CIBC FirstCaribbean
International Bank

2014
ANNUAL REPORT
BAHAMAS

TRIBUTE

MICHAEL MANSOOR

He was a visionary leader and a man whose character, good guidance and humour will be remembered fondly.

With the passing of Michael Mansoor, we have lost a man who distinguished himself in all spheres of life.

To his family, Mike was a beloved husband, father and grandfather. To us, Mike was our Executive Chairman, our leader and our friend, whose calm and pragmatic approach to the management of CIBC FirstCaribbean helped us to establish our brand as a Caribbean powerhouse, even amidst the frenetic activity of successfully welding together two of the region's largest financial institutions. He distinguished himself as a visionary within the financial services sector of the Caribbean, as he had done in every aspect of his personal, academic and professional life. He was a man whose character, good guidance and humour will be remembered fondly as an inspiration to many.

Mike was passionate about building a sound financial institution for the Caribbean and in CIBC FirstCaribbean he saw that passion become a reality. In September 2013, we named our Head Office building in Barbados after Mike, as a mark of our deep appreciation for his contribution to the creation of CIBC FirstCaribbean, and his stewardship of the CIBC brand prior to that.

In his speech to mark the occasion on that day, he showed the acuity, humility and generosity of spirit that endeared him to all. "In an institution as complex and international as the one which honours me this evening, I could accomplish very little by myself. And I therefore accept this honour in the name of the very special people who have walked into our doors over these last 15 years and each day, bountifully gave of their time and talent to create and sustain one of the pre-eminent financial institutions in the Caribbean."

Mike's humility, gentleness of spirit and love for the Caribbean helped him to make many friends among people throughout our society. He was equally comfortable among the region's political leaders and captains of business as he was among the most humble, those with whom he came into contact through his duties as chairman of our charitable foundation. Mike had a love for people, and will be remembered fondly by many at all levels of our bank and beyond.

In fact, even as we honoured him for his contribution to our bank, he took the opportunity to in turn pay tribute to his colleagues at CIBC FirstCaribbean. "My... unbridled faith in the success of our bank (lies) in our people – their loyalty and resourcefulness, their creativity and their determination . . . My experience is that our people always rise to the occasion . . . May you all continue to strive and be successful and may you all be prosperous and achieve your loftiest ambitions."

Thank you, Mike, not only for your words, but for your presence among us.

May your soul rest in peace.

CIBC FirstCaribbean International Bank

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ANNUAL REPORT 2014

Inside this report

Corporate Profile

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 3,100 employees, in 66 branches. We are one of the largest regionally-listed financial services institutions in the English and Dutch speaking Caribbean, with over US$10.8 billion in assets and market capitalization of US $1.4 billion. The Bahamas Operating Company comprises operations in The Bahamas and the Turks and Caicos Islands where there are 20 branches and agencies, 43 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 organizations. At CIBC FirstCaribbean, they shape our everyday decisions.

- Trust - Acting with integrity, honesty and transparency in our relationships with others
- Teamwork - Working collaboratively with others within our Strategic Business Units (SBUs) 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

2014 Highlights

First for Clients

Ever mindful that a key contributor to our business success rests in the advocacy of our clients, in 2014 our lines of business held steadfast to their mission of deepening customer relationships and enhancing value to the client.

Improving client service and employee experience through our branch network:

- Responded to our customers' needs by offering them a one-stop shop for personal financing through the opening of a new Loan & Mortgage Centre
- Continued the enhancement of our ABM network and several branches to improve the aesthetic appeal
- Installed several dual currency dispenser Instant Teller™ machines at non-branch locations to accommodate our international visitors

Delivering cutting edge products and services:

- Enhanced our offering to Business Banking customers. During the year, we launched our enhanced Business Banking product including the introduction of business planning tools to assist our customers in managing their businesses along with adding further value through a series of client workshops. We continue to train our staff with the view to increasing their knowledge and skill level to meet the needs of today's customer.
- Introduced a Teacher Rewards Program which offers reward points to teachers when they sign up for a number of CIBC FirstCaribbean's products and services. The reward points can be redeemed for travel, merchandise, cash back or to make a donation to a charitable organization.
- Completed technological improvements to our loans process to enable faster end to end reviews and responses to the needs of our clients
- Continued our 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

Reaching new markets and clients:

- Continued our market penetration of our International Visa Debit Card
- Continued consumer loan campaigns with attractive offerings 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:

- We continue to promote the Bank's recognition program. This year, one of our top performers will be joining her counterparts from FirstCaribbean and CIBC in Maui, Hawaii for the annual Achievers conference.
- Joined other CIBC FirstCaribbean territories and CIBC Canada to host Employee Appreciation Day on May 15, 2014 to show our appreciation of employees
- Significant investment in training of our sales and support teams
- Arranged financial and wellness sessions to assist individuals leaving under the redundancy program
- The Years of Service awards are eagerly anticipated by employees with managers ensuring that the respective milestones are appropriately celebrated

The 2014 Employee Voice (E-voice) survey:

- Our Employee Commitment Index was at 69% with 86% of employees pledging their continued commitment to go above the normal job requirements
- We made progress with our E-Voice 2013 opportunities. The Senior Executive Team has committed to a Bank-wide action plan which will target three main areas: Satisfaction with Organisation, Work Life Balance and Engagement with Senior Leadership.

First for Communities

The CIBC FirstCaribbean International Comtrust Foundation remains active in the social programmes for which we have become known. Again in 2014, we have maintained our corporate giving, through our main themes of Health/Wellness, Communities/Environment and Youth/Education.

Corporate Social Responsibility:

- This year, we continued our annual Walk for the Cure to raise funds to assist in the fight against cancer. In total, over $53,000 was raised and donated to cancer organisations throughout the Bahamas and the Turks and Caicos Islands.

Supporting youth in the community:

- Provided support to the Bahamas CARIFTA Swim Team
- Continued our sponsorship of youth baseball teams in both the Freedom Farm Baseball and the Junior Baseball Leagues
- Provided a scholarship for the Bahamas Primary School Student of the Year Awards
- Contributed to the Ranfurly Home for Children

Charting the way forward for youth entrepreneurs:

- Continued sponsorship of Junior Achievement (JA) companies in New Providence, and Grand Bahama. In addition, the bank donated funds to assist with the funding of Junior Achievement's scholarship programme. Staff members volunteered time to provide guidance to students in the JA Companies.

Actively participating in worthwhile causes to develop our communities:

- The Salvation Army and R.E.A.C.H., an organisation for autism, were supported by the Bank. Contributions were also made to Project Read Bahamas to assist with their literacy programmes, the Royal Bahamas Police Force Dependants Trust, the Royal Bahamas Police Force Summer Youth Programmes, and several 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

2014 Highlights

Financial Highlights

B$(000), except per share amounts, as at or for the year ended October 31	2014	2013 Restated *	2012 Restated *	2011	2010
Common share information					
Net (loss)/earnings per share-basic (B$ cents)	**(123.0)**	(11.9)	46.9	48.2	51.5
Share price - closing	**8.05**	7.25	7.2	8.14	9.74
Shares outstanding (thousands) - end of period	**120,216**	120,216	120,216	120,216	120,216
Market capitalisation	**967,739**	871,566	865,555	978,558	1,170,904
Value measures					
Dividend yield (dividends per share/share price)	**3.9%**	3.9%	3.9%	3.4%	3.2%
Dividend payout ratio (dividends/net income)	**n/m**	n/m	55.4%	58.1%	60.2%
Financial results					
Total operating income	**176,509**	168,243	171,975	173,318	173,025
Loan loss impairment expense	**113,831**	77,502	33,217	32,223	34,068
Impairment of goodwill	**115,000**	-	-	-	-
Operating expenses	**95,501**	104,987	82,430	83,208	77,094
Net (loss)/income	**(147,823)**	(14,246)	56,328	57,887	61,863
Financial measures					
Efficiency ratio (operating expenses/total revenue)	**54.1%**	62.4%	47.9%	48.0%	45.6%
Return on equity (net income/average equity)	**-30.5%**	-2.4%	9.6%	10.4%	11.6%
Net interest margin (net interest income/average total assets)	**4.0%**	4.0%	4.2%	3.9%	3.5%
Statement of Financial Position					
Loans and advances to customers	**1,982,885**	2,122,045	2,259,537	2,342,151	2,418,836
Total assets	**3,407,568**	3,297,493	3,351,597	3,536,725	3,598,996
Deposits & other borrowed funds	**2,766,647**	2,499,328	2,503,239	2,712,978	2,767,359
Total equity	**554,265**	728,692	771,449	758,225	730,854
Balance sheet quality measures					
Common equity to risk weighted assets	**32%**	37%	36%	31%	29%
Risk weighted assets	**1,739,686**	1,970,197	2,163,919	2,409,543	2,543,580
Tier I Capital ratio	**28%**	28%	27%	24%	21%
Total Capital ratio	**29%**	29%	28%	24%	21%
Other information					
Full time equivalent employees (#)	**639**	650	747	743	788

* Certain amounts shown do not correspond to the 2013 and 2012 consolidated financial statements and reflect adjustments made. Refer to note 2.3. of the consolidated financial statements

n/m - Not Meaningful

Marie Rodland-Allen Managing Director

Financial Performance

For the fiscal year ending October 31, 2014, the Bank reported a net loss of $148 million, negatively affected by two items of note including $75 million of incremental loan loss provisioning expense and a non-cash goodwill impairment charge of $115 million. The incremental loan loss expense and the reduction in the carrying value of goodwill reflects our revised expectations on the extent and timing of anticipated recovery in the Caribbean region, and the impact of these revised expectations on collateral values and estimated value of the premium over book paid for the past acquisitions. Excluding these items of note, the Bank generated net income of $42.2 million, an improvement versus normalized net income of $38.6 million in the prior year (reported net loss of $17.9 million). Revenues increased by $8.3 million from the prior year, notwithstanding generally weak credit demand and margin pressure across the region.

Our Tier 1 and Total Capital ratios remain very strong at 28% and 29%, well in excess of applicable regulatory requirements.

Retail, Platinum and Business Banking

2014 has been a challenging yet rewarding year within the Retail, Platinum and Business Banking segment. We sought opportunities to increase focus on client engagement via the strategic enhancement of our Platinum and Business Banking arena and the introduction of our first Mortgage and Loan Center, within the Shirley Street CIBC FirstCaribbean building.

Additionally, improving the efficiency of our sales process was paramount; as such, we completed technological improvements to our loans process to enable faster end to end reviews and responses to the needs of our clients. There were many upgrades completed within the branch network with advanced improvements in both premises and technology, namely within the newly located Bay Street Branch, and renovated East Mall Branch.

The Bank's Channel strategy is based on the fundamental objective of "Convenience Banking for our Clients", therefore the goal remains ensuring our accessibility at all times to clients anywhere throughout The Bahamas and the world at large, where technology exists. We recently expanded our Automated Banking Machines (ABMs) to Arawak Port, Marina Village Paradise Island, the downtown Straw Market and the Goodman's Bay Corporate Center to further provide convenience.

Through such programs as Bank at Work, we have successfully tailored offerings for employees of large corporate clients and key professional groups, focusing our efforts on creating convenience by taking banking to our clients. By enhancing a series of products and services, we have financially prepared our clients for 2015. To bridge the impact on our clients due to the economic pressures which exist, our skillful task force of employees provided financial solutions and created forums for financial advisory within the branch units.

We continue to successfully present ourselves as a Bank who has a commitment to ensuring both our employees and customers are top priority. As such, we invested in training for staff both via our innovative CIBC FirstCaribbean Online learning portal and face to face experiences, ensuring our staff are well equipped to provide exceptional service.

