

5 YEARS SERVING THE CARIBBEAN



GROUP ANNUAL REPORT 2007



FIRSTCARIBBEAN
INTERNATIONAL BANK

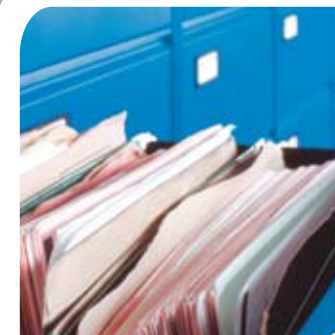
Vision



To create the Caribbean's number one financial services institution.

- First for Customers
- First for Employees
- First for Communities
- First for Shareholders

Contents



Notice of Meeting	3	Capital Markets	44
		Corporate Banking	46
Section 1: Five Years of Being First		Wealth Management	48
Branch Network	6	Treasury Sales & Trading	50
Ownership Structure	7	Human Resources/Marketing	54
Main Branches and Centres	9	Operations and Technology	56
Board of Directors	10	Risk Management	57
Executive Management	12		
Senior Management and Advisors	13	Section 3: Financial Statements	
Chairman's Report	14	Auditors' Report	62
Chief Executive Officer's Report	18	Financial Statements 2007	63
Directors' Report	23	Management Proxy Circular	104
Management Discussion and Analysis	24	Proxy Form	105
Section 2: Strategic Business Units			
The Bahamas	31		
Barbados	34		
Cayman Islands	36		
Jamaica	37		
Trinidad & Tobago	39		
Retail Banking	42		


Notice of Meeting

Annual General Meeting

Notice is hereby given that the Fourteenth Annual General Meeting of the Shareholders of FirstCaribbean International Bank Limited will be held at the Flamboyant Room, Sherbourne Conference Centre, Two Mile Hill, St. Michael, Barbados, on Thursday April 3, 2008 at 5 p.m. for the following purposes:

1. To receive audited Accounts for the year ended October 31, 2007 and the Reports of the Directors and Auditors thereon.
2. To elect the following Directors:
 - (i) David Williamson for a period of one year.
 - (ii) Gweneth Diane Stewart for a period of one year.
3. To re-elect the following Directors who retire by rotation and being eligible seek re-election:
 - (iii) Thomas Woods for a period of two years.
 - (iv) A. John D. Orr for a period of two years.
 - (v) Michael Mansoor for a period of three years.
 - (vi) Sir Fred Gollop for a period of three years.
 - (vii) Ronald Lalonde for a period of three years.
4. To appoint the Auditors and to authorise the Directors to fix their remuneration.
5. To discuss any other business which may be properly considered at the Annual General Meeting.

By Order of the Board of Directors



Ella N. Hoyos
Corporate Secretary
January 31, 2008.

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 also be a shareholder. Any instrument appointing a proxy must be received at the office of the Registrar & Transfer Agent, FirstCaribbean International Trust and Merchant Bank (Barbados) Limited not less than 48 hours before the meeting.

Members 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 proxies' votes lodged with the Registrar & Transfer Agent will be excluded.

Dividend

A final dividend of US\$0.0325 per share was approved for the year ended October 31, 2007 and paid on January 15, 2008 to the holders of Common Shares whose names were registered in the books of the Company at the close of business on December 15, 2007.

An interim dividend of US\$0.0300 per share was paid on July 20, 2007 to holders of Common Shares whose names were registered in the books of the Company at the close of business on June 1, 2007.

Total dividend for the 2007 financial year amounted to US\$0.0625 per share.

Documents Available for Inspection

There are no service contracts granted by the Company, or our subsidiary companies, to any Director.

Registered Office:

Warrens, St. Michael, Barbados, West Indies.

Five Years of Being First



Five Years of Being First



We have passed the five-year mark. In 2007 FirstCaribbean concluded its first half-decade, solidifying our position as the region's most prominent banking institution.

Five years is a significant milestone, and the number itself a powerful symbol. Mystics view the number five as symbolising action, expansion and growth. In radio they use it to indicate perfect signal strength and clarity.

We at FirstCaribbean look back at our five-year existence with confidence in our robust performance and the clarity of our vision for regional banking.

Since our formation in late 2002 through the fusion of Barclays Bank PLC's Caribbean enterprises with the CIBC West Indies Holdings' businesses, we have overcome challenges and achieved continuous growth. At the close of 2007, both

our profits and loan and deposit balances are at their highest levels ever.

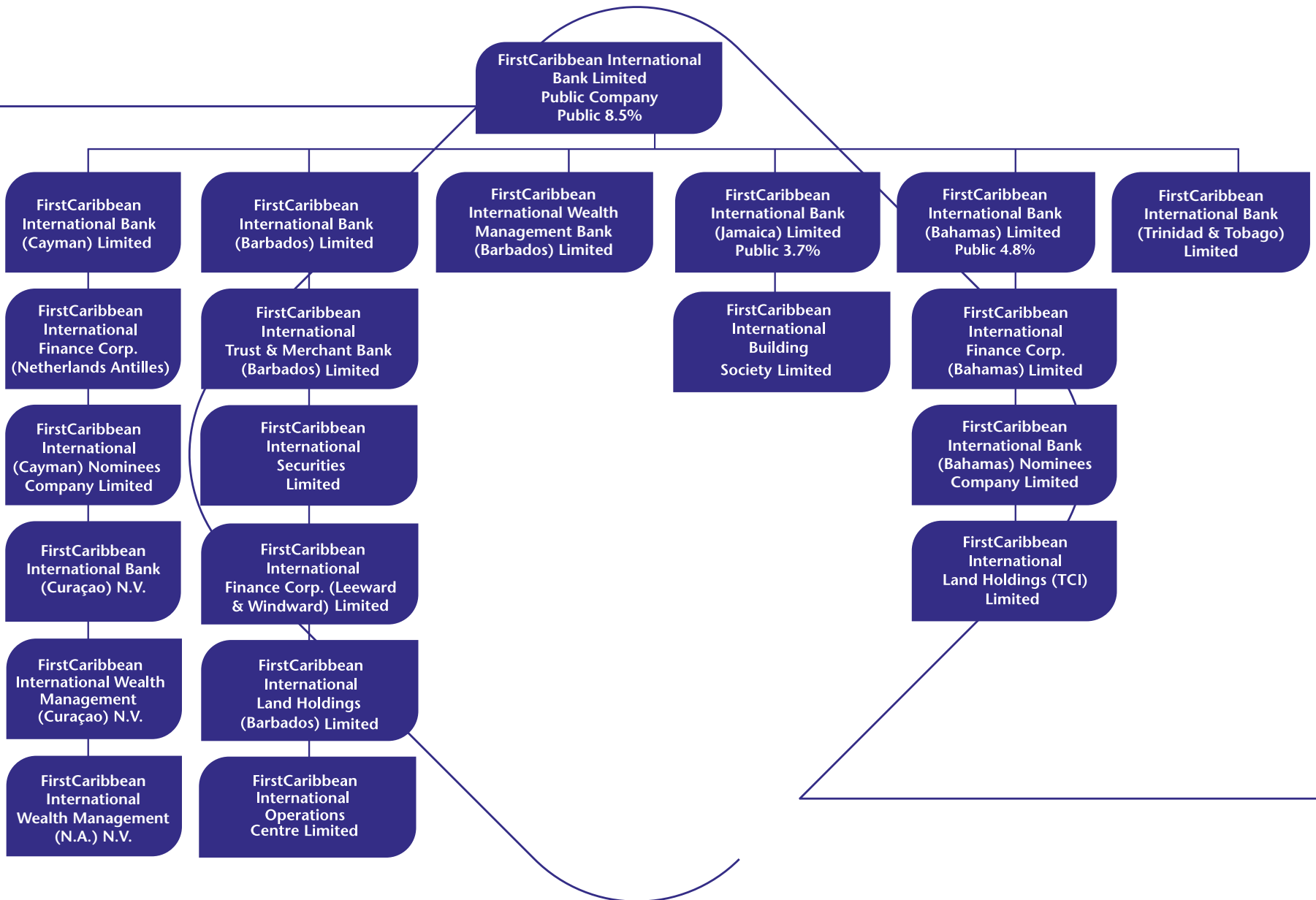
Though this is only our fifth year of existence, FirstCaribbean is the product of a merger between entities with nearly 250 years of banking experience and we have leveraged that knowledge in launching new initiatives and expanding our business in the region. We made two major acquisitions, improved technologies and carried out far-reaching enhancements to our customer proposition.

"Five by five" is the actual term used in radio for a powerful signal. On this anniversary, FirstCaribbean International Bank not only wants to celebrate our first five years with partners, customers, employees, shareholders and the wider Caribbean community, but to look with promise towards the next 10, 20, 25 years and beyond.

Branch Network



Ownership Structure



Branch Locations



Main Branches and Centres

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

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

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

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

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

Belize
P.O. Box 363
21 Albert Street
Belize City
Tel: 9011+(501) 227-7212

British Virgin Islands
P.O. Box 70
Road Town, Tortola
Tel: (284) 494-2171/3

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

Curaçao
P.O. Box 3144
De Ruyterkade 61
Willemstad
Tel: (+599) 433-8338

Dominica
P.O. Box 4
Old Street, Roseau
Tel: (767) 448-2571

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

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

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

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

St. Maarten
P.O. Box 941
38 Back Street
Philipsburg
Tel: (599) 542-3511

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

Trinidad & Tobago
74 Long Circular Road,
Maraval, Trinidad
Tel: (868) 628-4685

Turks & Caicos
P.O. Box 698
Leeward Highway
Tel: (649) 946-5303

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

FINANCIAL CENTRES & TRUST COMPANIES

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

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

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

Corporate Banking Centre
P.O. Box 405
Rendezvous
St. Michael, Barbados
Tel: (246) 367-2500

Trust and Merchant Bank
P.O. Box 1014C
Broad Street
Bridgetown, Barbados
Tel: (246) 467-2688

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

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

Wealth Management Centre
FirstCaribbean House
P.O. Box 68 GT
Main Street, George Town
Grand Cayman
Cayman Islands
Tel: (345) 949-7300

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

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

Wealth Management Centre
P.O. Box 236
Butterfield Square
Providenciales
Turks & Caicos Islands
Tel: (649) 941-3606

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

Building Society
P.O. Box 405
23-27 Knutsford Blvd
Kingston, Jamaica
Tel: (876) 929-9310

Asset Management & Securities Trading
P.O. Box 405
23-27 Knutsford Blvd
Kingston, Jamaica
Tel: (876) 929-9310

Finance Corporation
P.O. Box 335
Castries, St. Lucia
Tel: (758) 452-6371

Trustee Services
74 Long Circular Road,
Maraval, Trinidad
Tel: (868) 628-4685

Capital Markets
74 Long Circular Road,
Maraval, Trinidad
Tel: (868) 628-4685

Board of Directors

Standing from left:

A. John D. Orr
Executive Vice President,
Canadian Imperial Bank
of Commerce

David Ritch
Independent Director,
Attorney-at-Law and Senior Partner
– Ritch and Connolly

Richard Venn
Senior Executive Vice President,
Canadian Imperial Bank of
Commerce

Ron Lalonde
Senior Executive Vice President,
Canadian Imperial Bank
of Commerce

Seated:

Ella N. Hoyos
Head of Governance
and Corporate Secretary





Standing from left:

Sir Allan Fields
Independent Director,
Chairman, Barbados Shipping
and Trading Company Limited

Thomas Woods
Chief Risk Officer,
Canadian Imperial Bank
of Commerce

Sir Fred Gollop
Attorney-at-Law,
Chairman,
One Caribbean Media Limited

Sir Kyffin Simpson
President,
Simpson Motors Limited

Seated from left:

Michael Mansoor
Chairman,
FirstCaribbean
International Bank Limited

Charles Pink
Chief Executive Officer,
FirstCaribbean
International Bank Limited

Absent:

G. Diane Stewart
Independent Director,
Attorney-at-Law

David Williamson
Chief Financial Officer,
Canadian Imperial Bank
of Commerce

Group Executive Management

THE EXECUTIVE LEADERSHIP TEAM

Front row (from left): Ian Chinapoo; Charles Pink, CEO; Michael Mansoor, Chairman and Juan M. Corral.

