of CIBC Trust Company (Bahamas) Limited, Registrar and Transfer Agents, Goodman's Bay Corporate Centre, West Bay Street, P.O. Box N-3933 Nassau, Bahamas not less than 48 hours before the Meeting. Shareholders who return completed proxy forms are not precluded, if subsequently they so wish, from attending the Meeting instead of their proxies and voting in person. In the event of a poll, their proxy votes lodged with the Registrar and Transfer Agents will be excluded.

Dividend

An interim dividend of thirteen cents ($0.13) per common share was paid on July 16, 2013. A final dividend of thirteen cents ($0.13) per common share for the fiscal year 2013 was approved by the Directors on December 18, 2013 and paid to shareholders on January 27, 2014. Total dividends paid for fiscal 2013 were twenty-six cents ($0.26) per common share.

Registered Office

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

Directors' Report

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

1. Douglas Fridrik Parkhill
2. Marie Rodland-Allen
3. Trevor Torzsas
4. Willie Moss
5. G. Diane Stewart

Financial Results And Dividends

The Directors report that the Company had a consolidated Net Loss of $17,855,461.50 for the year ended October 31, 2013. All statutory requirements for the year ended October 31, 2013 have been fulfilled.

An interim dividend of thirteen cents ($0.13) per common share was paid on July 16, 2013. A final dividend of thirteen cents ($0.13) per common share for the fiscal year 2013 was approved by the Directors on December 18, 2013 and paid to shareholders on January 27, 2014. Total dividends paid for fiscal 2013 were twenty-six cents ($0.26) per common share.

Share Capital

Substantial Interest as at October 31, 2013*
Common Shares of B$0.10 par value

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

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

By Order Of The Board of Directors

Sherrylyn Bastian
Corporate Secretary
February 24, 2014

We are providing these proxy materials in connection with the solicitation by the Board of Directors of FirstCaribbean International Bank (Bahamas) Limited, of proxies to be voted at the Company's 2014 Annual General Meeting of Shareholders and at any Meeting following adjournment thereof.

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

You are cordially invited to attend the Annual General Meeting on March 18, 2014, beginning at 6:00 p.m. E.S.T. Shareholders will be admitted beginning at 5:30 p.m. E.S.T. The Meeting will be held at the British Colonial Hilton, Governors Room, One Bay Street, Nassau, Bahamas.

This financial year of FirstCaribbean International Bank (Bahamas) Limited began on November 1, 2012 and ended October 31, 2013. References in this proxy statement to the year 2013 or financial 2013 refer to the period as mentioned above.

We are mailing this proxy statement and accompanying forms of proxy and voting instructions to holders of the Company's ordinary shares on February 24, 2014, the record date for the Meeting.

Proxies and Voting Procedures

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

A shareholder has the right to appoint a person or company (who need not be a shareholder), other than the persons designated by the Directors as proxy holders in the accompanying form of proxy, to represent the shareholder at the Meeting by striking out the names of the persons so designated and inserting the name of the chosen proxy holder in the blank space provided for that purpose in the form of proxy, or by completing and signing another proper form of proxy. A proxy must be in writing and must be executed by the shareholder or by an attorney authorized in writing and deposited at the offices of CIBC Trust Company (Bahamas) Limited, Goodman's Bay Corporate Centre, West Bay Street, P.O. Box N-3933, Nassau, Bahamas. A shareholder who executes and returns the accompanying form of proxy may revoke it by an instrument in writing executed by such shareholder or attorney authorized in writing and deposited at the offices of CIBC Trust Company (Bahamas) Limited, Registrar and Transfer Agents at Goodman's Bay Corporate Centre, West Bay Street, P. O. Box N-3933 Nassau, Bahamas at any time up to and including the last business day preceding the day of the Meeting, or with the Chairman of the Meeting on the day of the Meeting prior to the commencement thereof, or in any other manner permitted by law.

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

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

Shareholders Entitled to Vote

Shareholders at the close of business on the record date are entitled to notice of and to vote at the Annual General Meeting.

On February 24, 2014 there were 120,216,204 ordinary shares of par value $0.10 each outstanding. Each share is entitled to one vote on each matter properly brought before the Meeting.

At close of business on February 24, 2014 FirstCaribbean International Bank Limited beneficially owned or controlled directly or indirectly 114,463,600 shares which represents 95.21% of the Company's issued ordinary shares.