Our community efforts continued as we advanced our Adopt-a-Cause initiatives via the branch units. Many lives were impacted by the generous, selfless giving of labour and funding for worthy causes.

Our brand image remains paramount as "the Bank of Choice", therefore, we refreshed the banking halls of several of our branches to create a more comfortable and inviting environment conducive for banking.

Wholesale Banking

In 2014, Wholesale Banking was able to successfully grow its loan book and increase overall revenues despite the backdrop of a stagnant economy and the uncertainty surrounding the imminent introduction of VAT. Our focus remained on pursuing loan growth opportunities while balancing our risk appetite and deepening our client relationships.

Wholesale Banking benefitted from the synergies of the consolidation of its Corporate, Investment Banking, Client Solutions Group, Structuring & Distribution Group and Business Support units under one umbrella. We were able to use these synergies to continue to expand our wallet share from clients with focus not only on tailoring debt financing suitable to our clients' individual needs but also on providing clients with a total bank solution from our suite of non-credit products including Foreign Exchange, Hedging, Cash Management, E-Channels and other transaction banking services and products.

Another key area of focus during 2014 was to review and determine how we can enhance each client experience by removing operational and administrative activities away from the Corporate Managers to ensure that more time is dedicated to reaching out to existing and new clients and building trusted and mutually-rewarding relationships.

Community Partnership

The Bank's Walk for the Cure initiative was a resounding success this year as we raised over $43,000 which was donated to seven cancer organisations throughout the Bahamas. This year, we brought Corporate sponsors onboard whose employees also participated in the Walk on October 5th, 2014. I would like to convey special thanks to our staff members for all their fund raising activities as well as to our Corporate sponsors and customers for helping us surpass our goal.

We continued to sponsor Junior Achievement programs in both New Providence and Grand Bahama and also sponsored a scholarship for the Junior Achievement programme.

The Bank contributed to the Bahamas Swimming Federation to support their participation in the CARIFTA swimming competition held in Aruba. The Bahamas Swimming team went on to make history this year by winning their first CARIFTA swimming championships.

We continued our annual donations to the Class A and B Junkanoo groups participating in the Boxing Day and New Year's Day Junkanoo parades. The youth summer programmes including both The Royal Bahamas Police Force and Defence Force youth programmes, the Kevin Johnson Basketball Camp and the Youth Against Violence summer program were supported by the Bank again this year.

The Salvation Army, Ranfurly Home for Children, R.E.A.C.H, amongst other charitable organisations, received contributions from our Comtrust Foundation.

People

At the beginning of fiscal 2014, the Bank undertook an 18 – 24 month initiative to improve our overall efficiency by simplifying our organizational structure and consolidating our operations. Part of this initiative was a reduction in our workforce which commenced with the offering of a voluntary early retirement programme for eligible employees and a voluntary separation programme for those employees who wished to leave the company, but were not eligible for early retirement. Following this process, it became necessary to enter into a redundancy phase. During the year, the Bank hosted more than thirty (30) financial and wellness sessions to assist employees in preparing for this change and ensure that everyone affected by this process was treated fairly and with the utmost respect. These sessions covered various topics including: Financial Planning, Investment Opportunities, How to Prepare a Budget, Preparing for Retirement; Resume Writing, Interviewing Skills as well as Coping with Change.

Despite initial projections, the Bank was able to secure roles for thirty percent of the affected persons by matching their skill sets and past experiences to emerging vacant roles within the organization.

The Bank recognized that in spite of the structural changes required, it needed to continue the custom of making relevant training programs available to staff whilst giving them exposure to job rotation and other enrichment opportunities. These enabled employees to be more knowledgeable about the Bank's products and services and thereby deliver an improved level of customer service.

Again this year, the Bahamas business along with other CIBC FirstCaribbean territories joined with CIBC Canada to host Employee Appreciation Day. The event was very successful and very well received as employees took the opportunity to recognize one another and express their appreciation to their colleagues and leaders.

Appreciation

We were saddened to hear of the passing of our former chairman, Mr. Michael Mansoor on 11th November 2014. He led our Bank from inception on 14th October 2002, and headed the team through the merger to form FirstCaribbean International Bank. Prior to that, he was President and CEO of CIBC West Indies Holdings. We have all lost a great friend, and someone whose calm and pragmatic stewardship of our Bank could be counted on to steer us through some very difficult times. Shareholders will recall his keen attention to detail as he presided over our shareholders' meetings over the years. I am certain that all shareholders would join me in expressing sincere condolences to Mr. Mansoor's family.

I would like to welcome Mr. Felix Stubbs as the newest member of our board and to express my appreciation to the members of our Board of Directors for their guidance throughout the year. Fiscal 2014 was a challenging year but the investments we have made, and continue to make, are positioning the company for growth as the economies improve.

In closing, I would like to thank all of our valued customers, staff and shareholders for their continued support and loyalty in 2014.

Marie Rodland-Allen

Marie Rodland-Allen
Managing Director

Rik Parkhill
Chairman

Marie Rodland-Allen
Managing Director

Trevor Torzsas
Managing Director
Customer Relationship
Management and Strategy

Felix Stubbs
General Manager
IBM Bahamas Ltd

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 & Corporate Secretary

Lakeisha Moss
Director, Treasury Balance Sheet Strategy & Management

Paul Major
Head of International Corporate Banking

Gezel Farrington
Director, Retail Banking Channels

Glenda Whylly
Senior Manager, Managing Director's Office

Missing from photo:

Robert Cox
Associate Director, Receivables Management

Basil Longley
Regional Manager, Branch Infrastructure Support

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

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

Auditors
Ernst & Young

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

Registrar and Transfer Agents
CIBC Trust Company (Bahamas) Limited

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 in the 2014 Highlights Section of this annual report.

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
Highlights

B$ thousands, except per share amounts, as at or for the year ended October 31	2014	2013 Restated
Total operating income	176,509	168,243
Net loss for the year	(147,823)	(14,246)
Total assets	3,407,568	3,297,493
Basic loss per share (cents)	(123.0)	(11.9)
Dividends per share (cents)	26.00	26.00
Closing price per share (cents)	8.05	7.25
Return on tangible equity*	(25.3%)	(2.5%)
Efficiency ratio	54.1%	62.4%
Tier 1 capital ratio	28%	28%
Total capital ratio	29%	29%

* Based on four quarters rolling averages

Net loss for the year was $147.8 million, compared to net loss of $14.2 million in 2013. Contributing to the decline this year was the increase in loan loss impairment, impairment charge on goodwill and declining interest income which was offset by an increase in operating 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:

2014

- $115.0 million in impairment charge on goodwill in light of persistently challenging economic conditions and financial projections for conditions going forward
- $9.5 million decrease in operating expenses which includes $11.4 reduction in salaries and benefits related to the restructuring program commenced in 2013
- $36.3 million increase in loan loss impairment reflecting further deterioration and updates to collateral values of underlying secured loans
- $2.2 million increase in net interest income largely due to reduced cost of funding, offset by sustained downward pressure on loan volumes in key markets
- $6.0 million increase in other operating income driven by higher securities gains on sales of securities, and higher fees and commission income

2013

- $44.3 million increase in loan loss impairment reflecting further deterioration and updates to key assumptions
- $22.6 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

Total operating income is higher year on year by $8.3 million due to higher other operating income of $6.0 million and increased net interest income of $2.2 million.

Total expenses increased year over year by $141.8 million due to increased loan loss impairment of $36.3 million and an impairment charge on goodwill of $115 million, offset by lower operating expenses of $9.5 million.

REVIEW OF CONSOLIDATED STATEMENT OF (LOSS)/INCOME

Net interest income and margin

B$ thousands for the year ended October 31	2014	2013 Restated
Average total assets	3,413,809	3,346,992
Net interest income	137,740	135,491
Net interest margin	4.03%	4.05%

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 increased by $2.2 million or 1.7% year over year. The increase was primarily driven by reduced cost of funding, and partially offset by declines in income earned on loans and securities due to lower average volumes and yields. The reduction in deposit costs was due to declines in deposit rates combined with lower deposit volumes.

Other operating income

B$ thousands for the year ended October 31	2014	2013 Restated
Net fee & commission income	24,053	20,578
Foreign exchange earnings	9,667	9,626
Net gains/(losses)	2,720	(435)
Other	2,329	2,983
	38,769	32,752

Other operating income increased year on year by $6.0 million or 18.4%. This increase was a result of higher fee and commission income, primarily from deposit and credit services products, and higher realized gains on sale of available-for-sale securities.

Operating expenses

B$ thousands for the year ended October 31	2014	2013 Restated
Remuneration and benefits		
Wages and salaries	26,096	28,578
Benefits	9,380	18,341
	35,476	46,919
Business taxes	7,916	3,818
Occupancy and maintenance	12,664	12,980
Depreciation	3,124	4,796
Communication	2,240	2,526
Professional and management fees	26,541	26,634
Other	7,540	7,314
	95,501	104,987

Operating expenses decreased year on year by $9.5 million (9.0%) primarily due to lower remuneration and benefits driven by the restructuring program which started in 2013. The costs of restructuring included severance benefits, curtailment gains and losses on retirement benefit and obligations and accelerated depreciation. These costs were the main driver of the decreases to remuneration and benefits, property and equipment 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	2014	2013 Restated
Individual impairment		
Mortgages	**72,154**	22,854
Personal loans	**17,852**	5,826
Business & Government loans	**16,751**	44,263
	106,757	72,943
Collective impairment charge	**7,074**	4,559
	113,831	77,502

Loan loss impairment expense (LLE) increased by $36.3 million, or 46.9%, year over year. The specific allowances increased by $33.8 million as a result of declining collateral values. The collective allowance increased by $2.5 million due to assumption updates.

The ratio of LLE to gross loans was 5.2% compared to 3.7% at the end of 2013. However, non-performing to gross loans declined to 15.6% at the end of 2014 compared to 16.1% at the end of 2013. The coverage ratio increased from 31.8% in 2013 to 56.1% in 2014.

Review of the Consolidated Statement of Total Comprehensive Loss

B$ thousands for the year ended October 31	2014	2013 Restated
Net loss for the year	**(147,823)**	(14,246)
Other comprehensive income:		
Net gain on available-for-sale investment securities	**291**	3,237
Re-measurement gains/(losses) on retirement benefit plans	**4,361**	(492)
Other Comprehensive income	**4,652**	2,745
Total Comprehensive loss	**(143,171)**	(11,501)

Other comprehensive income increased year on year as a result of significant remeasurement gains on the retirement benefit plans, compared to losses in the prior year, partially offset by lower net mark to market gains from investment securities.

Review of the Consolidated Statement of Financial Position

B$ thousands, at October 31	2014	2013 Restated
Assets		
Cash, balances with The Central Bank and due from banks	**553,110**	265,249
Investment securities	**738,987**	690,454
Loans and advances to customers:		
Mortgages	**1,068,806**	1,117,040
Personal loans	**212,657**	224,528
Business & Government loans	**887,061**	880,558
Provision for impairment (net of recoveries and write-offs)	**(190,098)**	(113,826)
Interest receivable	**16,226**	26,775
Unearned fee income	**(11,767)**	(13,030)
	1,982,885	2,122,045
Other assets	**132,586**	219,745
	3,407,568	3,297,493

Liabilities and Equity

B$ thousands for the year ended October 31	2014	2013 Restated
Customer deposits		
Individuals	**846,558**	854,925
Business & Government	**1,567,641**	1,447,704
Banks	**349,130**	191,741
Interest payable	**3,318**	4,958
	2,766,647	2,499,328
Other liabilities	**86,656**	69,473
Equity	**554,265**	728,692
	3,407,568	3,297,493

Total assets increased by $110.1 million, or 3.3%, from prior year. The increase primarily reflects increases in cash resources and investment securities balances, partially offset by a reduction in the loans and advances to customers.