Centre row (from left): Peter Hall, Jai Somaratne, Sharon Brown, Pradip Chhadva and Tom Crawford.

Back row (from left): Martin Griffiths, Gerard Borely, Horace Cobham, Jan-Arne Farstad and Oliver Jordan.

Absent: Joe Barretto, Milton Brady, Minish Parikh, Rolf Phillips, and Lloyd Samaroo.



Senior Management and Advisors

Legal Advisors

Chancery Chambers
Carrington & Sealy
Fitzwilliam, Stone & Alcazar

Head of Governance & Corporate Secretary

Ella N. Hoyos

Registrar and Transfer Agent

FirstCaribbean International Trust and Merchant Bank (Barbados) Limited

Audit & Governance Committee

Thomas Woods – Chairman
Richard Venn
Christopher Bovell
G. Diane Stewart
Sir Kyffin Simpson
Sir Allan Fields
Sir Fred Gollop
David Ritch

Auditors

Ernst & Young

Bankers

FirstCaribbean International Bank (Barbados) Limited

Senior Management

Michael Mansoor
Executive Chairman

Charles Pink
Chief Executive Officer

Joe Barretto
Managing Director,
Change Management

Gerard Borely
Chief Financial Officer

Milton Brady
Managing Director, Jamaica

Sharon Brown
Managing Director, Bahamas

Pradip Chhadva
Managing Director,
Treasury Sales & Trading

Ian Chinapoo
Managing Director, Capital Markets

Horace Cobham
Managing Director,
Corporate Banking

Juan Manuel Corral
Chief Operating Officer

Tom Crawford
Managing Director, Cayman

Jan-Arne Farstad
Managing Director,
Wealth Management

Martin Griffiths
Chief Risk Officer

Peter Hall
Chief Administrative Officer

Oliver Jordan
Managing Director, Barbados

Rolf Phillips
Managing Director, Retail Banking

Minish Parikh
Executive Director, Operations

Lloyd Samaroo
Managing Director, Trinidad

Jai Somaratne
Chief Internal Auditor

Chairman's Report



I am delighted to report that 2007 was a year of solid financial performance and significant improvements in operational capacity and governance of the Bank.

Our Bank achieved excellent results with net income attributable to equity holders of the parent, surpassing the quarter-billion-dollar mark at US\$255.7 million. Excluding the one-time gain of \$52.4 million relating to the VISA membership restructuring, these results reflect robust growth in core operating performance.

The Directors have approved a 19% increase in per share dividends to US\$0.0625.

These very commendable results have come about as we celebrate the fifth anniversary of the formation of FirstCaribbean and are a tangible manifestation of the achievements of all our people. A glance at the last five years reveals stellar accomplishments: sustained organic growth in balance sheet aggregates and profitability, two important acquisitions – one in Trinidad and the other in Curaçao – integration and improvements in our technology platforms, major and fundamental enhancements in the infrastructure of the Bank in distribution channels, and, in all functional support areas.

I am very confident in saying that we have built a very strong and resilient financial institution in these five years and I thank the many individuals and groups who have contributed.

Economic Outlook

As we consider the sterling results and the sustained growth over the years since 2002, we must also reflect on the global and regional economic climate. Simply put, over the last five years we have witnessed strong economic growth generally across the globe and, arguably, quantum leaps in the economic potential and promise of certain economies, the mega nations of India and China being the most obvious. In more recent times we have had the international erosion of credit quality epitomised in the sub-prime mortgage phenomenon, which continues to play out in the major financial markets.

The likely effects on our regional economies are on balance neutral to negative: high oil prices, rapidly increasing food prices, a declining US dollar to which several of our currencies are pegged and growing concerns over the long-term prospects of the US economy that impacts tourist arrivals and foreign direct investment. Of positive significance, however, is the buoyancy of the Trinidad and Tobago economy and the proven resilience and capability of these island economies to, as an example, market our tourism product more aggressively in Europe and Asia when effective demand dampens in other major markets. We take the view that we need to be cautiously optimistic in this climate and very focused on providing our clients with world class service and support in what may turn out to be somewhat more testing conditions.

Governance

As I have reported in previous years, we regard risk management broadly defined to include credit/operational, market and reputational risk as a primary determinant of shareholder value and our long-term growth and profitability.

We continue to enhance our risk management resources and processes. We have materially improved our market and operational risk capabilities, all very pertinent and timely in the light of global economic conditions. We remain vigilant in protecting against the reputational and regulatory risks associated with anti-money laundering. We believe that the policies and standards that we have embedded in our business are among the most stringent and demanding in the region.

The credit and non-credit or operational losses that we have sustained in 2007 and in previous years remain low by regional and international standards and we continue to promote and inculcate a culture of control and compliance at all levels in our enterprise.

The Board

Your Board of Directors and its various Committees meet quarterly to provide strategic oversight and guidance to the business, as well as to monitor performance and compliance with our broad range of policies and

Chairman's Report continued

procedures. In carrying out these responsibilities the Board is focused on the creation of long-term shareholder value and the growth of our franchise, in accordance with a defined appetite for risk.

Additionally, there are six fully functioning subsidiary boards for the Bahamas, Cayman Islands, Jamaica, Barbados and the Eastern Caribbean, Trinidad & Tobago, and Curaçao. These Boards also meet quarterly and provide our management with unique insight and invaluable advice and guidance in these individual geographies.

Our People

We continue to invest in our most important and critical resource, our people. This investment is primarily targeted at maintaining enlightened and far-sighted industrial relations practices, steady and consistent investment in training, in developing our people's skills in areas of core banking competence, as well as ancillary support functions.

We expend great efforts in explaining and living the primary value of being first for employees, a value which includes competitive compensation packages, training our people for peak performance and effective leadership of our business, insisting on best standards of behaviour and service, both internally among our people and externally with our customers and stakeholders.

The achievements of these five years prove that our people are dedicated and competent and among the best in the industry. They also suggest very strongly that our philosophy towards our people is inherently well founded

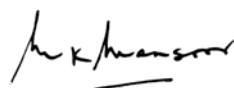
and we will continue to promote, redefine and live this core value of being first for our people.

Appreciation

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

I would also like to thank our group and subsidiary Directors for their most important contribution. I would particularly like to thank Ms Teresa Butler for her many years on the Parent and Bahamas subsidiary Boards and wish her success and happiness on her return to public service. I also offer congratulations to Sir Fred Gollop and Sir Kyffin Simpson on their elevation in society.

As we embark upon the second half of our first decade I rededicate all our efforts and energies to living our core values of being first for those who matter most – customers, employees, our communities and our shareholders.



Michael Mansoor
Executive Chairman

“The commendable results as we celebrate our fifth anniversary of the formation of FirstCaribbean are a tangible manifestation of the achievements of all our people.”

– Chairman Michael Mansoor

Chief Executive Officer's Report



Our first year of ownership by CIBC has produced another extremely strong year's performance with profits crossing the \$200 million threshold for the first time. Net Income After Tax (NIAT) and minority interest at US\$255.7 million was a 60.7% increase over our 2006 result. A one-off gain on the restructuring of VISA contributed \$52.4 million to this total. Nevertheless, excluding this one-off gain, underlying NIAT of \$203.3 million still represented a strong 28% gain on 2006's results. Given the dislocation in world credit markets as the sub-prime crisis broke, I view this as an especially robust year's result.

Group Financial Performance

Profit growth was again driven by loan growth, combined with tight control of costs and risk. Loan balances increased by 8% and passed the \$6 billion mark for the first time. Fee and commission income growth was also strong at 10%.

Deposit balances increased by 1%. Our Bahamas, Jamaica and Trinidad businesses have all suffered from tight liquidity in local currency in 2007 and wholesale funding was launched successfully in all three jurisdictions during the year. Growing our deposit balances to match lending growth remains a focus. Costs were tightly controlled, rising only 2%. Changes in our policy on health benefits, in particular retirement health benefits, made a significant contribution with the IAS 19 release of US\$18.1 million to the P&L. This was offset by a change in accounting policy on software depreciation, increasing depreciation cost by \$6.4 million.

Cost Income ratio (excluding the VISA gain) as a result was 54.4%, and is now within sight of our objective of 50%. The "jaws" between Revenue growth and Costs growth remains a key focus and was again in positive territory at 10% excluding the VISA gain.

Provisions for credit losses picked up to \$17.0 million (2006 – \$10.3 million) 28bps of Loan book (2006 – 18bps). The increase reflects a worsening economic environment but generally our loan book remains very conservatively positioned. With the above, Earnings per Share (EPS) improved by 28% excluding the VISA gain (24% in 2006).

Business Units and Strategy

Eleven of the 12 SBUs had record years. The exception this year was Retail where rising deposit costs in Barbados and The Bahamas, coupled with competitive conditions restraining loan pricing, led to a squeeze on margins. These pressures are alleviating and we expect Retail to return to profitable growth in 2008. The Group is currently renewing its five-year strategy and we are thinking deeply and widely about "where next" for our businesses.

Control

2007 has been a very major year for our Control agenda. We have switched over to the CIBC Governance structure, with control being operated primarily through the revised Board. The switchover has been smooth.

CIBC ownership also brought the need to comply with the provisions of "SOX", and significant and successful effort was focused on delivering compliance by the year-end. I believe that the rigour and discipline of "SOX" has further benefited our control processes and will do so going forward.

Similarly, our new parent brought a transition of Auditors with a successful transition to Ernst & Young.