Quorum and Required Vote

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

Election of Directors

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

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

The Board of Directors held eight (8) meetings in 2013.

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

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

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

Name and Position	Principal Occupation	Director Since	Number of Shares Beneficially Owned or Controlled Directly or Indirectly
Douglas Fridrik Parkhill	CEO, FirstCaribbean International Bank Limited	2014	Nil
Marie Rodland-Allen	Managing Director	2010	Nil
Trevor Torzsas	Managing Director, Customer Relationship Management and Strategy	2013	Nil
Willie Moss	Attorney-at-law	1998	Nil
G. Diane Stewart	Attorney-at-law	2002	Nil

Compensation of Directors

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

No special remuneration was paid to any Director during financial year 2013.

Senior Management Compensation

The Senior Management of the Company received aggregate compensation amounting to B$2,739,309.84 in the financial year 2013.

Indebtedness of Management

There is a total indebtedness of approximately B$3,136,958.32 due to the Company from members of the Senior Management and Directors. This represents loans and mortgages.

Management's Interest In Transactions

No Director, Executive Officer, or Senior Officer of the Company, or proposed nominee for election as a Director of the Company, has held or currently holds a material interest in any transaction entered into by the Company or its subsidiaries.

Share Option Plan

There is no share option plan.

Shareholder Feedback and Communication

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

Appointment of Auditors

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

Arrangements will be made for one or more representatives of the proposed Auditors to attend the Meeting.

Other Business

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

Directors' Approval And Certificate

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

Dated at Nassau, Bahamas this February 24, 2014.

Marie Rodland-Allen
Managing Director

Sherrylyn Bastian
Corporate Secretary

Proxy Form

The undersigned __________________________(please print) of___________________________ (please print) being a shareholder of FirstCaribbean International Bank (Bahamas) Limited ("the Company") hereby appoints Mr. Douglas Fridrik Parkhill, or failing him, Mrs. Marie Rodland-Allen, or instead or either of them, _______________________ or ______________________as proxy of the undersigned to attend and vote at the Annual General Meeting of Shareholders ("the Meeting") of the Company to be held on March 18, 2014 and at any adjournment thereof, Notice of the Meeting, together with the accompanying Financial Statements and the Information Circular having been received by the undersigned, and on behalf of the undersigned to vote as specifically directed below.

1. Specified in the accompanying Information Circular:

Douglas Fridrik Parkhill	VOTE FOR ___	WITHHOLD FROM VOTING ___
Marie Rodland-Allen	VOTE FOR ___	WITHHOLD FROM VOTING ___
Trevor Torzsas	VOTE FOR ___	WITHHOLD FROM VOTING ___
Willie Moss	VOTE FOR ___	WITHHOLD FROM VOTING ___
G. Diane Stewart	VOTE FOR ___	WITHHOLD FROM VOTING ___