Total liabilities increased by $284.5 million (11.1%) due primarily to higher customer deposits.

Total equity has decreased year on year by $174.4 million (23.9%) due mainly to net loss for the year of $147.8 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 continues to maintain strong capital ratios of Tier I and Total Capital Ratios, of 28% and 29%, respectively, well in excess of regulatory requirements.

Business Segment Overview

Management monitors the operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on economic profits, which for the total of all segments is equal to net income 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.

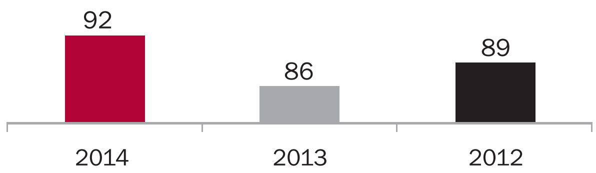
Retail & Business Banking

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.

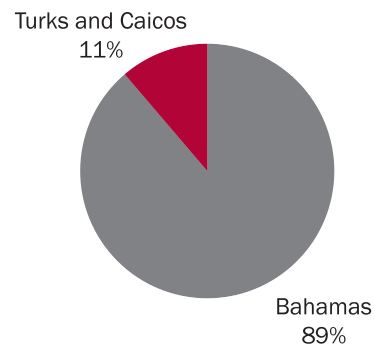
External revenues increased year on year by $6.0 million or 6.9% with a higher contribution from our Cards business and deposit services income, coupled with lower fixed deposit interest expense. Loan earnings also increased this year, despite the continuing challenges with lower loan originations as a result of weaker credit demand.

Segment results decreased year on year by $26.2 million, primarily as a result of higher loan loss impairment affected by reduced collateral values and a revised outlook around the pace of economic recovery.

External Revenues ($ Millions)



External Revenues (% Geography)



Wholesale Banking

This segment comprises Corporate and Investment Banking.

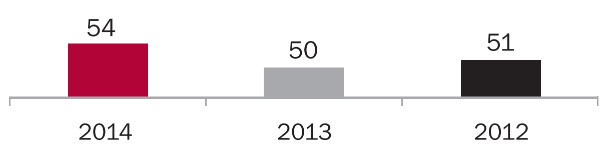
Corporate Banking provides a full range of corporate and commercial banking services to large and mid-size corporate businesses, governments, financial institutions, international trading companies, and private wealth vehicles.

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

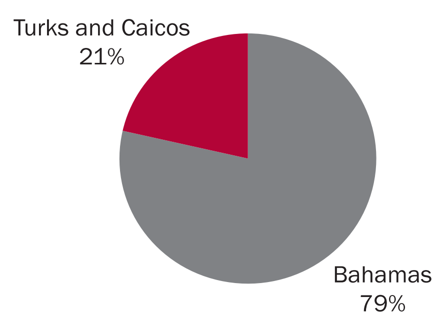
External revenues increased by $3.7 million, or 7.3%, year on year mainly due to lower deposit funding costs caused by lower deposit rates and higher investment banking fees.

Segment results increased year on year by $16.4 million as a result of lower loan loss impairment and lower allocated cost and capital charges.

External Revenues ($ Millions)



External Revenues (% Geography)



Wealth Management

This segment comprises International Corporate and International Personal Banking (collectively International Banking) and Private Wealth Management.

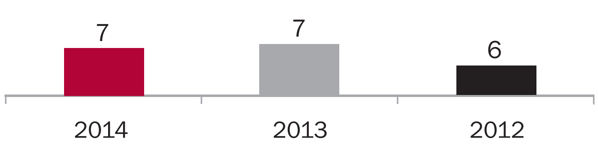
Wealth Management clients are provided investment advice and traditional banking services through a relationship management offer.

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

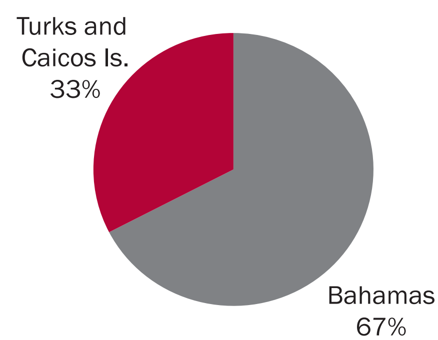
External revenue was flat year on year as decreased loan earnings were offset by lower funding costs.

Segment results decreased year on year by $4.0 million primarily as a result of higher loan loss impairment and reduced revenues from other segments.

External Revenues ($ Millions)



External Revenues (% Geography)



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

Risk Management Approach

The 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 and Administrative 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 Finance, 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 and Administrative 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 the central risk and financial controls teams.

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 Finance, 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 and Administrative 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 Finance, 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.

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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, 2014, 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, 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst + Young

December 18, 2014

Consolidated Statement of Financial Position

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

	Notes	2014	2013 Restated *	As at November 1, 2012 Restated *
Assets				
Cash and balances with The Central Bank	3	**$ 120,711**	$ 167,082	$ 131,446
Due from banks	4	**432,399**	98,167	115,179
Derivative financial instruments	5	**814**	984	683
Financial assets at fair value through profit or loss	6	**-**	-	14,855
Other assets	7	**33,377**	6,720	8,722
Investment securities	8	**738,987**	690,454	606,911
Loans and advances to customers	9	**1,982,885**	2,122,045	2,259,537
Property and equipment	10	**25,648**	24,294	26,517
Goodwill	12	**72,747**	187,747	187,747
Total assets		**$ 3,407,568**	$ 3,297,493	$ 3,351,597
Liabilities				
Derivative financial instruments	5	**$ 19,212**	$ 16,826	$ 23,165
Customer deposits	13	**2,766,647**	2,499,328	2,503,239
Financial liabilities at fair value through profit or loss	6	**-**	-	14,855
Other liabilities	14	**44,847**	27,791	19,010
Retirement benefit obligations	11	**22,597**	24,856	19,879
Total liabilities		**2,853,303**	2,568,801	2,580,148
Equity				
Issued capital	15	**477,230**	477,230	477,230
Reserves	15	**(37,249)**	(34,151)	(38,547)
Retained earnings		**114,284**	285,613	332,766
Total equity		**554,265**	728,692	771,449
Total liabilities and equity		**$ 3,407,568**	$ 3,297,493	$ 3,351,597

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

* Certain amounts shown here do not correspond to the 2013 consolidated financial statements and reflect adjustments made, refer to note 2.3.

Approved by the Board of Directors on December 18, 2014, and signed on its behalf by:

Marie Rodland-Allen
Managing Director

G. Diane Stewart
Director

Consolidated Statement of Loss

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

	Notes	2014	2013 Restated *
Interest and similar income		$ **154,042**	$ 156,405
Interest and similar expense		**16,302**	20,914
Net interest income	16	**137,740**	135,491
Other operating income	17	**38,769**	32,752
Total operating income		**176,509**	168,243
Operating expenses	18	**95,501**	104,987
Loan loss impairment	9	**113,831**	77,502
Impairment of goodwill	12	**115,000**	-
Total operating expenses		**324,332**	182,489
Net loss for the year		$ **(147,823)**	$ (14,246)
Basic loss per share			
(expressed in cents per share)	19	**(123.0)**	(11.9)

Consolidated Statement of Comprehensive Loss

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

	Notes	2014	2013 Restated *
Net loss for the year		$ **(147,823)**	$ (14,246)
Other comprehensive income:			
Other comprehensive income for the year to be reclassified to net income or loss in subsequent periods:			
Net gain on available-for-sale investment securities	21	**291**	3,237
Other comprehensive income not to be reclassified to net income or loss in subsequent periods:			
Re-measurement gains/(losses) on retirement benefit plans	11	**4,361**	(492)
Other comprehensive income for the year		**4,652**	2,745
Comprehensive loss for the year		$ **(143,171)**	$ (11,501)

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

* Certain amounts shown here do not correspond to the 2013 consolidated financial statements and reflect adjustments made, refer to note 2.3.

Consolidated Statement of Changes in Equity

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

	Notes	Issued capital	Reserves	Retained earnings	Total equity
Balance at November 1, 2012 (as previously reported)		$ 477,230	$ (19,776)	$ 332,875	$ 790,329
Effect of change in accounting policies	2	-	(18,771)	(109)	(18,880)
As at November 1, 2012 (Restated*)		477,230	(38,547)	332,766	771,449
Comprehensive loss for the year		-	2,745	(14,246)	(11,501)
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 (Restated*)		477,230	(34,151)	285,613	728,692
Comprehensive loss for the year		-	4,652	(147,823)	(143,171)
Dividends	20	-	-	(31,256)	(31,256)
Transfer to statutory reserve fund – Turks & Caicos Islands	15	-	1,133	(1,133)	-
Transfer from statutory loan loss reserve – Bahamas	15	-	(8,883)	8,883	-
Balance at October 31, 2014		**$ 477,230**	**$ (37,249)**	**$ 114,284**	**$ 554,265**

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

* Certain amounts shown here do not correspond to the 2013 consolidated financial statements and reflect adjustments made, refer to note 2.3.

Consolidated Statement of Cash Flows

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

	Notes	2014	2013 Restated *
Cash flows from operating activities			
Net loss for the year		$ (147,823)	$ (14,246)
Adjustments to reconcile net loss to net cash from/(used in) operating activities			
Loan loss impairment	9	113,831	77,502
Depreciation of property and equipment	10	3,124	4,796
Impairment of goodwill	12	115,000	-
Net gains on sale and redemption of investment securities	17	(6,019)	(4,261)
Interest income on investment securities	16	(24,305)	(27,680)
Net hedging losses/(gains)	5	12	(260)
Interest expense on other borrowed funds	16	3,878	2,598
Net cash flows from net income before changes in operating assets and liabilities		57,698	38,449
- net (increase)/decrease in due from banks greater than 90 days	4	(35,608)	47,880
- net (increase)/decrease in mandatory reserves with The Central Bank		(1,642)	1,296
- net decrease in financial assets at fair value through profit or loss	6	-	14,855
- net decrease in loans and advances to customers		25,329	59,990
- net (increase)/decrease in other assets		(26,487)	1,701
- net increase/(decrease) in customer deposits		267,319	(3,911)
- net decrease in financial liabilities at fair value through profit or loss	6	-	(14,855)
- net increase in other liabilities		22,526	6,976
Net cash from operating activities		309,135	152,381
Cash flows from investing activities			
Purchases of property and equipment	10	(4,478)	(2,573)
Purchases of investment securities		(796,490)	(186,484)
Interest paid on other borrowed funds		(4,859)	(2,647)
Interest income received on investment securities		25,451	28,252
Proceeds from sale and redemption of investment securities		753,108	110,127
Net cash used in investing activities		(27,268)	(53,325)
Cash flows from financing activities			
Dividends paid	20	(31,256)	(31,256)
Net cash used in financing activities		(31,256)	(31,256)
Net increase in cash and cash equivalents		250,611	67,800
Cash and cash equivalents, beginning of year		205,092	137,292
Cash and cash equivalents, end of year	3	$ 455,703	$ 205,092

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

* Certain amounts shown here do not correspond to the 2013 consolidated financial statements and reflect adjustments made, refer to note 2.3.

Note 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 Financial Centre, 2nd Floor, Shirley Street, Nassau, The Bahamas.

These consolidated financial statements have been authorised for issue by the Board of Directors on December 18, 2014. The Board of Directors have the power to amend these consolidated financial statements after issue, if required.