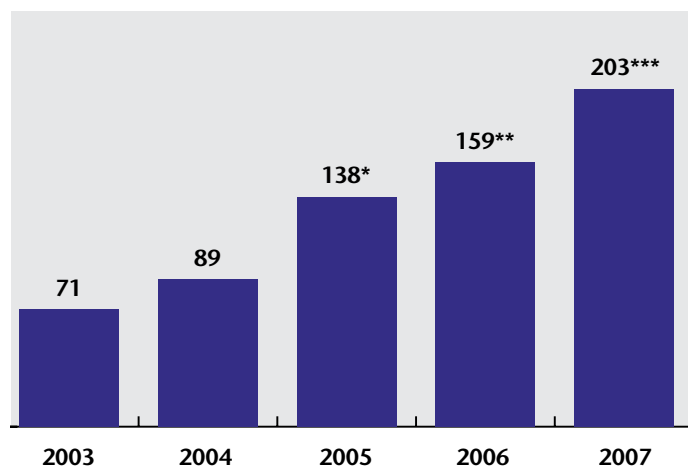
More generally we have continued to upgrade our control processes with major investments in Internal Audit, Compliance, Market Risk and Operational Risk during the year. As the economic environment turns downward we expect these investments to pay particular dividends.

Customer

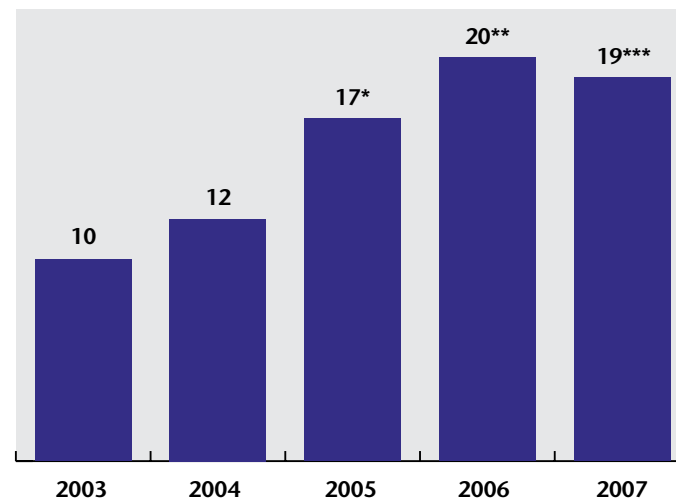
We challenged ourselves and our customers in 2007 with three major IT platform conversions for our Cards business, our Treasury business and our Wealth business. The inevitable disruption did impact customer service and I thank our customers for their understanding, and indeed our staff for bravely voyaging into new territory. The Helpful Partner Programme has delivered a set of universal standards for how we serve our customers. Our focus is now on embedding this new culture.

Chief Executive Officer's Report continued

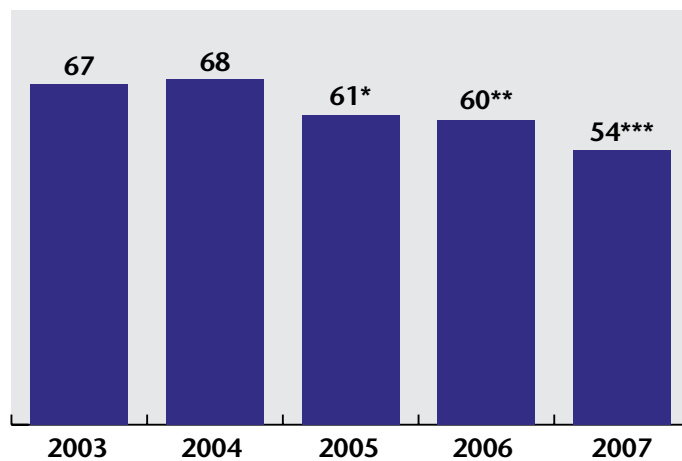
Net Income Attribute to Equity Holders of The Parent – US\$M



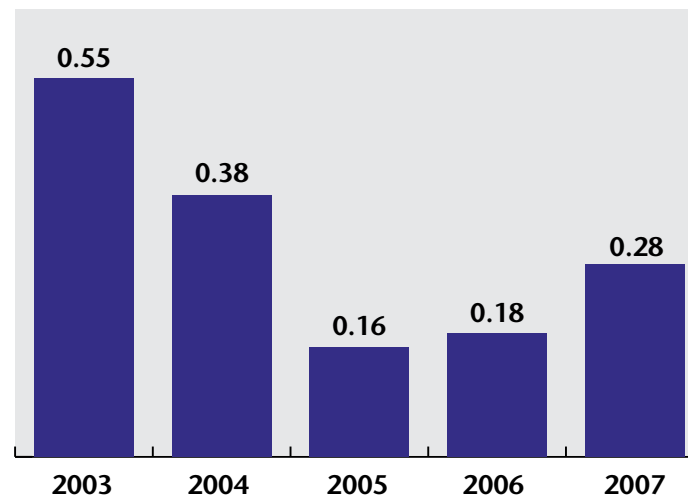
Return on Tangible Equity – Per Cent



Cost to Income Ratio – Per Cent

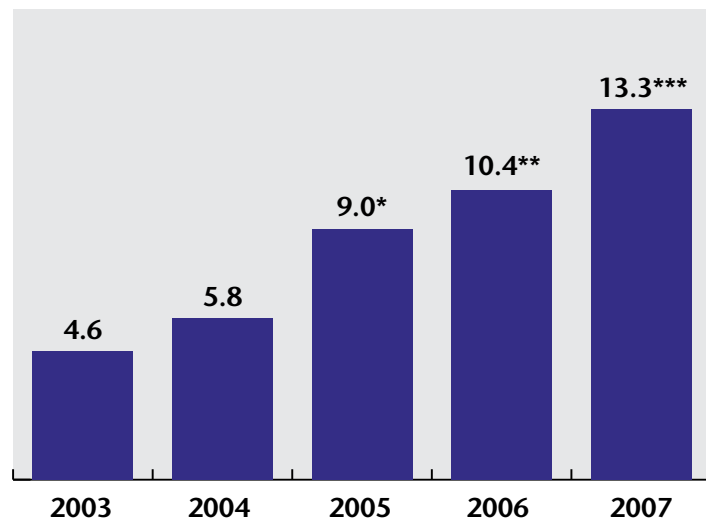


Loan Loss Expenses to Loan Ratio – Per Cent



Chief Executive Officer's Report continued

Earnings per Share – US Cent



* Normalised for the gain on sale of Republic Bank shares and restated to reflect the retrospective impact of IAS 18.

** The 2006 numbers have been restated.

*** Normalised to exclude gain on VISA transaction.

People

Again, our investments in our people focused on learning and development with our Training investment reaching a record \$3 million. The Wharton mini-MBA for senior management has completed its first "Cohort" with rave reviews. For new starters, we launched our "FirstStart" training programme. We have invested significantly in 2007 in upgrading our buildings for the benefit of staff and customers, the highlight being the launch of our new Barbados Business Centre, a US\$10 million investment in a state-of-the-art "greenfield" Technology and Operations Centre housing some 450 staff.

Community Partnership

Increased profits and our "1% of net income before taxes and minority interests" commitment brought a US\$2.0 million investment in the activities of our community foundation "Comtrust" in 2007. The Trust's investments are covered in the separate Corporate Responsibility Annual Report but it is clear the Trust's flagship programmes of "Unsung Heroes" and "Adopt-a-Cause" go from strength to strength.

The Executive Leadership Team and I enjoyed playing our own small part as we "Adopted a Cause" at Teen Challenge Barbados.

Conclusion

2007 was another exceedingly strong year for FirstCaribbean. A record seven "Best Bank" awards won from the likes of *The Banker* and *Global Finance* is independent testament to that achievement.

As we bring 2007 to a close we also bring our first five years as FirstCaribbean to a close. The chart on the next page captures our track record. A tripling in profits and Return on Equity increasing from 10% to 20% are the highlights. It's been a great five years and I again thank our staff and customers for making it so.

Going forward, the environment looks less rosy with the US economy slowing significantly and US interest rates falling. Nevertheless, I believe that with the investments we've made, our conservative approach to risk, and above all the quality and commitment of our 3,500 people, we are well positioned to weather any impending storm.

Charles Pink
Chief Executive Officer

“2007 was another exceedingly strong year for FirstCaribbean. A record seven “Best Bank” awards won from the likes of *The Banker* and *Global Finance* is independent testament to that achievement.”

– CEO Charles Pink

Ella N. Hoyos
Head of Governance
and Corporate Secretary

Directors' Report



Directors

During the year Steven McGirr and Teresa Butler resigned as Directors of the Company. The Board of Directors accepted the resignations and appointed Kenneth Kilgour and G. Diane Stewart to fill the casual vacancies created on the Company's Board of Directors by the resignation of Mr. McGirr and Ms Butler. Mr. Kenneth Kilgour also resigned and the Directors appointed Mr. David Williamson to fill the casual vacancy following his resignation.

The shareholders are now being asked to re-appoint Ms. G. Diane Stewart and Mr. David Williamson to the Board of Directors. They are also asked to re-appoint as Directors, Mr. Thomas Woods and Mr. A. John D. Orr to the Board of Directors for a period of two years, as well as Mr. Michael Mansoor, Sir Fred Gollop and Mr. Ronald Lalonde, who retire by rotation and being eligible, offer themselves for re-election for a period of three years.

Directors' Interest

As at October 31, 2007, particulars of Directors' shareholdings in the issued capital of the Company are as follows:

Common Shares of No Par Value

	Beneficial Interest	Non-Beneficial Interest
1. Michael Mansoor	246,176	nil
2. Charles Pink	40,017	nil
3. Teresa Butler (Independent Director)	nil	nil
4. Sir Allan Fields (Independent Director)	1,000	nil
5. Sir Fred Gollop	1,416	nil
6. Thomas Woods	nil	nil
7. Ron Lalonde	nil	1,000
8. Kenneth Kilgour	nil	nil
9. David Ritch (Independent Director)	nil	nil
10. Sir Kyffin Simpson	1,000	nil
11. Richard Venn	nil	1,000
12. John Orr	nil	nil

Financial Results and Dividends

The Directors report that the Company's consolidated net income attributable to the equity holders of the parent for the year ended October 31, 2007 amounted to US\$255.7 million. All statutory requirements for the year ended October 31, 2007 have been fulfilled.

The Company has declared a final dividend of US\$0.0325 per Common Share for the year ended October 31, 2007. An interim dividend of US\$0.0300 per Common Share was also paid during the 2007 fiscal period. Total dividend for the year was US\$0.0625 per Common Share.

Share Capital

As a consequence of the acquisition by CIBC Investments (Cayman) Limited (CICL) of 666,001,367 Common Shares of the Company previously owned by Barclays Bank PLC and the resulting mandatory offer on December 22, 2006 to acquire all of the issued and outstanding capital of the Company which is now comprised solely of 1,525,176,762 Common Shares. CICL acquired a further 63,242,331 Common Shares in the capital of the Company from shareholders who responded to the mandatory takeover bid and sold 2,000,000 to the Long Term Incentive Plan in May 2007.