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

VOTE FOR ___ WITHHOLD FROM VOTING ___

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

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

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

Dated this .... day of ....A.D., 2014

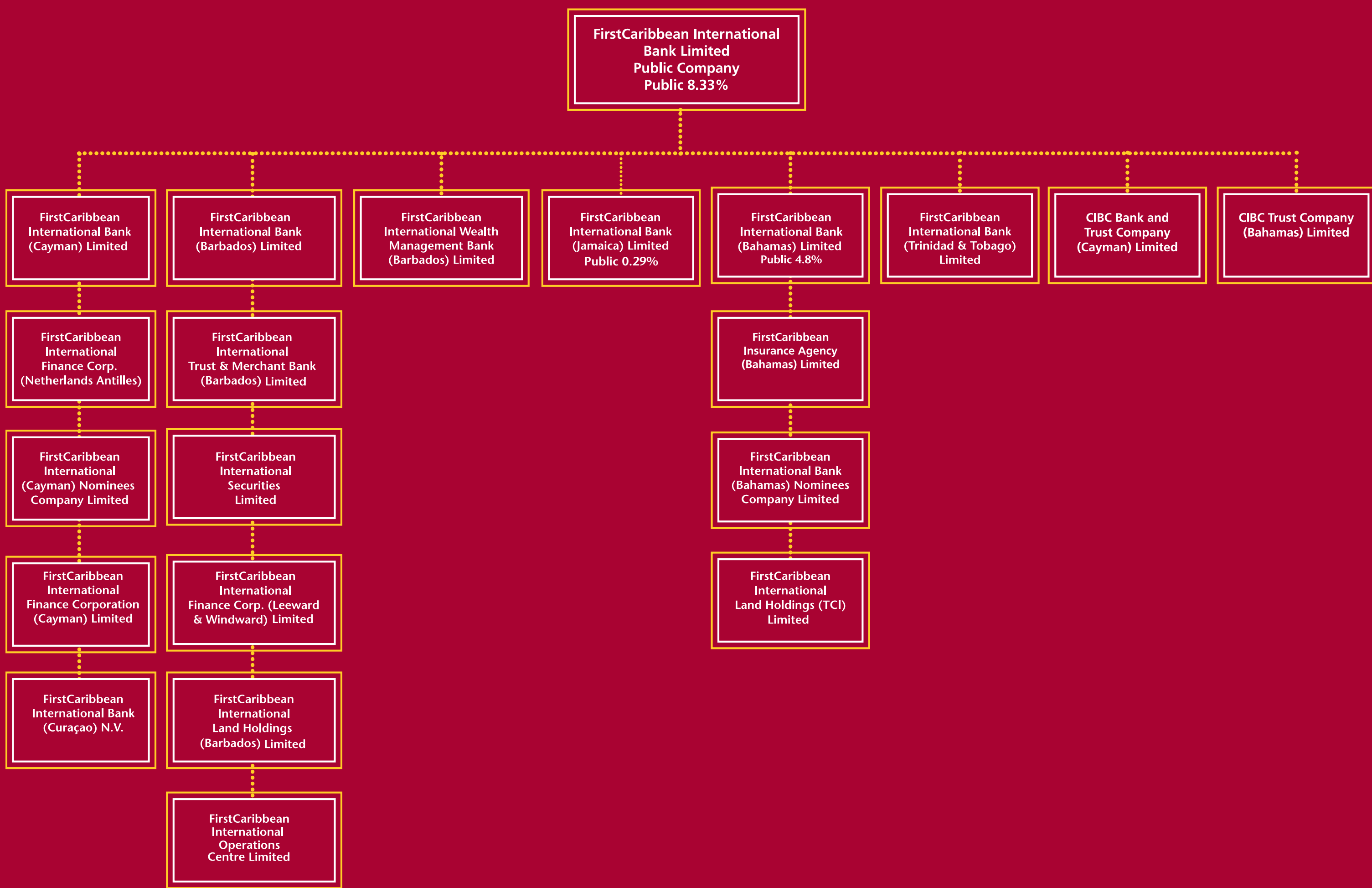
Corporate Seal ....

Notes:

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

In order for this form of proxy or other appropriate forms of proxy to be valid, it must be signed and should be dated by the shareholder or the shareholder's attorney. The signature should be exactly the same as the name in which the shares are registered. The proxy must be sent by mail or hand delivered to the offices of CIBC Trust Company (Bahamas) Limited, Registrar and Transfer Agents, Goodman's Bay Corporate Centre, West Bay Street, P.O. Box N-3933, Nassau, Bahamas no later than 48 hours before the time for holding the meeting. If this form of proxy is received undated but otherwise properly executed, it will for all purposes be deemed to be dated February 20, 2014.

Ownership Structure



CIBC FirstCaribbean International Bank

Main Branches & Centres

The Bahamas

Abaco Island

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

Man-O-War Cay
P O Box AB-20402
Tel: (242) 365-6098
Fax: (242) 367-2156

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

New Plymouth
P O Box AB-20402
New Plymouth
Green Turtle Cay
Tel: (242) 365-4144
Fax: (242) 367-2156

Eleuthera Island

Governor's Harbour
P O Box EL-25022
Governor's Harbour
Tel: (242) 300-0002
Fax: (242) 332-2318

Grand Bahama Island

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

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

New Providence Island

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

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

Harbour Bay
P O Box N-8350
East Bay Street
Nassau
Tel: (242) 502-6834
Fax: (242) 393-7170

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

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

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

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

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

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

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

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

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

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

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

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

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

Turks & Caicos Islands

Grand Turk
P O Box 258
Cockburn Town
Grand Turk
Tel: (649) 946-2831
Fax: (649) 946-2695

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

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

South Caicos
P O Box 236
Lee Street
Cockburn Harbour
Providenciales
Tel: (649) 231-5103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DOMINICA
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BARBADOS
ST. VINCENT AND
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CURAÇAO
GRENADA &
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