Note 2 Basis of preparation and summary of significant accounting policies

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

2.1 Basis of preparation

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.

The consolidated financial statements provide comparative information in respect of the previous period. In addition, the Bank presents an additional statement of financial position at the beginning of the earliest period presented when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in the financial statements. An additional statement of financial position as at November 1, 2012 is presented in these consolidated financial statements due to retrospective application of certain accounting policies. Refer to note 2.3.

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.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries as at October 31, 2014 (the "reporting date"). The financial statements of the subsidiaries are prepared for the same reporting year as the Bank, using consistent accounting policies.

Subsidiaries

All subsidiaries, which are those companies controlled by the Bank, have been fully consolidated. The principal subsidiaries of the Bank are disclosed in note 29.

Control is achieved when the Bank is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Bank controls an investee if and only if the Bank has: 1) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee); 2) Exposure, or rights, to variable returns from its involvement with the investee; and 3) The ability to use its power over the investee to affect its returns.

When the Bank has less than a majority of the voting or similar rights of an investee, the Bank considers all relevant facts and circumstances in assessing whether it has power over an investee, including: 1) The contractual arrangement with the other vote holders of the investee; 2) Rights arising from other contractual arrangements; 3) The Bank's voting rights and potential voting rights.

The Bank re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Bank obtains control over the subsidiary and ceases when the Bank loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive loss from the date the Bank gains control until the date the Bank ceases to control the subsidiary.

All inter-company transactions, balances and unrealised surpluses and deficits on transactions and balances have been eliminated. Non-controlling interests represent the portion of profit or loss and net assets not owned, directly or indirectly, by the Bank and are presented separately in the consolidated statement of income and within equity in the consolidated statement of financial position, separately from equity attributable to equity holders of the parent.

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.

In determining the appropriate discount rate, management considers the interest rates of government bonds, in the absence of corporate bonds, in currencies consistent with the currencies of the post-employment benefit obligation with at least an 'AA' rating or above, as set by an internationally acknowledged rating agency, and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation. The mortality rate is based on publicly available mortality tables for the specific countries. Future salary increases and pension increases are based on expected future inflation rates. Further details about pension obligations are given in Note 11.

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. For the year ended October 31, 2014, the Bank recognized impairment loss of $115,000 (2012: Nil) (Note 12).

Going Concern

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

2.3 Adoption of new accounting policies

The accounting policies adopted are consistent with those of the previous financial year with the exception of those impacted by new and amended standards and interpretations:

New and amended standards and interpretations

The Bank applied, for the first time, certain standards and amendments that require restatement of previous financial statements. These include IAS 19, Employee Benefits (Revised 2011), and amendments to IAS 1, Presentation of Financial Statements.

In addition, the application of IFRS 10, Consolidated Financial Statements, and IFRS 13, Fair Value Measurement, resulted in additional disclosures in the consolidated financial statements. Several other amendments apply for the first time in 2014, however, they do not impact the annual consolidated financial statements of the Bank or the interim condensed consolidated financial statements of the Bank.

The nature and the impact of each new standard and amendment are described below:

IAS 19 Employee Benefits (Revised 2011)

The Bank applied IAS 19 (Revised 2011) retrospectively in the current period in accordance with the transitional provisions set out in the revised standard. The opening statement of financial position of the earliest comparative period presented (November 1, 2012) and the comparative figures have been accordingly restated. IAS 19 (Revised 2011) changes, amongst other things, the accounting for defined benefit plans. Some of the key changes that impacted the Bank include the following:

a) All past service costs are recognised at the earlier of when the amendment/curtailment occurs or when the related restructuring or termination costs are recognised. As a result, unvested past service costs can no longer be deferred and recognised over the future vesting period.
b) The interest cost and expected return on plan assets used in the previous version of IAS 19 are replaced with a net-interest amount under IAS 19 (Revised 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset at the start of each annual reporting period.
c) Actuarial gains and losses previously recognised in the consolidated statement of income will be reflected in OCI and renamed as "Re-measurements".

IAS 19 (Revised 2011) requires more extensive disclosures, which have been provided in Note 11. IAS 19 (Revised 2011) has also been applied retrospectively, with the following permitted exceptions:

- The carrying amounts of other assets have not been adjusted for changes in employee benefit costs that were included before November 1, 2012.
- Sensitivity disclosures for the defined benefit obligation for the comparative period (year ended October 31, 2013) have not been provided.

For the year ended October 31, 2014
(Expressed in thousands of Bahamian dollars)

The impact on the consolidated statement of financial positions as a result of the retrospective application of the amendments to IAS 19 was a follows:

	Reported as at October 31, 2012 $	IAS 19 Adjustments $	Restated as at October 31, 2012 $
Assets			
Retirement benefit assets	5,514	(5,514)	-
Asset line items not impacted by accounting changes	3,351,597	-	3,351,597
	3,357,111	**(5,514)**	**3,351,597**
Liabilities and Equity			
Retirement benefit obligations	6,513	13,366	19,879
Liability line items not impacted by accounting changes	2,560,269	-	2,560,269
	2,566,782	**13,366**	**2,580,148**
Equity			
Issued Capital	477,230	-	477,230
Reserves	(19,776)	(18,771)	(38,547)
Retained earnings	332,875	(109)	332,766
	790,329	**(18,880)**	**771,449**
	3,357,111	**(5,514)**	**3,351,597**

	Reported as at October 31, 2013 $	IAS 19 Adjustments $	Restated as at October 31, 2013 $
Assets			
Retirement benefit assets	6,583	(6,583)	-
Asset line items not impacted by accounting changes	3,297,493	-	3,297,493
	3,304,076	**(6,583)**	**3,297,493**
Liabilities and Equity			
Retirement benefit obligations	15,676	9,180	24,856
Liability line items not impacted by accounting changes	2,543,945	-	2,543,945
	2,559,621	**9,180**	**2,568,801**
Equity			
Issued Capital	477,230	-	477,230
Reserves	(14,888)	(19,263)	(34,151)
Retained earnings	282,113	3,500	285,613
	744,455	**(15,763)**	**728,692**
	3,304,076	**(6,583)**	**3,297,493**

(Expressed in thousands of Bahamian dollars)

The increase (decrease) on the consolidated statements of income and consolidated statements of comprehensive income as a result of the retrospective application of the amendments to IAS 19 was as follows:

	2013	2012
	$	$
Impact on loss for the year		
Decrease / (increase) in Operating expenses	3,609	(109)
Decrease / (increase) in loss for the year	3,609	(109)
Impact on other comprehensive income for the year		
Re-measurement losses on retirement benefit plans	(492)	(18,771)
Increase in other comprehensive loss for the year	(492)	(18,771)
Decrease/(Increase) in total comprehensive loss for the year	3,117	(18,880)

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS. IFRS 13 defines fair value as an exit price. As a result of the guidance in IFRS 13, the Bank re-assessed its policies for measuring fair value. IFRS also requires additional disclosure.

Adoption of this standard did not result in changes to how the Bank measures fair value. However additional disclosures related to the type and range of inputs used in the estimation of the fair value of the financial statements measured at fair value on the consolidated statement of financial position that are considered to be in Level 3 of the fair value hierarchy have been included in Note 27. In addition, additional disclosures related to the fair value of financial instruments measured at amortised costs on the consolidated statement of financial position such as loans and deposits, including how the disclosed fair values fit into the fair value hierarchy, will be provided.

IAS 1 Presentation of Items of Other Comprehensive Income (Amendment)

The amendments to IAS 1 introduce a grouping of items presented in OCI. Items that will be reclassified ('recycled') to profit or loss at a future point in time (e.g., net loss or gain on AFS financial assets) have to be presented separately from items that will not be reclassified (e.g., revaluation of land and buildings). The amendments affect presentation only and have no impact on the Bank's financial position or performance.

IAS 1 Clarification of The Requirement for Comparative Information (Amendment)

These amendments clarify the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The amendments clarify that the opening statement of financial position (as at November 1, 2012 in the case of the Bank), presented as a result of retrospective restatement or reclassification of items in financial statements does not have to be accompanied by comparative information in the related notes. As a result, the Bank has not included comparative information in respect of the opening statement of financial position as at November 1, 2012. The amendments affect presentation only and have no impact on the Bank's financial position or performance.

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, or when circumstances indicate that the carrying value may be impaired, 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.

Restructuring provisions

Restructuring provisions are recognised only when the recognition criteria for provisions are fulfilled. The Bank has a constructive obligation when a detailed formal plan identifies the business or part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs, and an appropriate timeline. Furthermore, the employees affected have been notified of the plan's main features. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

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. 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 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

Business segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the 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.

Fair value measurement

The Bank measures financial instruments, such as, derivatives, and available for sale investment securities at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 27. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Bank.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- **Level 1** - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- **Level 2** - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- **Level 3** - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Bank determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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, 2014. Of these, the following are relevant to the Bank but have not been early adopted. Management is considering the implications of these new standards, the impact on the Bank and the timing of their adoption.

- Amendments to IAS 32 "Offsetting Financial Assets and Financial Liabilities" - Issued in December 2011, the effective date for the amendments to IAS 32 is November 1, 2014. The amendments to IAS 32 clarify that an entity currently has a legally enforceable right to set-off if that right is: (i) not contingent on a future event; and (ii) enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties. The amendments are required to be adopted retrospectively.

- IFRIC 21 "Levies" - Issued in May 2013, the effective date for the interpretation for the Bank is November 1, 2014. The interpretation clarifies the timing of the recognition of the liability to pay a levy, which is an outflow of resources embodying economic benefits (other than income taxes, fines and penalties) that are imposed by governments on entities in accordance with legislation. The interpretation concludes that if the occurrence of the obligating event, as identified by the legislation, is at a point in time, then the recognition of the liability shall be at that point in time. Otherwise, if the obligating event occurs over a period of time, the liability shall be recognised progressively over that period of time.

- IFRS 15 "Revenue from Contracts with Customers" - Issued May 2014, IFRS 15 replaces prior guidance, including IAS 18 "Revenue" and IFRIC 13 "Customer Loyalty Programmes". The effective date for us is November 1, 2017. The new guidance includes a five-step recognition and measurement approach, requirements for accounting of contract costs, and enhanced quantitative and qualitative disclosure requirements.

- IFRS 9 "Financial Instruments" - Issued July 2014, IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 is mandatorily effective for the Bank on November 1, 2018 although early application is permitted if an entity applies all the requirements of the standard early. IFRS 9 provides a new approach for the classification of financial assets, which shall be based on the cash flow characteristics of the asset and the business model of the portfolio in which the asset is held. IFRS 9 also introduces an expected-loss impairment model that shall be applied to all financial instruments held at amortised cost or fair value through Other Comprehensive Income (OCI), and requires entities to account for 12-month expected credit losses from the date financial instruments are first recognised and to recognise full lifetime expected credit losses in the event of a significant increase in credit risk. Hedge accounting guidance has been changed to better align the accounting with risk management activities. For financial liabilities designated at fair value through profit and loss, IFRS 9 requires the presentation of the effects of changes in the liability's credit risk in OCI instead of net income and amounts presented in OCI shall not be reclassified subsequently to net income. The Bank can elect to early apply only this presentation requirement without applying the other requirements in IFRS 9.