Substantial interest as at October 31, 2007*

Common Shares of no par value		
CIBC Investments (Cayman) Limited	1,393,423,331	(91.5%)

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

Auditors

Ernst & Young, Chartered Accountants, served their first full year as external auditors of the Company for the 2006-07 financial year. A resolution relating to the re-appointment of Ernst & Young as Auditors will be proposed at the Annual Meeting of the Shareholders of the Company.

By Order of the Board

Ella N. Hoyos, Corporate Secretary

Management Discussion and Analysis

Gerard Borely,
Chief Financial Officer



Geographical Business Segments

The FirstCaribbean Group is managed by segments based on geographical location and lines of business. The lines of business are Retail, Cards, Corporate, Capital Markets, Wealth Management and Treasury Sales & Trading. Each of the Executive Directors managing these businesses has commented on their operations separately within the Annual Report.

The following discussion and analysis is presented based on the Group's major geographical segments. All 2006 comparative numbers have been restated for the impact of (1) a change in accounting policy from trade date to settlement date regarding all purchases and sales of financial assets at fair value through profit or loss; (2) a revision to the Group's hedge accounting treatment; and (3) the reclassification of certain fee income, considered to be part of the effective interest rate of the associated financial instrument, from operating income to interest income.

FirstCaribbean International Bank Limited All Geographical Segments Financial Highlights (USD'000)

	Actual* 2007	Restated Actual 2006
Net interest income	424,981	386,103
Operating income	181,048	105,627
Total revenue	606,029	491,730
Operating expenses	301,607	294,864
Amortisation of intangible assets	2,960	2,219
Loan loss impairment	17,029	10,369
Total Expenses	321,596	307,452
Net income attributable to the equity holders of the parent	255,667	159,092
Loans and advances to customers	6,079,959	5,630,669
Customer deposits	9,275,685	9,135,950
Total assets	11,855,675	11,421,728

* Includes a realised gain of \$52.4 million on the non-monetary exchange of the Bank's membership interest in VISA for a share interest.

The Group has delivered yet another year of strong results with net income attributable to the equity holders of the parent (net income) amounting to \$255.7 million. Excluding the VISA gain of \$52.4 million, net income was \$203.3 million, an increase of 28% over the prior year.

The main driver for the strong performance over the prior year (excluding the VISA gain) of \$44.2 million (28%) was net interest income which was up \$39 million (10%) primarily due to the growth in loan and investment volumes and the effects of an additional three months of the Curaçao business performance, partially offset by higher deposit liabilities, borrowings and debt volumes.

Loans and advances to customers at the end of the year amounted to \$6.0 billion, reflecting year-on-year growth of \$0.5 billion (8%) stemming mainly from the Eastern Caribbean, Cayman, Jamaica, and Trinidad and resulted mainly from Corporate and Wealth Management businesses.

Investments grew by \$0.9 billion (32%), closing at \$3.6 billion.

Customer deposits amounted to \$9.3 billion, reflecting year-on-year growth of \$0.1 billion (2%) mainly attributable to Barbados, Bahamas, TCI and Trinidad and resulted mainly from Wealth Management, Corporate and Capital Markets.

Operating income (excluding the VISA gain) increased by \$23.0 million (22%) driven mainly by increases in mark to market movements mainly on our investment portfolios; cards and deposit services fees; foreign exchange earnings; and other miscellaneous fees.

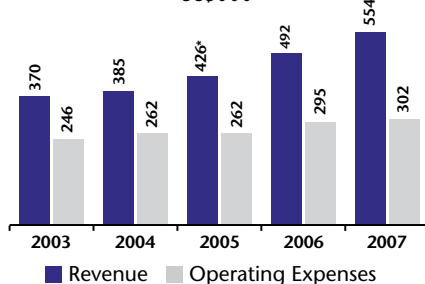
Operating expenses increased by \$6.7 million (2%) but include a one-off gain resulting from a change in the Group's benefits policy of \$18.1 million and a one-off increase in depreciation resulting from a change in the Group's policy of \$6.4 million. Excluding these two items, operating expenses increased by \$18.4 million (6%) mainly due to remuneration and benefits to employees in line with our performance-driven reward system; training; business travel & development; and depreciation resulting from continued capital expenditure to improve the services offered to customers. Despite the increase in costs, our efficiency ratio of 54.4% versus 60% for last fiscal continues to reflect our focus on cost control and containment.

Loan loss expenses have risen by \$6.7 million (64%) due to the significant growth in loan volumes year on year which drives up unidentified impairment provisions and our ratio of loan loss expenses to total gross loans stands at 0.28% at the end of the year as compared with the prior year of 0.18%. This continues to reflect our strong credit and adjudication policies and procedures.

Management Discussion and Analysis

The amortisation of intangibles has increased by \$0.7 million due to an additional quarter of amortisation this fiscal for the Curaçao operations acquired on February 1, 2006.

Total Revenue and Operating Expenses
US\$'000

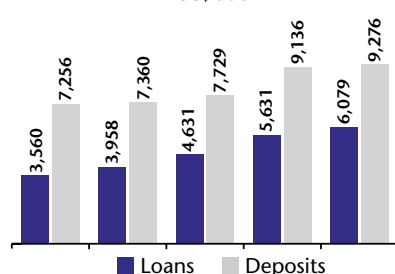


*Excludes gain on sale of Republic Bank Limited shares of \$117 million.

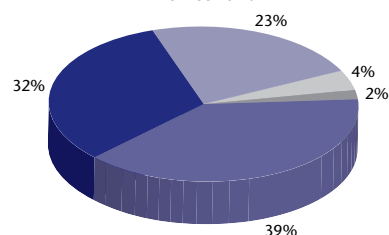
** Excludes VISA gain of \$52 million

Note: The 2006 numbers have been restated as noted above.

Net Loans and Advances to Customers and Customer Deposits
US\$'000

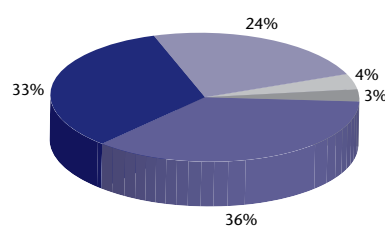


Net Income Contribution by Geographical Segment
Per Cent %



- Bahamas and Turks & Caicos
- Cayman, Neth. Antilles, Br. Virgin Islands & Curaçao
- Barbados, Belize and Eastern Caribbean
- Jamaica
- Trinidad

Total Assets Contribution by Geographical Segment
Per Cent %



- Bahamas and Turks & Caicos
- Cayman, Neth. Antilles, Br. Virgin Islands & Curaçao
- Barbados, Belize and Eastern Caribbean
- Jamaica
- Trinidad

Note: Barbados excludes the results of the Regional Head Office

Bahamas and Turks & Caicos Operations (All lines of business)

This geographical segment is the largest contributor to the Group's overall performance.

Bahamas incl. TCI Geographical Business Segment
Financial Highlights (USD'000)

	Actual 2007	Restated Actual 2006
Net interest income	147,161	154,074
Operating income	32,143	17,825
Total revenue	179,304	171,899
Operating expenses	57,106	65,869
Loan loss impairment	12,340	5,327
Total expenses	69,446	71,196
Net income attributable to the equity holders of the parent	109,858	100,703
Loans and advances to customers	2,428,087	2,425,511
Customer deposits	3,668,011	3,503,903
Total assets	4,658,008	4,423,963

The Bahamas operations continue to be the major contributor to the Bank's overall bottom line with net income for the year amounting to \$109.8 million, which exceeded the prior year by \$9.1 million (9%) despite the adverse performance suffered on the outsourced investment portfolios.

Net interest income declined year on year by \$6.9 million primarily due to a change in investment strategy moving away from interest-bearing investments to mutual funds with gains being recorded in operating income, consequently the increase in interest income was lower than the increase in interest expenses. Interest income exceeded the prior year by \$43.1 million (18%) primarily due to higher investment and loan volumes, as well as, higher cash placement yields, but were offset by the increase in interest expenses over the prior year by \$50.0 million (55%) due mainly to higher deposit volumes and rates, as well as, other borrowings.

Management Discussion and Analysis

Operating income was above the prior year by \$14.3 million (80%) due to higher cards revenue and higher securities gains resulting from the outsourced investment portfolios despite the impact that global widening of credit spreads had on our portfolios.

Operating expenses were below the prior year by \$8.7 million (13%) due primarily to a change in health benefits resulting in a curtailment gain.

Loan loss expenses exceeded the prior year by \$7.0 million due mainly to increases in specific provisions of \$5 million, with non-performing loans to gross loans standing at 4.9% compared with the prior year of 4.8%.

Cayman, BVI, St. Maarten & Curaçao Operations (All lines of business)

This geographical segment is the second strongest contributor to the Group's overall performance.

Cayman incl. BVI, St. Maarten and Curaçao Geographical Business Segements Financial Highlights (USD'000)

	Actual 2007	Restated Actual 2006
Net interest income	114,791	94,548
Operating income	22,401	21,410
Total revenue	<u>137,192</u>	<u>115,958</u>
Operating expenses	41,659	40,014
Amortisation of intangible assets	2,960	2,219
Loan loss impairment	6	(565)
Total expenses	<u>44,625</u>	<u>41,668</u>
Net income attributable to the equity holders of the parent	<u>91,146</u>	<u>72,435</u>
Loans and advances to customers	1,467,969	1,360,862
Customer deposits	<u>3,192,587</u>	<u>3,407,846</u>
Total assets	<u>4,323,958</u>	<u>4,412,950</u>

The Cayman operations continue to be a strong contributor to the Group's bottom line, with net income of \$91.1 million exceeding the prior year by \$18.7 million (26%) with an extra quarter results from Curaçao based on the date of acquisition contributing \$2.8 million to the overall increase year on year, excluding amortisation of intangibles.

Net interest income was higher than the prior year by \$20.2 million (21%). Interest income exceeded prior year by \$59.9 million (30%) mainly due to interest on securities and loans due to higher volumes, partially offset by lower rates. Interest expenses exceeded prior year by \$39.7 million (38%) driven primarily by increases in other borrowings and higher deposit volumes and rates.

Operating income increased year on year by \$1.0 million (5%) mainly due to the extra quarter from Curaçao and also cards revenue.

Operating expenses increased over the prior year by \$1.6 million (4%) due to higher remuneration mainly due to the extra quarter from Curaçao and higher depreciation due to the change in the accounting policy; partially offset by lower benefit costs due to a change in health benefits resulting in a curtailment gain.

Amortisation of the acquired Curaçao intangibles exceeded the prior year by \$0.7 million (33%) due to the extra quarter.

Loan losses impairment exceeded the prior year by \$0.6 million, with non-performing loans to gross loans standing at 3.4% compared with the prior year of 2.6%.

Taxes were below the prior year by \$0.4 million (23%) mainly due to a lower taxable net income and a lower effective tax rate in St. Maarten.