(Expressed in thousands of Bahamian dollars)

Note 3 Cash and Balances with The Central Bank

	2014	2013
Cash	$ 27,585	$ 34,210
Deposits with The Central Bank - non-interest bearing	93,126	132,872
Cash and balances with The Central Bank	120,711	167,082
Less: Mandatory reserve deposits with The Central Bank	(46,022)	(44,380)
Included in cash and cash equivalents, as per below	$ 74,689	$ 122,702

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

	2014	2013
Cash and balances with The Central Bank, as per above	$ 74,689	$ 122,702
Due from banks, included in cash and cash equivalents *(Note 4)*	381,014	82,390
	$ 455,703	$ 205,092

Note 4 Due from Banks

	2014	2013
Included in cash and cash equivalents (Note 3)	$ 381,014	$ 82,390
Greater than 90 days maturity from date of acquisition	51,343	15,769
Due from banks	432,357	98,159
Add: Accrued interest receivable	42	8
	$ 432,399	$ 98,167

Due from banks comprises deposit placements and include amounts placed with other FirstCaribbean International Bank entities of $263,661 (2013: $13,499) and deposit placements with CIBC entities of $41,190 (2013: $24,857) (Note 23). Due from banks include placements with FCIB Jamaica totalling $13,235 (2013: $13,241), 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 0.34% (2013: 0.50%).

(Expressed in thousands of Bahamian dollars)

Note 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.

2014	Notional Amount		Fair Values	
	Assets	Liabilities	Assets	Liabilities
Interest rate swaps	**$ 84,891**	**$ 228,178**	**$ 527**	**$ 19,212**
Foreign exchange forwards	**67,838**	**-**	**287**	**-**
			$ 814	**$ 19,212**

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

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 $12 (2013: net gains of $260) due to losses/gains on hedging instruments of $1,834 (2013: gains of $5,600) and gains/losses on hedged items attributable to the hedged risk of $1,822 (2013: loss of $5,340). These results are included within other operating income as part of net hedging gains/losses (Note 17).

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

(Expressed in thousands of Bahamian dollars)

Note 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, 2014 and 2013, were Nil. In 2013, the financial asset wound up and paid final distributions. As a result, the offsetting liability was settled.

	2014	2013
Balance, beginning of year	$ -	$ 14,855
Additions	-	6,142
Disposals	-	(19,266)
Change in fair value	-	(1,731)
Balance, end of year	$ -	$ -

Note 7 Other Assets

	2014	2013
Branch clearings and suspense	$ 20,113	$ 2,553
Other accounts receivables (Note 23)	11,243	3,038
Prepayments and deferred items	2,021	1,129
	$ 33,377	$ 6,720

(Expressed in thousands of Bahamian dollars)

Note 8 Investment Securities

	2014	2013
Available-for-sale		
Government debt securities	**$ 439,527**	$ 478,728
Corporate debt securities	**290,797**	201,917
	730,324	680,645
Add: Interest receivable	**8,663**	9,809
	$ 738,987	$ 690,454

Debt securities issued or guaranteed by the Government of The Bahamas amounted to $374,196 (2013: $309,579). 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, 2014, the reserve requirement amounted to $190,273 (2013: $179,147) of which $46,022 (2013: $44,380) is included within cash and balances with The Central Bank (Note 3).

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

	2014	2013
Balance, beginning of year	**$ 680,645**	$ 596,531
Additions (purchases, changes in fair value and foreign exchange)	**796,768**	189,980
Disposals (sales and redemptions)	**(747,089)**	(105,866)
Balance, end of year	**$ 730,324**	$ 680,645

The effective yield during the year on investment securities was 3.37% (2013: 4.43%).

(Expressed in thousands of Bahamian dollars)

Note 9 Loans and Advances to Customers

	Mortgages	Personal Loans	Business & Government Loans	2014
Performing loans (Note 27)	$ 877,188	$ 174,352	$ 777,954	$ 1,829,494
Impaired loans (Note 27)	191,618	38,305	109,107	339,030
Gross loans (Note 27)	1,068,806	212,657	887,061	2,168,524
Less: Provisions for impairment	(101,462)	(34,926)	(53,710)	(190,098)
	$ 967,344	$ 177,731	$ 833,351	$ 1,978,426
Add: Interest receivable				16,226
Less: Unearned fee income				(11,767)
				$ 1,982,885

	Mortgages	Personal Loans	Business & Government Loans	2013
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

Movement in provisions for impairment is as follows:

	Mortgages	Personal Loans	Business & Government Loans	2014
Balance, beginning of year	$ 52,098	$ 22,176	$ 39,552	$ 113,826
Identified impairment	72,154	17,852	16,751	106,757
Unidentified impairment	4,568	910	1,596	7,074
Interest accrued on impaired loans	-	-	(16,102)	(16,102)
Recoveries of bad and doubtful debts	-	913	612	1,525
Bad debts written off	(11,963)	(6,924)	(4,095)	(22,982)
Balance, end of year	$ 116,857	$ 34,927	$ 38,314	$ 190,098

Movement in provisions for impairment is as follows:

	Mortgages	Personal Loans	Business & Government Loans	2013
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

(Expressed in thousands of Bahamian dollars)

Ageing analysis of past due but not impaired loans for 2014:

	Mortgages	Personal Loans	Business & Government Loans	2014
Less than 30 days	**$ 44,227**	**$ 4,152**	**$ 3,894**	**$ 52,273**
31 - 60 days	**35,353**	**8,608**	**817**	**44,778**
61 - 89 days	**18,295**	**1,196**	**1,632**	**21,123**
	$ 97,875	**$ 13,956**	**$ 6,343**	**$ 118,174**

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

	Mortgages	Personal Loans	Business & Government Loans	2013
Less than 30 days	$ 45,729	$ 3,943	$ 6,491	$ 56,163
31 - 60 days	40,692	3,471	1,245	45,408
61- 89 days	16,402	5,220	839	22,461
	$ 102,823	$ 12,634	$ 8,575	$ 124,032

The average interest yield during the year on loans and advances was 6.73% (2013: 6.58%). Interest included in income on impaired loans during the year amounted to $3,078 (2013: interest deducted - $3,092).

Loan loss impairment is calculated as follows:

	2014	2013
Identified impairment	**$ 106,757**	$ 72,943
Unidentified impairment	**7,074**	4,559
Loan loss impairment for the year	**$ 113,831**	$ 77,502

(Expressed in thousands of Bahamian dollars)

Note 10 Property and Equipment

	Land and buildings	Equipment, furniture and vehicles	Leasehold improvements	2014
Cost				
Balance, November 1, 2013	$ 21,664	$ 33,164	$ 14,983	$ 69,811
Purchases	-	2,318	2,160	4,478
Net transfers	90	1,048	(1,138)	-
Balance, October 31, 2014	$ 21,754	$ 36,530	$ 16,005	$ 74,289
Accumulated depreciation				
Balance, November 1, 2013	5,881	27,418	12,218	45,517
Depreciation *(Note 18)*	586	1,860	678	3,124
Balance, October 31, 2014	$ 6,467	$ 29,278	$ 12,896	$ 48,641
Net book value, October 31, 2014	$ 15,287	$ 7,252	$ 3,109	$ 25,648

	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

Included as part of equipment, furniture, and vehicles is an amount for $2,909 (2013: $2,000) relating to systems development costs and work in progress which is incomplete, not yet in operation and on which no depreciation has been charged.

Note 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.

Plan characteristics, funding and risks

The benefits that members receive at retirement under the defined contribution plans depend on their account balances at retirement and the cost of purchasing an annuity. Most of the defined benefit pension plans are non-contributory and allow for additional voluntary contributions with benefits dependent on either highest average annual pensionable earnings in the last ten years of membership or highest inflation adjusted salary in any one of the last three years of membership. The defined benefits plans are fully integrated with the benefits provided by any national insurance or social security schemes in the different countries that are covered by the plans. The insured health plans allow for retirees to continue receiving health benefits during retirement. The plans require contributions to separate funds, are administered independently and are valued by independent actuaries every three years using the projected unit credit method. The most recent actuarial valuations were carried out as at November 1, 2013.

Benefit changes

There were no material changes to the terms of our defined benefit pension or post-retirement medical benefit plans in 2014, 2013 or 2012.

Risks

The defined benefit pension and post-retirement medical benefit plans expose the Bank to actuarial risks, such as longevity risk, currency risk, interest rate risk, market (investment risks) and health care cost inflation risks arising in the relevant sectors.

Plan Governance

The Bank is responsible for the establishment of the plans and oversight of their administration. The Group's Board of Directors has delegated powers and authorities to a Pension Steering Committee ("PSC") as set out in its mandate to that committee. The PSC has established Management Committees ("MC") and an Investment Sub-Committee ("ISC") as advisory sub-committees and delegated to each of them certain of its responsibilities in connection with the management and administration of the relevant plans and the investment of plan assets. A separate trust fund has been established for each plan to receive and invest contributions and pay benefits due under each plan. All benefits are calculated and paid out in accordance with the rules of the pension plan. Funds are physically held by a trustee or Trustees (whether corporate or individual) as appointed in accordance with the Trust Deeds. Each year, the PSC with input from the ISC and MC reviews the level of funding in the plans. Such a review includes the asset-liability matching strategy and investment risk management policy. The PSC decides its contribution based on the results of this annual review. The plan assets include significant investments in quoted equity shares and bonds.

The total expense relating to the defined contribution plan charged for the year was $429 (2013: $425), which represents contributions to the plan by the Bank at rates specified in the rules of the plan. Refer to Note 18.

For the year ended October 31, 2014
(Expressed in thousands of Bahamian dollars)

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

	Defined Benefit Pension Plans		Post Retirement Medical Benefits	
	2014	2013 Restated	**2014**	2013 Restated
Fair value of the plan assets	**$ 109,139**	$ 101,895	**$ -**	$ -
Present value of the obligations	**(110,793)**	(106,547)	**(20,943)**	(20,204)
Net Retirement benefit obligations	**$ (1,654)**	$ (4,652)	**$ (20,943)**	$ (20,204)

The pension plan assets include 100,000 (2013: 100,000) ordinary shares in the Bank, with a fair value of $805 (2013: $725).

The actual return on plan assets for the defined benefit sections of the pension plan was $9,943 (2013 restated: $11,006).

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

	2014	2013
Opening fair value of plan assets	**$ 101,895**	$ 92,086
Contributions by employer	**1,540**	1,628
Benefits paid	**(4,036)**	(2,672)
Actuarial gains	**9,740**	10,853
Closing fair value of plan assets	**$ 109,139**	$ 101,895

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

	2014	2013
Opening obligations	**$ (106,547)**	$ (98,744)
Interest costs	**(5,356)**	(5,032)
Current service costs	**(2,595)**	(3,223)
Curtailments	**-**	2,505
Benefits paid	**4,036**	2,672
Actuarial losses on obligations	**(331)**	(4,725)
Closing obligations	**$ (110,793)**	$ (106,547)

For the year ended October 31, 2014
(Expressed in thousands of Bahamian dollars)

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

	2014	2013
Opening obligations	$ (20,204)	$ (12,797)
Interest costs	(998)	(631)
Current service costs	(30)	(67)
Curtailments	-	(4,534)
Past service costs – vested benefits	-	(461)
Benefits paid	523	483
Actuarial losses on obligations	(234)	(2,197)
Closing obligations	$ (20,943)	$ (20,204)

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

	Defined Benefit Pension Plans		Post Retirement Medical Benefits	
	2014	2013 Restated	2014	2013 Restated
Current service costs	$ 2,595	$ 3,223	$ 30	$ 67
Interest costs	5,356	5,032	998	631
Interest income on plan assets	(5,032)	(4,578)	-	-
Net actuarial losses recognised during the year	202	152	-	-
Curtailments	-	(2,504)	-	-
Vested past service costs	-	-	-	4,995
Total amount included in staff costs *(Note 18)*	$ 3,121	$ 1,325	$ 1,028	$ 5,693

The net re-measurement gain/(loss) recognised in other comprehensive income are as follows:

	Defined Benefit Pension Plans		Post Retirement Medical Benefits	
	2014	2013 Restated	2014	2013 Restated
Actuarial gains/(losses) on defined benefit obligation arising from:				
- Demographic assumptions	$ -	$ 6,043	$ -	$ 1,300
- Financial assumptions	(82)	(1,051)	1,786	-
- Experience adjustments	397	(269)	(1,552)	897
- Return on plan assets excluding interest income	(4,910)	(6,428)	-	-
Net re-measurement (gain)/loss recognised in OCI	$ (4,595)	$ (1,705)	$ 234	$ 2,197

(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	
	2014	**2013**	**2014**	**2013**
Balance, beginning of year	**$ (4,652)**	$ (6,661)	**$ (20,204)**	$ (12,797)
Charge for the year (Note 18)	**(3,121)**	(1,325)	**(1,028)**	(5,693)
Contributions by employer	**1,524**	1,629	**523**	483
Effect on statement of other comprehensive income	**4,595**	1,705	**(234)**	(2,197)
Balance, end of year	**$ (1,654)**	$ (4,652)	**$ (20,943)**	$ (20,204)

The breakdown of the net obligation between active members and inactive and retired members is as follows:

	Defined Benefit Pension Plans		Post Retirement Medical Benefits	
	2014	**2013**	**2014**	**2013**
Active members	**$ 67,061**	$ 70,255	**$ 5,340**	$ 1,454
Inactive and retired members	**43,732**	36,292	**15,603**	18,750
	$ 110,793	$ 106,547	**$ 20,943**	$ 20,204

The average duration of the net obligation at the end of the reporting period is as follows:

	Defined Benefit Pension Plans		Post Retirement Medical Benefits	
	2014	**2013**	**2014**	**2013**
Average duration, in years	**$ 22**	$ 22	**$ 17**	$ 17

The major categories of the plan assets and the actual ($ in thousands and %) fair value of total plan assets are as follows:

	2014		2013	
Quoted equity instruments	$	%	$	%
- International	**1,090**	**1%**	1,001	1%
Quoted debt				
- Government	**1,771**	**2%**	6,128	6%
- Corporate bonds	**1,215**	**1%**	1,145	1%
- Inflation Adj. bonds	**643**	**1%**	606	1%
Investment Funds				
- U.S. Equity	**40,634**	**37%**	35,155	34%
- International Equity	**29,174**	**27%**	27,117	27%
- Fixed Income	**31,260**	**28%**	30,005	29%
Other assets	**3,352**	**3%**	738	1%
	109,139	**100%**	101,895	100%

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	
	2014	**2013**
Discount rate	5.0%	5.0%
Expected return on plan assets	5.0%	6.1%
Future salary increases	4.0%	4.0%
Future pension increases	2.5%	2.5%

	Post Retirement Medical Benefit	
	2014	**2013**
Discount rate	5.0%	5.0%
Premium escalation rate	10.0%	6.0%
Existing retiree age	60	60

(Expressed in thousands of Bahamian dollars)

Impact of changes in medical premium escalation rate

A quantitative sensitivity analysis for significant assumption as at 31 October 2014 is as shown below:

Assumption	Sensitivity level	Impact on net defined benefit pension plans		Impact on Post retirement medical benefits	
		Increase	Decrease	Increase	Decrease
Discount rate	1%	90,784	137,266	17,995	24,680
Future salary increases	0.5%	114,935	106,917	n/a	n/a
Future pension increases	0.5%	116,884	105,287	n/a	n/a
Premium escalation rate	1%	n/a	n/a	24,650	17,960
Existing retiree age	1%	114,114	n/a	22,276	n/a

The sensitivity analyses above have been determined based on a method that extrapolates the impact on net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

	Defined Benefit Pension Plans	Post Retirement Medical Benefit
	2014	**2014**
Within the next 12 months	**$ 3,720**	**$ 687**
Between 2 and 5 years	**9,420**	**3,295**
Between 5 and 10 years	**17,762**	**5,118**
Total expected payments	**$ 30,902**	**$ 9,100**

Note 12 Goodwill

	2014	2013
Cost		
Balance, beginning and end of year	**$ 187,747**	$ 187,747
Accumulated impairment		
Balance, beginning of year	**-**	-
Impairment during the year	**115,000**	-
Balance, end of year	**115,000**	-
Carrying amount, end of year	**$ 72,747**	$ 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 that are estimated using a five year cash flow projection also with an estimate of capital required to support ongoing operations. The cash flow projections are 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.

As at October 31, 2014 the recoverable amount of the goodwill allocated The Bahamas, was less than the carrying value. As a result, management has recognised an impairment of $115,000 against goodwill with a carrying amount of $187,747 as at October 31, 2013. The impairment charge is recorded in the consolidated statement of loss.

(Expressed in thousands of Bahamian dollars)

Key assumptions used for value-in-use calculations

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

	Discount rate		Growth rate	
	2014	2013	2014	2013
Bahamas	11%	12%	2%	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.

We estimated that a 10% reduction in forecasted cash flows or a 1% rise in the discount rate would not impact the CGU's recoverable amount to result in any further goodwill impairment at October 31, 2014.

Note 13 Customer Deposits

	Payable on Demand	Payable after Notice	Payable at a Fixed Date	2014 Total	2013 Total
Individuals	$ 175,349	$ 203,290	$ 467,919	$ 846,558	$ 854,925
Business and governments	934,799	32,123	600,719	1,567,641	1,447,704
Banks	2,118	-	347,012	349,130	191,741
	1,112,266	235,413	1,415,650	2,763,329	2,494,370
Add: Interest payable	108	56	3,154	3,318	4,958
	$ 1,112,374	$ 235,469	$ 1,418,804	$ 2,766,647	$ 2,499,328

Included in deposits from banks are deposits from other Parent Group entities of $305,814 (2013: $186,918) (Note 23).

The effective rate of interest on deposits during the year was 0.46% (2013: 0.73%).

Note 14 Other Liabilities

	2014	2013
Accounts payable and accruals, including clearings	**$ 14,608**	$ 18,692
Restructuring costs	**2,805**	6,513
Amounts due to related parties *(Note 23)*	**27,255**	2,408
Payroll liabilities	**43**	59
Due to brokers and others	**136**	119
	$ 44,847	$ 27,791

(Expressed in thousands of Bahamian dollars)

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.

During 2013, the Bank 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 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 $2,270 (2013: $5,953) and other costs of $535 (2013: $560). Movement in the provision during the year related to payments made by the Bank, as well as write-down of excess provisions made in the previous year.

Note 15 Share Capital and Reserves

	2014	2013 Restated
Share capital	**$ 477,230**	$ 477,230
Reserves		
Statutory reserve fund – Turks and Caicos Islands	**36,928**	35,795
Statutory loan loss reserve – Bahamas	**-**	8,883
Revaluation reserve – Available-for-sale investments	**4,291**	4,000
Reverse acquisition reserve	**(63,566)**	(63,566)
Retirement benefit reserve	**(14,902)**	(19,263)
Total reserves	**(37,249)**	(34,151)
Total share capital and reserves	**$ 439,981**	$ 443,079

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 2014 and 2013. At October 31, 2014 and 2013, 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.

(Expressed in thousands of Bahamian dollars)

During the year, the Bank has complied in full with all of our regulatory capital requirements.

Regulatory capital

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

In 2014, Tier 1 and Total Capital ratios were 28% and 29%, respectively (2013: 28% and 29%, respectively).

The movements in reserves were as follows:

		2014		2013
Statutory reserve fund – Turks and Caicos Islands				
Balance, beginning of year	**$**	**35,795**	$	33,140
Transfers from retained earnings		**1,133**		2,655
Balance, end of year	**$**	**36,928**	$	35,795

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.

		2014		2013
Statutory loan loss reserve – Bahamas				
Balance, beginning of year	**$**	**8,883**	$	9,887
Transfers to retained earnings		**(8,883)**		(1,004)
Balance, end of year	**$**	-	$	8,883

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.

		2014		2013
Revaluation reserve – available-for-sale investments				
Balance, beginning of year	**$**	**4,000**	$	763
Net gain from changes in fair value of available-for-sale investments *(Note 21)*		**291**		3,237
Balance, end of year	**$**	**4,291**	$	4,000

(Expressed in thousands of Bahamian dollars)

Reverse acquisition reserve

	2014	2013
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).

Retirement benefit reserve

	2014	2013
Balance, beginning of year as previously reported	$ -	$ -
Impact of adoption of IAS 19R (Note 2.3)	(19,263)	(18,771)
Balance, beginning of the year (restated)	(19,263)	(18,771)
Re-measurement gains/(losses) on retirement benefit plans	4,361	(492)
Balance, end of year	$ (14,902)	$ (19,263)

Note 16 Net Interest Income

	2014	2013
Interest and similar income		
Cash and short-term funds	$ 841	$ 529
Investment securities	24,305	27,680
Loans and advances to customers	128,896	128,196
	154,042	156,405
Interest and similar expense		
Banks and customers	$ 12,424	$ 18,316
Other	3,878	2,598
	16,302	20,914
Net interest income	$ 137,740	$ 135,491

(Expressed in thousands of Bahamian dollars)

Note 17 Other Operating Income

	2014	2013
Fee and commission income	**$ 24,053**	$ 20,578
Foreign exchange commissions	**9,181**	9,075
Foreign exchange revaluation net gains	**486**	551
Net investment securities gains (Note 21)	**6,019**	4,261
Net hedging (losses)/gains (Note 5)	**(12)**	260
Net trading losses	**(3,287)**	(4,956)
Other operating income	**2,329**	2,983
	$ 38,769	$ 32,752

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

Net investment securities gains have arisen from disposals of 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:

	2014	2013
Underwriting	**$ 289**	$ 277
Deposit services	**7,450**	6,974
Credit services	**1,985**	1,112
Card services	**8,675**	7,293
Funds transfer	**4,280**	3,734
Other	**1,374**	1,188
	$ 24,053	$ 20,578

Note 18 Operating Expenses

	2014	2013 Restated *
Staff costs	**$ 35,476**	$ 46,919
Business license	**7,916**	3,818
Occupancy and maintenance	**12,664**	12,980
Depreciation *(Note 10)*	**3,124**	4,796
Other operating expenses	**36,321**	36,474
	$ 95,501	$ 104,987

(Expressed in thousands of Bahamian dollars)

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

Analysis of staff costs:

	2014	2013 Restated
Wages and salaries	**$ 26,096**	$ 28,578
Pension costs:		
-defined benefit sections of the plan *(Note 11)*	**3,121**	1,325
-defined contribution section of the plan	**429**	425
Post-retirement medical benefits charge *(Note 11)*	**1,028**	5,693
Employee share purchase plan *(Note 22)*	**247**	284
Severance, including restructuring costs *(Note 14)*	**(387)**	5,843
Insurance and risk benefits	**3,350**	3,144
Other staff related costs	**1,592**	1,627
	$ 35,476	$ 46,919

Analysis of other operating expenses:

	2014	2013
Communications	**$ 2,240**	$ 2,526
Professional and management fees	**26,541**	26,634
Business development	**265**	238
Advertising and marketing	**259**	191
Consumer related expenses	**1,515**	1,426
Non-credit losses	**1,773**	1,517
Postage, courier and stationery	**1,560**	1,587
General insurances	**531**	568
Outside services	**567**	622
Other	**1,070**	1,165
	$ 36,321	$ 36,474

(Expressed in thousands of Bahamian dollars)

Note 19 Loss per Share

Basic loss per share

	2014	2013 Restated
Net loss attributable to shareholders	**$ (147,823)**	$ (14,246)
Weighted average number of ordinary shares in issue *(Note 15)*	**120,216**	120,216
Basic loss per share (expressed in cents per share)	**$ (123.0)**	$ (11.9)

The Bank has no dilutive securities.