Barbados, EC Islands, Belize and Jamaica Trust Operations (All lines of business)

The following analysis includes the Group's onshore and offshore operations in Barbados, Belize, the Eastern Caribbean and some trust business in Jamaica that is incorporated in the Barbados subsidiary. The Barbados onshore operations exclude the results of the Regional Head Office. In the Eastern Caribbean, mainly Retail and Corporate onshore business is conducted in Anguilla, Antigua & Barbuda, Dominica, Grenada, St. Lucia, St. Kitts & Nevis and St. Vincent.

Management Discussion and Analysis

Barbados incl. EC Islands, Belize and Jamaica Trust Geographical Business Segment Financial Highlights (USD'000)

	Actual 2007	Restated Actual 2006
Net interest income	117,146	106,492
Operating income	61,472	55,933
Total revenue	178,618	162,425
Operating expenses	93,374	90,277
Loan loss impairment	2,479	3,905
Total expenses	95,853	94,182
Net income attributable to the equity holders of the parent	65,181	52,787
Loans and advances to customers	1,683,234	1,475,887
Customer deposits	2,858,224	2,563,362
Total assets	3,197,287	2,841,921

Net income for the Barbados Operations amounted to \$65.2 million, an increase over the prior year by \$12.4 million (23%) and was driven mainly by the onshore business.

Net interest income exceeded the prior year by \$10.6 million (10%). Interest income was up year on year by \$26.8 million (16%) with onshore accounting for \$16.6 million and offshore for \$10.2 million, both due to loan earnings and placements interest resulting mostly from higher volumes, but also higher yields. Interest expenses were also above the prior year by \$16.1 million (25%) due to both onshore of \$12.0 million and offshore of \$4.1 million, both due to higher deposit volumes and cost of funds.

Operating income exceeded the prior year by \$5.5 million (10%) due to the onshore business resulting from higher foreign exchange earnings; card revenues; and equity brokerage fees.

Operating expenses were above the prior year by \$3.1 million (3%) with the onshore business accounting for \$2.7 million of the increase, driven mainly

by higher software depreciation due to a change in policy; business taxes; and occupancy expenses; partially offset by lower benefit costs due to a change in health benefits resulting in a curtailment gain.

Loan loss expenses were below the prior year by \$1.4 million (37%) mainly in the onshore business, with non-performing loans to gross loans for the onshore operations standing at 6.0% compared with the prior year of 7.4% and for the offshore operations standing at 0.9% compared with the prior year of 1.4%.

Taxes exceeded the prior year by \$2.2 million (14%) due mainly to higher net income before taxes.

Jamaica Operations (All lines of business)

The Group's operations in Jamaica are mainly conducted in the Retail, Corporate and Capital Markets business segments. This geographic segment has shown significant growth year on year, as we have invested additional capital and expanded the overall network and operations in Jamaica.

Jamaica Geographical Business Segment Financial Highlights (USD'000)

	Actual 2007	Restated Actual 2006
Net interest income	38,254	33,711
Operating income	10,043	7,551
Total revenue	48,297	41,262
Operating expenses	29,568	26,468
Loan loss impairment	1,799	1,451
Total expenses	31,367	27,919
Net income attributable to the equity holders of the parent	11,356	9,054
Loans and advances to customers	445,373	363,310
Customer deposits	472,154	409,528
Total assets	586,913	497,081

Management Discussion and Analysis

The Jamaica operations produced net income of \$11.4 million, which exceeded the prior year by \$2.3 million (25%).

Net interest income was above the prior year by \$4.5 million (13%). Interest income exceeded the prior year by \$15.0 million (31%), driven primarily by loan earnings due to higher volumes; partially offset by lower yields. Interest expenses increased over the prior year by \$10.4 million (68%) due to higher deposit volumes and cost of funds, as well as due to newly issued debt.

Operating income was above the prior year by \$2.5 million (33%), driven mainly by higher foreign exchange earnings; deposit services fees; and card revenues.

Operating expenses exceeded the prior year by \$3.1 million (12%) due mainly to remuneration; night deposits processing costs; software depreciation due to a change in policy; and occupancy costs; partially offset by lower benefit costs due to a change in health benefits resulting in a curtailment gain.

Loan loss impairment exceeded the prior year by \$0.3 million (24%), with non-performing loans to gross loans standing at 2.0% compared with prior year of 1.4%.

Taxes increased over the prior year by \$1.3 million (30%) mainly due to higher net income before taxes.

Trinidad Operations

Most of the business in Trinidad is conducted in the Corporate and Capital Markets lines of business.

Trinidad Geographical Business Segment Financial Highlights (USD'000)		
	Actual 2007	Restated Actual 2006
Net interest income	7,747	4,470
Operating income	2,635	2,314
Total revenue	10,382	6,784
Operating expenses	4,004	2,192
Loan loss impairment	349	251
Total expenses	4,353	2,443
Net income attributable to the equity holders of the parent	5,052	3,636
Loans and advances to customers	144,069	93,862
Customer deposits	30,412	53,265
Total assets	340,495	155,430

The Trinidad operations contributed net income of \$5.1 million, which was above the prior year by \$1.4 million (39%).

Net interest income was up by \$3.3 million (73%) year on year. Interest income exceeded prior year by \$9.8 million (96%) due to increases in loan, investment and cash placement volumes, as well as higher investment and placement yields. Interest expenses exceeded the prior year by \$6.5 million (114%) due to higher deposit volumes and newly issued debt.

Operating income was above the prior year by \$0.3 million (14%) due mainly to higher foreign exchange earnings; partially offset by lower securities gains.

Operating expenses exceeded the prior year by \$1.8 million (83%) due mainly to remuneration and benefits as a result of the increase in staff numbers; as well as, due to occupancy costs in relation to the move to new premises.

Taxes were higher than the prior year by \$0.3 million (39%) due mainly to a higher net income before taxes.

Loan loss impairment was above the prior year by \$0.1 million (39%), with non-performing loans to gross loans standing at 1.6% compared with the prior year of nil.

Capital Ratios

Capital strength provides protection for depositors and creditors, allows FirstCaribbean to undertake profitable business opportunities as they arise and helps maintain favourable credit ratings. In March 2006, the International Credit Agency, Standard & Poor's, reconfirmed our A- Stable credit rating, which we have held since it was first issued in October 2002.

Banks are generally required to maintain a minimum capital amount of at least 8% of their risk-weighted assets, with at least 4% being in the form of Tier 1 Capital. Tier 1 Capital is comprised of common stock, retained earnings, and minority equity 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 securities.

In 2007, both Tier 1 and total capital ratios were 14% and 17% respectively (2006 – 14% and 18% respectively).

Strategic Business Units and Functions



Sharon Brown
Managing Director, Bahamas and Turks & Caicos Islands

The Bahamas



We have capped off our fifth year of operations in a very rewarding fashion by winning two awards this year from world renowned institutions. For the second consecutive year we have won *The Banker* Banking Award for the Bahamas issued by the *Financial Times* and for the first time we won the *Euromoney* Bank of the Year Award for the Bahamas. We are indeed indebted to our staff and customers for positioning us for these very prestigious recognitions.

Service Improvement and Expansion

In our ongoing commitment to meet the service needs of our customers we further restructured some of our support and customer servicing units and expanded our relationship management service offering to a wider group of customers. In 2007 our strategy of improving operational efficiency and customer convenience included increased automation and further streamlining of processes and procedures.

We continued our efforts to provide our customers with products and services that meet their business and personal banking requirements. Enhancement and expansion of our product and service offerings including payment and transaction processing, treasury products, wire payments, payroll services, as well as insurance and card-related products will continue in 2008. Seeking out opportunities to expand and enhance our service offerings and delivery channels to meet the needs of our customers will be a priority in the upcoming year.

We broke ground this year for an additional branch outlet in the Grace Bay area of Providenciales in Turks & Caicos. We expect to provide service from this additional outlet during 2008. 2007 also witnessed the continued expansion of our service delivery channels through the expansion of our ABM network in New Providence – a Drive Thru facility was installed at our Mall at Marathon Branch and a second machine was installed at our Harbour Bay Branch. We also expect to relocate our Paradise Island Branch during 2008 and continue the provision of banking services to our customers on the island.

Financial Performance

Surpassing last year's record-breaking profit performance was a major feat in the face of continuing tightness in Bahamian Dollar Liquidity causing a squeeze on margins, activities in the international markets including lowering of interest rates and yields on placings and securities as well as some prudent provisioning. Net income improved by \$9.1million to \$109.9 million. Total assets of the Bank were \$4,658 million representing growth of \$234 million over last fiscal year end. Earnings per share was 91.4 cents, some 7.7 cents better than 2006. Return on assets for the fiscal year was 2.3% and return on tangible equity was 17.4%

This strong performance in the face of external challenges resulted from the commitment and hard work of our staff and the continuing support from our customers and for this we are truly grateful.

Community Partnership

Our partnership with the Community continued in 2007. We again actively supported numerous charitable institutions and activities. The Youth was again a major beneficiary of our partnership programme. Our support to the youth included assisting in funding The Governor General Youth Award Programme as well as a number of summer school programmes and activities in the Bahamas. We additionally provided scholarships for Bahamas Primary Student of the Year Programme, Junior Achievers Programme as well as to facilitate attendance at the Bahamas Technical & Training Institute. Financial support was also provided to The Royal Bahamas Police Force Dependents' Trust to assist with providing tuition assistance for children of slain police officers. Funding was also provided to purchase computers for the C.I. Gibson Secondary School and support to the Boys' Brigade for their building programme. We continue to be a primary sponsor of the College of the Bahamas President Scholars Programme and our participation in the programme includes providing scholarships and mentoring of the awardees, as well as on-the-job training. We are very proud of our involvement with these future leaders of the Bahamas.

Sharon Brown

Managing Director, Bahamas and Turks & Caicos Islands

The Bahamas

In 2007 we once again provided support for athletics through sponsorship of two junior baseball teams, a football team, a volleyball team, as well as track and field. We also provided financial support to a number of the national teams including the Carifta Swim Team and The Bahamas Special Olympics Teams and facilitated their competition on the world stage. Cultural development was also a beneficiary of our support through junkanoo sponsorship as well as the local craft industry.

Our staff was also engaged in community partnership through our Adopt-a-Cause Programme. Their activities included engagements at a number of schools including the Sandilands, Gambier Primary, Palmdale Primary, St. Vincent De Paul, and the Marsh Harbour Primary. Our Corporate team adopted the Children's Ward of the Princess Margaret Hospital and painted and decorated the facilities, as well as coordinated the purchase of an Isolette and a Mobile Aspirator for the Children's Ward.

Through our Unsung Heroes Programme we brought to the fore the wonderful work being done by three very special humanitarians in The Bahamas and one in the Turks & Caicos. The Bahamas 2007 Unsung Heroes winners were Mrs. Agatha Beckles, Mr. Sam Williams and Mr. Ronald Campbell. In Turks & Caicos the winner was Mrs. Gloria Cox. Mrs. Agatha Beckles, a retiree out of Freeport, volunteers at the home for the aged and the local hospital and dedicates countless hours and personal resources for the care of the young and old. Mrs. Beckles from her limited pension income also provides breakfast for the less fortunate children in Freeport.

Our second winner was Mr. Sam Williams who works tirelessly to raise awareness and improve the living conditions of the less fortunate, the disabled and socially disadvantaged in our community. He is the initiator of many projects which help both the youth and senior citizens of The Bahamas. From his own pocket, Sam Williams has repaired roofs, hung doors, and painted. He also provides hot meals and personal care packages to those in need. Environmentally conscious, socially aware and passionate about helping others – this is what he lives to do every day.

Our third winner this year is Mr. Ronald Campbell a member of the Royal Bahamas Police Force who uses his musical talent to reach and influence many from all walks of life. Ronald Campbell's ambition was to use music to provide an alternative to violence and crime by instilling the qualities of discipline and self-worth in young people. Anyone with a desire could join the band; he would find the instrument, even if it meant buying it out of his own pocket. For the past 25 years he has consistently been involved with marching bands, sacrificing his time and service to give young people the musical key to unlock their potential, thus providing them with a life-long gift.

Mrs. Gloria Cox, a teacher by profession, has influenced the lives of many throughout the islands of the Turks & Caicos. She gives tirelessly of her time and talent in guiding the youth. Recognising the need for expansion of the educational facilities in Providenciales Mrs. Cox was instrumental in the creation of the Clement Howell High School.

Our People

We extend congratulations to our three Regional Player of the Award Series Winners – Leila Dillet, Erica Johnson and Mayko Alce for their very exceptional performance. Additionally, congratulations go out to Gaye Dean, Hezlyn Pratt, Vanda Miller, Carolyn Demeritte, Andrea Smith and Immaculata Hamilton our CEO Award Winners for Excellent Customer Service in recognition of their innovative work in improving efficiency in one of our Operations units.

We welcome to our Senior Management Team Mrs. Anna Degregory, our Retail Banking Director, and Mrs. Renee Moore, Head of Treasury Sales & Trading.

Future Outlook

The openness of both The Bahamas and Turks & Caicos economies requires a continued monitoring of factors in the international markets and thus same

Sharon Brown

Managing Director, Bahamas and Turks & Caicos Islands

The Bahamas

remains on our very close radar to ensure timely and appropriate actioning. The pipeline of investment activity in The Bahamas and Turks & Caicos in train and under discussion should provide ongoing opportunities for our Bank. We are committed to meeting the product and service needs of our customers and expect roll-out of further initiatives toward this end in the coming year. The expansion of our footprint in the Turks & Caicos should augur well for our customers in Providenciales.

Appreciation

It is through the resilience, loyalty and support of our customers and staff that we were able in the face of a number of challenges, to deliver such positive results as we did in 2007 including the international recognition received through the winning of the *Euromoney* and *The Banker Awards*. I thank our customers and staff wholeheartedly for their continued support and commitment. To our Shareholders, we are truly appreciative of your continued confidence and support. I also wish to recognise and thank our Board of Directors who have again this year provided excellent contributions through guidance and counsel to the growth and development of the Bank. A special thank you to Ms. Teresa Butler who left the Board this year after five years of service to take a position in the public sector. She made an excellent contribution during her tenure and we wish her well.

Barbados



Oliver Jordan
Managing Director, Barbados

2007 Performance

Overall, we are quite pleased with the performance of Barbados, the EC Islands and Belize. Our employees have worked hard over the last year to meet the organisation's goals and this, coupled with stringent cost management, accounted for the turnaround in performance of the SBU.

Financial Overview

The Barbados Strategic Business Unit (SBU) recorded a relatively good financial performance for the period under review with productive Loans and Advances for Offshore and Onshore, ending the fiscal at US\$1.7 billion and reflecting a 14.0% growth over 2006. Loans for Barbados Island grew by 8.2% with the EC Islands growing by 17.3% and Belize by 18.3%. Corporate Loans, Mortgages and Credit Card products were the main contributors to this performance.

Our customers continue to exhibit their confidence in our Bank as can be seen in our Combined Deposit base which was US\$2.8 billion and recorded an increase of 11.5%.

Net Income After Tax (NIAT) for the SBU recorded good performance, growing by 23.5% to close the year at \$65.2 million. Barbados Island (including Offshore) recorded NIAT of \$34.7 million which was above the prior year by 30.1%. EC Islands combined stood at \$29.4 million and exceeded the prior year by 20.9%. Belize and Jamaica Trust recorded net income of \$0.3 million and \$0.8 million respectively which was below prior year by 65.9% and flat year on year respectively.

Our Customers

In 2007, we redoubled our efforts to deliver superior service to our customers through a focused training programme designed to encourage our employees to make every customer interaction with the Bank one of professionalism,

while being personal. Over the year, we are pleased to report that we have seen continuous improvement in our service. For instance, in the most recent benchmarking study conducted in Barbados amongst the major banks, FirstCaribbean has been polled as the most consistent performer in terms of its Overall Performance, Value for Money, and Satisfaction scores. Our Mass Market customer service survey for October 2007 reflected very encouraging results for the islands within this SBU, showing that 97% of our customers indicated that our service ranged between "met their expectations" to "better than expected". Our plan is to continue to work assiduously to exceed our customers' expectations on a consistent basis and to do so with the full engagement of our staff.

Our People

Leadership: In order to provide greater focus on the achievement of the overall objectives for the Barbados SBU, a leadership committee was formed from the senior management representing each business segment to provide support to the Country Managers in the execution of the strategic priorities of all nine countries. In addition to the support, this committee will assist in building leadership capability and succession planning.

Employee Satisfaction: The Employee Voice survey for the Barbados SBU for this year was higher than that reported for regional banks and higher than the worldwide benchmarking percentage. Over 90% of our employees stated that they were committed to making FirstCaribbean a success and this reflection augurs well for the future of the organisation and realisation of our goal to being the "Employer of Choice". We are continuing and expanding our reward and recognition programmes as these have proven very successful in boosting staff morale and productivity.

Our Communities

We continue to be proud of our role in supporting the social and economic development of our countries through the range of our services and

Oliver Jordan
Managing Director, Barbados

Barbados

corporate social outreach programmes. In 2007, we had almost 90 entries for our Unsung Heroes programme with all four regional finalists hailing from islands within the SBU. Husband and wife Lyndon and Lavern Bailey from Belize were selected as FirstCaribbean's 2007 Regional Unsung Heroes, and Yolande Stewart from St. Vincent & the Grenadines and Rosemary Compton from St. Lucia were the runners-up.

Our employees were again encouraged to reach out to our communities through the Adopt-a-Cause programme to assist the vulnerable. Support of our youth was featured strongly by way of sponsorships to many schools, sporting programmes, children's homes and music, to name a few.

2008 Outlook

It is anticipated that in 2008 we will experience some challenges in many of the economies in which we operate due to the slowdown in the US economy caused by softening of the US property market, cuts in the US interest rates and escalating oil prices. In order to respond to these challenges, we have put some strategic initiatives in place to lessen the effects of these events while attempting to maintain our profitability.

Tom Crawford
Managing Director, Cayman Islands

Cayman Islands



FirstCaribbean International Bank (Cayman) Limited conducts business in Cayman, British Virgin Islands, Curaçao, and St. Maarten. All jurisdictions in which we operate are extremely competitive, particularly with respect to pricing of products and services offered. The countries continue to see increased competition from foreign banks entering their environment through mergers and acquisitions, as well as electronic banking and investment banking.

FirstCaribbean International Bank (Cayman) Limited had an exceptional year despite the increased competition and other outside challenges. In 2007 net income was \$ 91.1 million, up \$18.7 million or 26% from 2006. Earnings reflect the efforts of dedicated employees working together to put the customer first.

During 2007, the business units underwent organisational changes to improve delivery times and enhance service and products. Our segmented customer service groups allow us to be responsive to the special needs of a variety of customers.

Corporate, Retail, Wealth Management, and Capital Markets tailor their products and delivery to meet the needs of our diverse market.

Our Operations group provides support services to the above business units. It works with all teams to help meet operating and performance targets, and takes a leadership role, successfully reducing costs and managing processes to ensure the Bank continues to function efficiently.

Our Internet banking capabilities continue to be enhanced and the number of customers now using this service has grown. Recent improvements to this product will help ensure that this banking service becomes even more widely accepted.

FirstCaribbean continues to improve our customer service by investing in our most important asset, our employees. Enhanced training in 2007 has assisted us in delivering superior customer service in all segments.

Professional development courses ensure our employees are continually upgrading their knowledge and skills.

We also launched our Helpful Partner Programme in July 2007, which was attended by all of our employees. The programme emphasises excellence in everything we do and is designed to create an ongoing feeling in the workplace that will lead to continued customer loyalty and teamwork.

The year 2007 has been excellent. The economy ahead and competition will make 2008 challenging. Economic forecasts and interest rate environment will add a degree of difficulty if predictions become realities. Early indications are that the credit markets may be slower in the coming months. In order to succeed we will continue to focus on our objectives of improving our customer service. Customer service will be enhanced through investment in employees, technology, training, recruitment, premises, and product development.

Milton Brady
Managing Director, Jamaica

Jamaica



Financial Performance

In 2007, FirstCaribbean Jamaica continued to make significant strides towards our vision of being first for Customers, first for Employees, first for Shareholders and first for the Communities in which we operate.

The year was one of continued growth as total revenues grew by 17% to \$48.3 million. This was accomplished in an increasingly competitive environment characterised by tight liquidity and shrinking interest spreads. In response to the deteriorating market conditions, we have focused on the high growth sectors of the economy and on containing our costs. Consequently, our efficiency level, as measured by our Cost/Income ratio, has improved to 61.2% from 64.1% in 2006. These and other measures produced a 27% growth in our Net Income before Tax which exceeded the \$16 million mark for the first time. Net Income After Tax (NIAT) rose to \$11.4 million, an increase of 25.0% over the prior year.

Total Assets increased by 18% to \$587 million, mainly driven by the growth in our loan portfolio which climbed by 23% to \$445 million in 2007. We are pleased with the strong loan growth, particularly in our corporate loans and our retail mortgage portfolio. We have maintained a keen focus on the quality of our loan portfolio which continues to show non-performing loans/total loans well below the average for commercial banks in Jamaica.

Strategic Initiatives

In 2007, the Jamaican capital markets gave us a vote of confidence as our J\$1.5 billion (US\$23 million) bond offer was oversubscribed. The proceeds were used to grow our Corporate and Retail Banking businesses. Growing our deposit base and developing creative funding solutions remain in focus as we seek to sustain our loan growth.

The expansion of our distribution channels continued apace as we opened our Savannah la Mar branch in February 2007. Our new Liguanea and Portmore branches are scheduled to be opened in 2008. In 2007, we also

increased our ABM network from 11 to 17. Together, these initiatives will provide greater access to our customers islandwide.