Note 20 Dividends Paid

	2014	2013
Declared and paid during the year		
First dividend $0.13 (2013: $0.13)	**$ 15,628**	$ 15,628
Final dividend $0.13 (2013: $0.13)	**15,628**	15,628
Total dividends declared and paid	**$ 31,256**	$ 31,256

At the Board of Directors meeting held on December 18, 2014, a final dividend for 2014 of $0.13 per share amounting to $15,628 was proposed and declared. The consolidated financial statements for the year ended October 31, 2014 do not reflect this resolution, which will be accounted for in equity as a distribution of retained earnings in the year ending October 31, 2015.

Note 21 Components of Other Comprehensive Income

	2014	2013
Available-for-sale investment securities:		
Net gains arising during the year	**$ 6,310**	$ 7,498
Less: reclassification adjustments for gains included in the statement of income *(Note 17)*	**(6,019)**	(4,261)
Other comprehensive income for the year *(Note 15)*	**$ 291**	$ 3,237

Note 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.

(Expressed in thousands of Bahamian dollars)

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 $247 in 2014 (2013: $284) *(Note 18)*.

Note 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.

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	
	2014	2013	**2014**	2013	**2014**	2013
Asset balances:						
Due from banks	**$ -**	$ -	**$ 263,661**	$ 13,499	**$ 41,190**	$ 24,857
Derivative financial instruments	**-**	-	-	-	**1,205**	776
Other assets	**-**	-	**3,563**	425	**-**	-
Loans and advances to customers	**3,043**	3,137	**-**	-	**-**	-
Liability balances:						
Derivative financial instruments	**-**	-	-	-	**10,592**	7,905
Customer deposits	**1,679**	1,985	**127,594**	186,918	**216,608**	-
Other liabilities	**-**	-	**27,217**	2,408	**38**	-
Revenue transactions:						
Interest income	**169**	104	**384**	300	**147**	20
Other income	**-**	-	**-**	-	**(4)**	(225)
Expense transactions:						
Interest expense	**43**	22	**237**	1,322	**3,779**	1,405
Other expenses*	**-**	-	**30,748**	26,055	**40**	5

* Expenses incurred in relation to banking and support services.

	2014	2013
Key management compensation		
Salaries and short term benefits	**$ 2,589**	$ 2,739

Directors' remuneration

In 2014, the total remuneration to the directors was $25 (2013: $36).

(Expressed in thousands of Bahamian dollars)

Note 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:

	2014	**2013**
Letters of credit	**$ 17,140**	$ 22,378
Undrawn loan commitments	**179,512**	192,028
Guarantees and indemnities	**21,344**	23,715
Total *(Note 27)*	**$ 217,996**	$ 238,121

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, extended to March 30, 2014. Effective April 21, 2014, the Bank entered into an agreement for a further extension of the maturity date to March 29, 2015. As of October 31, 2014, no advances were made from the facility and all balances are undrawn.

Note 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:

	2014	**2013**
Not later than 1 year	**$ 2,788**	$ 4,020
Later than 1 year and less than 5 years	**6,903**	7,896
Later than 5 years	**489**	1,180
	$ 10,180	$ 13,096

During the year $3,308 (2013: $4,096) of lease payments was charged to net income, included in occupancy and maintenance expenses (Note 18).

Note 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.

For the year ended October 31, 2014
(Expressed in thousands of Bahamian dollars)

2014 Segment Reporting

	RB	WB	WM	Admin	2014
External revenues	$ 92,208	$ 53,793	$ 6,922	$ 23,586	**$ 176,509**
Revenues from other segments	(16,089)	19,284	18,961	(22,156)	**-**
Total revenues	**76,119**	**73,077**	**25,883**	**1,430**	**176,509**
Segment results	(61,411)	3,332	10,852	14.674	**(32,823)**
Impairment of goodwill	-	-	-	(115,000)	**(115,000)**
Net income/(loss) for the year	**$ (61,411)**	**$ 3,332**	**$ 10,852**	**$ (100,596)**	**$ (147,823)**

Segment results include the following items of income or expense:

	RB	WB	WM	Admin	2014
Interest income	$ 53,920	$ 61,845	$ 19,802	$ 18,475	**$ 154,042**
Interest expense	5,018	4,546	2,170	4,568	**16,302**
Loan loss impairment	73,887	33,098	6,846	-	**113,831**
Net hedging losses	-	-	-	(3,299)	**(3,299)**
Depreciation	1,327	3	5	1,789	**3,124**
Restructuring costs written back	-	-	-	(465)	**(465)**

Total assets and liabilities by segment are as follows:

	RB	WB	WM	Admin	2014
Segment assets	$ 1,018,256	$ 909,663	$ 89,009	$ 1,317,893	**$ 3,334,821**
Unallocated assets					**72,747**
Total assets					**$ 3,407,568**
Segment liabilities	746,540	834,510	1,000,289	271,964	**2,853,303**
Total liabilities					**$ 2,853,303**

2013 Segment Reporting

	RB	WB	WM	Admin (Restated)	2013 (Restated)
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 income/(loss) for the year	**$ (35,258)**	**$ (13,035)**	**$ 14,814**	**$ 19,233**	**$ (14,246)**

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

(Expressed in thousands of Bahamian dollars)

Total assets and liabilities by segment are as follows:

	RB	WB	WM	Admin Restated	2013 Restated
Segment assets	$ 1,101,961	$ 937,165	$ 108,885	$ 961,735	$ 3,109,746
Unallocated assets					187,747
Total assets				**$**	**3,297,493**
Segment liabilities	$ 755,320	$ 753,314	$ 961,334	$ 98,833	$ 2,568,801
Total liabilities				**$**	**2,568,801**

Geographical segments are set out in Note 27 (C)

Note 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.

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.

(Expressed in thousands of Bahamian dollars)

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 2014	Drawn	Undrawn	Gross Maximum Exposure 2013
Bahamas	$ 1,863,097	$ 157,413	**$ 2,020,510**	$ 1,902,921	$ 172,114	$ 2,075,035
Turks & Caicos Islands	305,427	22,099	**327,526**	319,205	19,914	339,119
	$ 2,168,524	$ 179,512	**$ 2,348,036**	$ 2,222,126	$ 192,028	$ 2,414,154

Exposures by industry groups

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

(Expressed in thousands of Bahamian dollars)

	Drawn	Undrawn	Gross Maximum Exposure 2014	Drawn	Undrawn	Gross Maximum Exposure 2013
Agriculture	$ 4,070	$ 40	**$ 4,110**	$ 4,489	$ 14	$ 4,503
Governments	335,640	22,290	**357,930**	301,304	3,841	305,145
Construction	117,249	7,353	**124,602**	132,609	8,537	141,146
Distribution	96,283	27,122	**123,405**	68,604	22,911	91,515
Education	482	24	**506**	482	-	482
Fishing	2,889	1,214	**4,103**	1,631	3,267	4,898
Health & social work	22,113	-	**22,113**	22,788	-	22,788
Hotels & restaurants	150,262	23,756	**174,018**	186,630	17,614	204,244
Individuals & individual trusts	1,041,236	65,272	**1,106,508**	1,056,929	111,419	1,168,348
Manufacturing	30,108	664	**30,772**	34,387	637	35,024
Mining & quarrying	128	-	**128**	160	-	160
Miscellaneous	176,034	24,170	**200,204**	197,162	16,755	213,917
Other financial corporations	4,324	1,027	**5,351**	3,392	1,019	4,411
Real estate, renting & other business activities	175,100	5,522	**180,622**	202,698	5,830	208,528
Transport, storage & communication	12,606	1,058	**13,664**	8,861	184	9,045
	$ 2,168,524	$ 179,512	**$ 2,348,036**	$ 2,222,126	$ 192,028	$ 2,414,154

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(**)
2014						
Bahamas	$ 2,937,469	$ 2,451,015	$ 193,872	$ 3,851	$ 152,934	$ 93,882
Turks & Caicos Islands	645,773	577,962	24,124	632	23,575	4,513
	3,583,242	3,028,977	217,996	4,483	176,509	98,395
Eliminations	(175,674)	(175,674)	-	-	-	-
	$ 3,407,568	$ 2,853,303	$ 217,996	$ 4,483	$ 176,509	$ 98,395

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	Total assets (Restated)	Total liabilities (Restated)	Commitments, guarantees and contingent liabilities	Capital expenditure(*)	External revenues	Non-current assets(**)
2013						
Bahamas	$ 3,073,190	$ 2,406,527	$ 216,696	$ 2,372	$ 143,914	$ 207,434
Turks & Caicos Islands	598,773	536,744	21,425	201	24,329	4,607
	3,671,963	2,943,271	238,121	2,573	168,243	212,041
Eliminations	(374,470)	(374,470)	-	-	-	-
	$ 3,297,493	$ 2,568,801	$ 238,121	$ 2,573	$ 168,243	$ 212,041

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:

	2014	2014	2013	2013
Bahamas	$ 1,692,062	% 85	$ 1,815,338	% 86
Turks & Caicos Islands	290,823	15	306,707	14
	$ 1,982,885	% 100	$ 2,122,045	% 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.

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

(Expressed in thousands of Bahamian dollars)

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

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

At October 31, 2014 and 2013, 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**	**2014 Total**
Loans and advances to customers					
- Mortgages	$ 789,823	$ 69,070	$ 18,295	$ 191,618	$ 1,068,806
- Personal loans	161,305	11,851	1,196	38,305	212,657
- Business & Government loans	773,805	2,517	1,632	109,107	887,061
Total *(Note 9)*	$ 1,724,933	$ 83,438	$ 21,123	$ 339,030	$ 2,168,524

	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

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, 2014, Early Warning List customers in the medium to high risk category amounted to $58,679 (2013: $61,639).

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 and 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:

- 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.

(Expressed in thousands of Bahamian dollars)

- 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, 2014 and 2013, 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.

	2014			2013		
	Post Structural DV01	VaR	60 day Stressed Loss	Post Structural DV01	VaR	60 day Stressed Loss
Currency						
Bahamian Dollars	$ 106,992	$ 9.0	$ 4,585	$ 74,774	$ 4.0	$ 3,839

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:

	2014		2013	
	Post Structural DV01	Potential Stress Loss	Post Structural DV01	Potential Stress Loss
Currency				
United States Dollars	$ (35,386)	$ 5,408	$ 10,934	$ 1,403

(Expressed in thousands of Bahamian dollars)

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.

	2014			2013		
	Notional	Credit Spread DV01	Stressed Loss	Notional	Credit Spread DV01	Stressed Loss
Caribbean Bond Portfolio (hard currency denominated)	$ 86,765	$ 50.0	$ 12,996	$ 154,543	$ 85.0	$ 20,481
Non-regional hard Currency denominated bond portfolio	239,917	80.0	16,726	115,000	49.0	11,631
Total	$ 326,682	$ 130.0	$ 29,722	$ 269,543	$ 134.0	$ 32,112

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.

	2014			2013		
	Position Long/ Short)	Stressed Loss	Average Position (*)	Position Long/ (Short)	Stressed Loss	Average Position (*)
Currency						
Bahamian dollars	$ 2,272	$ 682	$ 1,163	$ 1,177	$ 353	$ 235
Barbados dollars	266	80	363	280	84	151
Canadian dollars	2,034	203	1,899	1,330	133	327
Euro dollars	(5,494)	(549)	(5,811)	(5,899)	(590)	(2,039)
Great Britain pounds	$ (3,647)	$ (365)	$ (3,792)	$ (3,868)	$ (387)	$ (1,035)

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

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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	2014
Assets				
Cash and balances with The Central Bank	$ 109,601	$ 10,421	$ 689	$ 120,711
Due from banks	5,399	379,134	47,866	432,399
Derivative financial instruments	-	814	-	814
Other assets	26,909	6,814	(346)	33,376
Investment securities	377,184	278,417	83,386	738,987
Loans and advances to customers	1,048,317	934,566	2	1,982,885
Property and equipment	20,951	4,616	81	25,648
Retirement benefit assets	-	-	-	-
Goodwill	71,582	1,165	-	72,747
Total assets	$ 1,659,943	$ 1,615,947	$ 131,678	$ 3,407,568
Liabilities				
Derivative financial instruments	-	16,748	2,464	19,212
Customer deposits	1,196,813	1,374,111	195,723	2,766,647
Other liabilities	(31,059)	150,121	(74,215)	44,847
Retirement benefit obligations	20,070	2,527	-	22,597
Total liabilities	$ 1,185,824	$ 1,543,507	$ 123,972	$ 2,853,303
Net assets	474,119	72,440	7,706	554,265
Commitments, guarantees, and contingent liabilities *(Note 24)*	$ 139,108	$ 78,888	$ -	$ 217,996

	BAH	US	Other	2013
Total assets	$ 1,813,949	$ 1,376,160	$ 107,384	$ 3,297,493
Total liabilities	1,159,239	1,219,564	189,998	2,568,801
Net assets/(liabilities)	654,710	156,596	(82,614)	728,692
Commitments, guarantees, and contingent liabilities *(Note 24)*	$ 68,010	$ 170,111	$ -	$ 238,121

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.

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(Expressed in thousands of Bahamian dollars)

	0-3 months	3-12 months	1-5 years	Over 5 years	2014
Assets					
Cash and balances with The Central Bank	$ 120,711	$ -	$ -	$ -	$ 120,711
Due from banks	432,399	-	-	-	432,399
Derivative financial instruments	-	-	-	814	814
Other assets	33,377	-	-	-	33,377
Investment securities	67,871	65,100	357,211	248,805	738,987
Loans and advances to customers	209,840	19,294	354,631	1,399,120	1,982,885
Property and equipment	2,123	311	6,171	17,043	25,648
Goodwill	-	-	-	72,747	72,747
Total assets	$ 866,321	$ 84,705	$ 718,013	$ 1,738,529	$ 3,407,568
Liabilities					
Derivative financial instruments	-	-	-	19,212	19,212
Customer deposits	2,290,420	462,652	13,565	10	2,766,647
Other liabilities	44,847	-	-	-	44,847
Retirement benefit obligations	-	-	-	22,597	22,597
Total liabilities	2,335,267	462,652	13,565	41,819	2,853,303
Net assets/(liabilities)	(1,468,946)	(377,947)	704,448	1,696,710	554,265
Commitments, guarantees, and contingent liabilities *(Note 24)*	$ 150,734	$ 29,956	$ 1,383	$ 35,923	$ 217,996

	0-3 months	3-12 months	1-5 years	Over 5 years Restated	2013 Restated
Total assets	$ 530,853	$ 100,493	$ 647,979	$ 2,018,168	$ 3,297,493
Total liabilities	2,013,978	491,992	21,136	41,695	2,568,801
Net assets/(liabilities)	(1,483,125)	(391,499)	626,843	1,976,473	728,692
Commitments, guarantees, and contingent liabilities *(Note 24)*	$ 172,259	$ 21,161	$ 2,564	$ 42,137	$ 238,121

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

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

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

H. Fair values of financial assets and liabilities

Fair value is defined as the price that would be received to sell an asset, or paid to transfer a liability, between market participants in an orderly transaction in the principal market at the measurement date under current market conditions (i.e., the exit price). The determination of fair value requires judgment and is based on market information, where available and appropriate. Fair value measurements are categorised into three levels within a fair value hierarchy (Level 1, 2 or 3) based on the valuation inputs used in measuring the fair value, as outlined below:

- **Level 1 -** Unadjusted quoted market prices in active markets for identical assets or liabilities we can access at the measurement date. Bid prices, ask prices or prices within the bid and ask, which are the most representative of the fair value, are used as appropriate to measure fair value. Fair value is best evidenced by an independent quoted market price for the same instrument in an active market. An active market is one where transactions are occurring with sufficient frequency and volume to provide quoted prices on an ongoing basis.

- **Level 2 -** Quoted prices for identical assets or liabilities in markets that are inactive or observable market quotes for similar instruments, or use of valuation technique where all significant inputs are observable. Inactive markets may be characterized by a significant decline in the volume and level of observed trading activity or through large or erratic bid/offer spreads. In instances where traded markets do not exist or are not considered sufficiently active, we measure fair value using valuation models.

- **Level 3 -** Non-observable or indicative prices or use of valuation technique where one or more significant inputs are non-observable.

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The table below presents the level in the fair value hierarchy into which the fair values of financial instruments, that are carried at and disclosed at fair value on the consolidated balance sheet, are categorised.

	Level 1	Level 2	Level 3	Total	Total
	Quoted market price	Valuation technique-observable market inputs	Valuation technique non-observable market input	2014	2013
Financial Assets					
Cash and balances with Central Banks*	120,711	-	-	120,711	167,082
Due from banks*	432,399	-	-	432,399	98,167
Derivative financial instruments	-	814	-	814	984
Investment securities	-	738,987	-	738,987	690,454
Loans and advances	-	1,866,897	119,977	1,986,874	2,152,721
Total Financial Assets	**553,110**	**2,606,698**	**119,977**	**3,279,425**	**3,109,408**
Financial Liabilities					
Derivative financial instruments	-	19,212	-	19,212	16,826
Customer deposits	-	1,664,763	1,104,342	2,769,105	2,502,799
Total Financial Liabilities	**-**	**1,683,975**	**1,104,342**	**2,788,317**	**2,519,625**

There were no transfers between levels in the fair value hierarchy during the year.
*Financial assets with carrying values that approximate fair value.

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

- *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.27.Financial Risk Management (continued)

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.

Note 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 $124,953 (2013: $121,199).

Note 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.

Notice Of Meeting

Annual General Meeting

Notice is hereby given that the Twentieth Annual General Meeting of FirstCaribbean International Bank (Bahamas) Limited will be held at 6:00 p.m. on Tuesday, March 17, 2015 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 18, 2014.

2. To receive and consider the Managing Director's Review.

3. To receive accounts for the year ended October 31, 2014 and the report of the Directors and Auditors thereon.

4. To elect the following Directors:

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

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

6. Ratification of dividends for fiscal 2014.

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

By Order of The Board of Directors

Sherrylyn Bastian
Corporate Secretary
FirstCaribbean International Bank (Bahamas) Limited
February 23, 2015

Record Date

Holders of FirstCaribbean International Bank (Bahamas) Limited ordinary shares of record at the close of business on February 23, 2015 are entitled to vote at the Meeting.

Financial Statements

The Company's audited financial statements for the year ended October 31, 2014 are included in the Company's 2014 Annual Report.

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 24, 2014. A final dividend of thirteen cents ($0.13) per common share for the fiscal year 2014 was approved by the Directors on December 18, 2014 and paid to shareholders on January 28, 2015. Total dividends paid for fiscal 2014 were twenty-six cents($0.26).

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

Directors

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

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

Financial Results and Dividends

The Directors report that the Company had a consolidated Net Loss of $147,823K for the year ended October 31, 2014. All statutory requirements for the year ended October 31, 2014 have been fulfilled.

An interim dividend of thirteen cents ($0.13) per common share was paid on July 24, 2014. A final dividend of thirteen cents per common share for the fiscal year 2014 was approved by the Directors on December 18, 2014 and paid to shareholders on January 28, 2015. Total dividends paid for fiscal 2014 were twenty-six cents ($0.26) per common share.

Share Capital

Substantial Interest as at October 31, 2014*
Common Shares of B$0.10 par value

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

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

By order of the board

Sherrylyn Bastian
Corporate Secretary
February 23, 2015

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 2015 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 17, 2015, 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, 2013 and ended October 31, 2014. References in this proxy statement to the year 2014 or financial 2014 refer to the period as mentioned above.

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 23, 2015 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 23, 2015, FirstCaribbean International Bank Limited beneficially owned or controlled directly or indirectly 114,463,600 shares which represents 95.21% of the Company's issued ordinary shares.

Quorum and Required Vote

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

Election of Directors

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

Directors can be either elected annually by the shareholders at the Annual General Meeting of shareholders or, subject to the Articles of the Company and applicable law, appointed by the Board of Directors between Annual General Meetings. Each

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

The Board of Directors held seven (7) meetings in 2014.

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
Felix Stubbs	General Manager, IBM Bahamas Limited	2014	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 2014.

Senior Management Compensation

The Senior Management of the Company received aggregate compensation amounting to B$2,589,452 in the financial year 2014.

Indebtedness of Management

There is a total indebtedness of approximately B$3,043,238 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 23, 2015.

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 17, 2015 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 VOITNG ___
Trevor Torzsas	VOTE FOR ___	WITHHOLD FROM VOTING ___
Willie Moss	VOTE FOR ___	WITHHOLD FROM VOTING ___
G. Diane Stewart	VOTE FOR ___	WITHHOLD FROM VOTING ___
Felix Stubbs	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., 2015

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 19, 2015.

Ownership Structure

- FirstCaribbean International Bank Limited Public Company Owned by Parent 91.67%
  - CIBC Bank and Trust Company (Cayman) Limited
    - Commerce Advisory Services Limited
    - Commerce Corporate Services Limited
    - Commerce Management Services Limited
  - CIBC Trust Company (Bahamas) Limited
    - Commerce Services Limited
    - Corporate Associates Limited
    - March Limited
  - FirstCaribbean International Bank (Bahamas) Limited Owned by Parent 95.21%
    - FirstCaribbean Insurance Agency (Bahamas) Limited
    - FirstCaribbean International Land Holdings (TCI) Limited
    - FirstCaribbean International (Bahamas) Nominees Company Limited
  - FirstCaribbean International Bank (Barbados) Limited
    - FirstCaribbean International Trust and Merchant Bank (Barbados) Limited
    - FirstCaribbean International Finance Corporation (Leeward & Windward) Limited
    - FirstCaribbean International Land Holdings (Barbados) Limited
    - FirstCaribbean International Operations Centre Limited
    - FirstCaribbean International Securities Limited
  - FirstCaribbean International Bank (Cayman) Limited
    - FirstCaribbean International (Cayman) Nominees Company Limited
    - FirstCaribbean International Finance Corporation (Cayman) Limited *(in liquidation)*
    - FirstCaribbean International Finance Corporation (Netherlands Antilles) N.V.
    - FirstCaribbean International Bank (Curacao) N.V.
  - FirstCaribbean International Wealth Management Bank (Barbados) Limited
  - FirstCaribbean International Bank (Jamaica) Limited Owned by Parent 99.71%
  - FirstCaribbean International Bank (Trinidad and Tobago) Limited

CIBC FirstCaribbean International Bank

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

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

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

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

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

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

Wealth Management/ International Banking Centre
P O Box N-8350
Shirley Street
Nassau
Tel: (242) 302-6000
Fax: (242) 302-6091
Tel: (242) 502-6834

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
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
South Caicos
Tel: (649) 231-5103

Notes

Notes


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

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