Customer Satisfaction

Our Customer Voice survey – an independently conducted benchmarking of our customer service standards against our main competitors in the Jamaica market – again rated FirstCaribbean #1 in both “Customer Satisfaction” and giving our customers “Value for Money”. While we are proud of these achievements, we are not resting on our laurels. In July 2007, we launched our “Helpful Partner” transformation to embed our internal and external customer service standards.

Taking Care of the Team

In 2007, FirstCaribbean Jamaica consolidated the gains in its Employee Satisfaction Index which continues to exceed by far the average for both regional and international “best practice” companies. Our industrial relations environment continued to benefit significantly from the heightened level of cooperation and collaboration under the FirstPartnership agreement between the Bank and the BITU, which represents our staff.

Our CareerFirst graduate training programme and our Leaders Edge leadership development programme, in association with the Wharton School of Business at the University of Pennsylvania, continue to be two of the main programmes through which we are building our talent pool to strengthen FirstCaribbean’s competitive position.

Nurturing our Communities

Through our Comtrust Foundation, FirstCaribbean has been delivering on its commitment to contribute 1% of our pre-tax profits to community causes. Responding to needs in our communities, we exceeded this target in 2007 as donations totalled \$0.4 million or 3.0% of our 2006 pre-tax profits. Through our flagship “Unsung Heroes” and “Adopt-a-Cause” programmes,

we provided assistance to many worthy causes. Our staff has also continued to make financial donations from their own resources as well as volunteering their time to various causes such as refurbishing classrooms and mentoring students at schools in their communities.

FirstCaribbean collaborated with the Urban Development Corporation (UDC) to complete the upgrade and beautification of a section of the Kingston Waterfront in 2007. The Bank has also committed to maintaining the location for the next three years so that residents as well as visitors to downtown Kingston can continue to enjoy this oasis.

This year, as part of FirstCaribbean's 5th Anniversary celebrations, we provided funding to the SOS Children's Village to support their work in caring for Jamaica's orphaned and abandoned children. Additionally, we made major contributions to educational institutions and senior citizens who were affected by Hurricane Dean.

Outlook for 2008

The continuing increase in oil prices and the fallout from the "sub prime" financial sector are expected to have a negative impact on the US economy and by extension the economies of the Caribbean region. From the Jamaican perspective, the jockeying for position among the traditional and non-traditional players, and the proliferation of "alternative investment schemes" is driving up the level of competition in the financial services industry. Nevertheless, given our focus on delivering value for money and excellent service and our consistent and conservative approach to risk, we are well prepared for the future.

Appreciation

Over the past five years, we have increased loans to our customers from \$74 million to \$445 million, reflecting a compounded annual growth rate (CAGR) of 43%. We have grown our NIAT from \$2.5 million to \$11.4 million – a CAGR of 36%.

In 2007, FirstCaribbean was awarded "Bank of the Year – Jamaica" by *The Banker Magazine* for the second year in a row. Also, for the first time, we earned the "Best Bank – Jamaica" award from the *Global Finance Magazine* and the "Euromoney 2007 Award for Excellence" from the *Euromoney Magazine*. We are proud to receive such honour from industry experts.

We thank our loyal customers, committed and dedicated staff and supportive shareholders for their stellar contributions to our success.

Lloyd Samaroo
Managing Director, Trinidad & Tobago

Trinidad & Tobago



Performance Review

We are pleased to report that the Bank produced a before-tax profit of \$6.0 million (2006 – \$4.3 million) with total assets of \$340 million (2006 – \$155 million). On an after-tax basis, net income for the year was \$5.0 million (2006 – \$3.6 million).

These foregoing results take account of a charge made to the Income Statement of \$0.3 million (2006 – \$0.2 million) as a general provision for any inherent impairment of the loan portfolio in accordance with IAS 39. In addition, a decision was taken by the Parent Bank's Treasury Sales & Trading division to dispose of a portfolio of Government of Trinidad & Tobago securities incurring a loss on disposal of \$0.3 million (2006 – \$Nil).

The normal funding base comprising certificates of deposit and other short-term unsecured funding instruments amounted to \$42.0 million (2006 – \$35.3 million) at the end of the year. In addition, the Bank issued via private placement on March 22, 2007, Guaranteed Subordinated Fixed Rate Term Notes Due 2017 in the aggregate amount of \$31 million. The proceeds of this issue of 10-year subordinated debt were used to assist in funding growth in the TT\$ lending book.

The Bank continued its policy of maintaining a closely managed liquidity position and in the last quarter, introduced a treasury operation with a formal ALCO being established on October 5, 2007.

The Central Bank retained its REPO rate at 8.00% during the year although remaining concerned about the rate of inflation, and through its open market operations maintained fairly tight liquidity conditions. The commercial banks' prime lending rate of interest was unchanged at 11.75% throughout the year, although upward pressures on interest rates and narrowing interest margins prevailed. Institutions continued to compete strongly by lending to their prime customers below their published prime lending rates. According to the Central Bank Statistics as at December 2006, commercial banks' special deposits and holdings of treasury bills amounted to \$416.4 million (Dec, 2005 – \$224.6 million).

The lending portfolio made up of inventory and receivables finance, finance leases, medium and long-term finance, totalled \$144 million (2006 – \$94 million) at year-end. The Bank continued its emphasis on maintaining a high quality credit portfolio whilst growing its loan book. A review of the year's lending activity reveals new lending turnover of \$200.5 million (2006 – \$153.9 million) of which \$83.0 million (2006 – \$47.9 million) comprised renewals of short-term instruments, thus resulting in net new lendings (before repayments) of \$117.6 million (2006 – \$106.1 million) in the period. The US Dollar-denominated portion of the lending portfolio was funded by loans from the Parent Company in the aggregate amount of \$73.8 million at year-end (2006 – \$50.0 million).

The Bank's portfolio of long-term investments was buoyed by Capital Markets booked transactions in the aggregate amount of \$72.8 million at year-end (2006 – \$39.9 million).

The Bank maintained a moderate level of liquidity during the period, investing its surplus funds in short-term liquid assets. At the initiative of the Parent Company's Treasury Sales & Trading division, the Bank opened a short position in US\$ to take advantage of the favourable differential between US\$ and TT\$ interest rates and borrowed from the Parent Company in US\$ for this purpose, investing the TT\$ proceeds in TT\$ Treasury Bills. At the end of the year, the short position was at a level of \$45 million.

The foreign exchange market continued to be dominated by excess demand over supply. The Central Bank reported that purchases from the public in 2006 had increased to \$3,059.3 million (2005 – \$2,506.6 million) whilst sales grew to \$4,270.6 million (2005 – \$3,494.9 million). In 2006, the Central Bank increased its sales to the market to \$1,465.1 million (2005 – \$695.0 million) and in the period January to May 2007, these interventions amounted to \$365 million being projected at close to \$1 billion for 2007.*

**Source: Central Bank Annual Economic Survey 2006, Monetary Policy Report April 2007 and Monthly Statistical Digest June 2007*

Fee income derived from new lending activity, Capital Markets transactions and trustee services amounted to \$2.1 million for the year (2006 – \$1.8 million). The main components of the fee income were \$0.5 million (2006 – \$0.2 million), \$1.4 million (2006 – \$1.4 million) and \$0.2 million (2006 – \$0.2 million) for loans, Capital Markets and trustee services, respectively. In compliance with IAS 18, fee income earned of \$0.2 million, was deferred (2006 – \$0.4 million). Fee income of \$0.1 million deferred in prior years was brought into income in the year (2006 – Nil).

Comparative Performance

	2007 US\$M	2006 US\$M	Growth Year on Year
Total Assets	340	155	119%
Loans & Advances to customers	144	94	53%
Investments	163.5	36.7	345%
Deposits & Other Funds Raised	217.1	79.9	172%
Long-Term Funding Instruments	51.7	20.3	155%
Net Income Before Tax	6.0	4.3	39%
Net Income After Tax	5.0	3.6	39%

In the period, an amount of \$39.9 million in the loan portfolio was repaid and replaced by a bond investment of \$72.8 million reflected in the investment portfolio. The latter portfolio included the Bank's holdings of \$54.9 million in Treasury Bills (2006 – \$Nil). Additionally, bond investments with an aggregate net book value of \$2.6 million in 2006 were sold. Deposits and Other Funds Raised included inter-group borrowings in the amount of \$180.8 million (2006 – \$50.0 million).

Capital

The Bank's paid-up capital is \$42.9 million and the number of Class A shares authorised for issue is 500,000,000. The Parent Company injected additional capital of \$15,000,000 on March 29, 2007.

Under existing legislation the Bank can incur deposit liabilities of up to 20 times the sum of its paid-up capital and Statutory Reserve Fund.

Staff

There are currently 34 staff members apart from the three full-time Executive Directors. Mr. Hassan Philip Rahaman joined the Bank on June 11, 2007, taking up the position of Director Commercial Services & Business Operations, taking over from Victor Mouttet, Executive Director, who retired on June 30, 2007. From time to time as required, the Bank utilises the services of experienced persons on short-term contracts for specific projects. The Directors wish to acknowledge the support provided to the Executive by the experienced bankers who comprise the backbone of the Bank's staff.

In accordance with the Bank's business expansion plans, new staff hires are planned which are expected to take the permanent staff complement (inclusive of the Executive Directors) to 46 by the end October 2008.

The 2008 Business Plan includes further changes to the Organisational Structure with the introduction of new positions in the frontline and support functions in the Corporate, Capital Markets and Operations divisions as the business expands.

A Treasury Sales & Trading division was established in September 2007 and is currently staffed by two experienced persons with the necessary expertise in this specialised area of banking.

Retail Banking Licence

The Bank obtained a full retail banking licence from the Central Bank on May 28, 2007. This has positioned the Bank to enter the shorter end of the market in terms of deposit-taking activity and expand its services as desired in other areas.

Change of Name

Consequent upon receipt of its full banking licence, the Bank changed its name to FirstCaribbean International Bank (Trinidad & Tobago) Limited with effect from May 28, 2007.

Premises

The Bank consolidated its business locations on May 28, 2007, operating from new premises at 74 Long Circular Road, Maraval, on that date.

Resignation of External Director

Sir Kyffin Donald Simpson has decided to resign from the Board on December 31, 2007 due to his busy schedule. Sir Kyffin was one of the original shareholders of the former Mercantile and a Board member from its inception over 10 years ago. The Board is grateful for Sir Kyffin's support and participation in the Bank's affairs over the past decade.

Retirement of Executive Director

Mr. Victor Bertrand Mouttet retired on June 30, 2007, having served as an Executive Director since 1999. The Board acknowledges Mr. Mouttet's valued services to the institution and wishes him a long and happy retirement.

Retirement of Managing Director

Mr. Lloyd Lindsay Samaroo will retire as Managing Director on December 31, 2007, having reached normal retirement age. Mr. Samaroo was one of the founding Executives of the former Mercantile over ten years ago.

The Board acknowledges Mr. Samaroo's contribution to the growth and development of the Bank and conveys its best wishes to him for the future. The Board welcomes Mr. Larry Roger Nath as the new Managing Director. Mr. Nath will take up the position on January 1, 2008 and the Board wishes him every success in his new role.

Conclusion

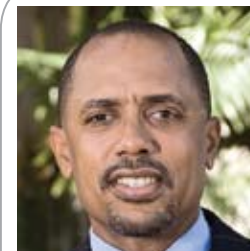
The Board wishes to acknowledge the hard work and first class contributions being made by the Executive and its support staff in growing the business of the Bank and entrenching the FirstCaribbean brand in Trinidad and Tobago. The Bank's continued rapid expansion in Trinidad & Tobago and the significant transformation of its business operations have been an outstanding success story of which all staff can be justifiably proud. The Executive wishes to place on record its acknowledgement and appreciation to all members of the Board for their support, guidance and encouragement and their active role in the Board Audit Committee.

Retail Banking



R.K. Phillips
Managing Director, Retail Banking

Retail Banking



A Year of Challenge and Opportunity

This has been a very challenging fiscal year for the Retail Banking Strategic Business Unit during which we made significant changes to our business model and faced unfavourable competitive conditions in three of our major markets which impacted loan growth and interest margins.

Financial Performance

In summary, Retail Banking contributed net income before tax of \$48 million against a 2007 plan of \$56 million and a prior year contribution of \$60 million. Performance against 2007 plan was primarily impacted by significant under plan performance in our revenue in Bahamas and Jamaica and Barbados business units resulting from weak loan volume growth and rising deposit costs. In addition to these factors our performance against prior year was also impacted by changes in the accounting for depreciation, employee bonuses, and advertising and promotion.

On the balance sheet side we concluded the transfer of loan balances of \$225 million and deposit balances of \$688 million to the Wealth Management Strategic Business Unit to achieve the consolidation of our international and domestic wealth businesses. When normalised for this transfer, overall loan volumes grew by \$117 million or 6% over 2006 and deposit balances remained stable.

Customer Experience

The majority of our Retail customers continue to express satisfaction with our services. Overall customer satisfaction increased marginally from 69% in January to 72% in July 2007. Satisfaction with branch services dipped by 2%, from 69% to 67% over the same period. Loyalty to FirstCaribbean by Retail customers, however, remained high at 78%. During 2007 we introduced Helpful Partner as our major internal and external customer service initiative. 76% of Retail customers expressed satisfaction when surveyed against the

Helpful Partner standards. We will embed distinct business units Helpful Partner standards in 2008 and will expect that this together with the planned reorganisation of our branches will drive further improvements in customer service.

Our People

The training and development of our people remains a priority for Retail Banking. Our focus in 2007 was on continuing to equip our people to deliver improved customer experience and on sales effectiveness. The more than 1,300 retail staff from our 16 countries were critical to our performance in 2007. They continued to deliver excellent service and to sell products to our many existing and new customers despite the constraints faced this year.

Looking Ahead

During 2007 we completed the implementation of stronger geographic management roles to improve the efficiency, control, service delivery and financial performance of our branch network. We are committed to making our branches places where customers can have an exciting and enjoyable experience while having their needs met by our professional staff. We expect this to pay dividends in 2008 as we strive to gain increased share of wallet from our large pool of existing customers built up by significant market share growth in most countries over the last four years. Most of these customers currently use only one of our products. We are also continuing to strengthen our insurance capability to expand the penetration of our existing customer base.

In addition to the above, we have already begun to experience some alleviation in the negative factors which impacted us in 2007 and we expect to see a return to profitable growth in 2008.

Capital Markets



Ian Chinapoo
Managing Director, Capital Markets

Capital Markets



Growing from Strength to Strength

In 2006/2007, Capital Markets continued to build on the solid foundation established in our prior three years and enjoyed a banner year, featuring the near doubling of team size, achievement of significant milestones and international accolades for our efforts.

Building Our Team

This year we followed through with our plan to build out key areas of our business, namely Structured Finance, Primary Distribution and Transaction Management, all of which are crucial elements to our continued development and success. Overall, the team is now nearly double its size from the end of last fiscal and this strategy has already started to pay big dividends.

Performance Milestones

We ended the year marginally above our planned operating profit. In our third full year of operations, our revenues grew by 13% over prior year and we achieved a cost to income ratio of 35.2%. The coming year holds significant promise as we end 2007 with a pipeline of US\$2.37 billion in aggregate value. We are incredibly excited that, during this year, we crossed the US\$1 billion mark in financings for Caribbean Corporates and Sovereigns since we commenced operations four years ago. Prominent among these is the US\$375 million financing of the International Waterfront Project in

Port of Spain, Trinidad, which closed in February 2007. This pioneering and competitively-priced deal was the largest non-energy sector fundraising for any Trinidadian entity and the first direct offering of Trinidad & Tobago paper into the United States Private Placement (USPP) market. To add to our delight, the bridge financing for this transaction was awarded *The Banker* magazine's "Deal of the Year Trinidad & Tobago" in early 2007. The award, issued by *The Banker* magazine and the Financial Times Group, is the first to be received by FirstCaribbean and is also one of the first ever awarded in the Caribbean region. We made further inroads in the Northern Caribbean, leading significant corporate fundraisings and closing our first transaction in the Cayman Islands.

We would like to take this opportunity to thank the other units within the Bank who have contributed to our performance through their continued support and guidance.

Our Focus for the Future

As we look ahead to the coming year, innovation and relationship-building will be our main areas of focus. The building out of our Structured Finance, Primary Distribution and Transaction Management areas of the business will allow senior country personnel to refocus on executing these strategies. We are confident that our enthusiastic and energetic team can deliver on these areas whilst setting and adhering to distinctive standards in performance, customer service, teamwork and controls.

Corporate Banking



Horace Cobham
Managing Director, Corporate Banking

Corporate Banking



Another Successful Year

2007 proved to be another successful year for the Corporate Strategic Business Unit as we continue to build on the solid foundation over the past three years set around our customers, our employees and tailored financial solutions and service.

Our excellent results have again underscored the diversity of our operations as we serve and support our customers in their business activities throughout FirstCaribbean's footprint. We saw one of our newest businesses, Trinidad, perform exceptionally well with over 115% business volume growth over last year. Improved results were also registered in the Jamaica, Cayman Barbados and the OECS markets in the face of intense competition. Overall, our sales force of dedicated relationship managers, industry specialists and Small Business officers have kept focused on business opportunities and have helped us to retain our market position in all our key markets.

Financials

Corporate loans grew by 15.5% year over year to \$3.6 billion, fuelled by the disbursement of over \$1 billion in loan facilities for the third consecutive year. Deposits continue to be a growth priority for the business and this year we realised 5.6% growth, moving the portfolio to \$2.9 billion. Profit and loss performance has also been strong in 2007. Total revenues increased by 10% to \$247.7 million, with the primary contributor, net interest income, increasing by 13%. Operating expenses continued to be tightly controlled, with strong productivity metrics being achieved.

These strong financial results have been achieved without diluting our risk acceptance criteria. Underlying asset and portfolio quality remain well within the Bank's established risk parameters and well diversified loan portfolio has allowed us to manage our country and industry risks successfully, as we pursued opportunities across the region. Additionally, as the Bank moves into a Sarbanes Oxley era, the Corporate SBU is actively ensuring the correct governance and control structures are in place to achieve full compliance by the first quarter of 2008.

Customer Service

During 2007, Corporate has worked to deepen our understanding of our customers through better research, segmentation and tailoring products and

services to meet their needs. Broadening the way we interface with customers through multiple channels has been another area of focus for us, as we respond to customer requests for more self-service options and technological solutions. In this regard, our Internet Banking platform, facilitating straight-through processing of incoming and outgoing wires in most markets, has been seen as an excellent option by our customers.

People

Our 280 staff members across the region played an integral role in the success of the Corporate SBU in 2007. Their work effort, dedication and commitment have resulted in our customers rewarding us with more of their business, and most importantly, their trust. In 2007, we continued with our accreditation programmes under our sales and service mandate. On the risk side, in addition to credit training, we have rolled out Anti-Money Laundering and Know Your Customer courses to equip our people to better manage in the current environment. We remain committed to providing our people with the right tools, training and leadership to serve our clients better. To our staff, I say thank you for your dedication and finding new, innovative ways towards being first for our customers.

Outlook

As we enter 2008, there are expectations for a weaker global economic environment, characterised by high oil prices, slowdown in business and consumer activity and lower interest rates. The region's dependence on foreign direct investment, capital flows and tourism will heighten the potential for impact on our regional business. However, the Corporate SBU is confident that we can leverage the Bank's excellent balance sheet strength, our deep customer knowledge and service excellence to post another good performance in 2008.

Service excellence is integral to our value proposition to customers. We are committed to continually enhancing service levels through all our channels and contact points.

We stand committed to delivering the best customer experience possible, one that is tailored, efficient and solution oriented. Thank you to our customers for your business and we look forward to continuing our partnership in 2008.

Wealth Management



Jan-Arne Farstad
Managing Director, Wealth Management

Wealth Management



Another Banner Year

The Bank's Wealth Management team produced another banner year in 2007. Total deposits amounted to \$4.7 billion (an increase of 19% from last year), loans increased to \$535 million (up 118%) and additional Assets under Management or Administration reached \$1.5 billion (up 25%). Wealth Management's contribution to the Bank's operating profit reached 25% (up from 21%).

At the beginning of the year domestic and international Wealth Management were combined under one roof. Domestic clients with balances of \$100,000 or more and/or borrowings of \$350,000 or more were transferred from Retail to Wealth Management in the course of the year. These clients are now served by dedicated relationship managers and professional support staff to ensure that personalised service and advice is provided to this valued group of our clients. Domestic clients are now enjoying the same access to best-in-class products, services and advice that previously only were available to our international clientele. When adjusted for the internal client transfers from Retail, loans grew by 27% and deposits by 1%.

Our seven Wealth Management Centres located in The Bahamas, Barbados, the British Virgin Islands, Curaçao, the Cayman Islands, Jamaica and Turks & Caicos Islands were upgraded to improve service levels. Each of these Wealth Management Centres is now organised in four teams of professionals who specialise in advisory, transactional, lending and compliance management. Each of these teams reports to a Wealth Management Director, who ensures that the four areas cooperate seamlessly to serve our Wealth Management clients. Some 225 professionals serve our Wealth Management clients across these islands. All seven Wealth Management Centres performed well with financial results ahead of 2006.

We made good progress during the year in our specialty areas, such as banking services for Captive Insurers and Fund Managers. Our Investment Management practice was substantially improved by the addition of a number of highly qualified investment advisors. Our International mortgage offering again grew very substantially. Several enhancements to our Internet Banking platform were made that have increased the ease with which our clients can manage their monies.

Our Curaçao bank (acquired from ABN AMRO in 2006) now serves as centralised hub for execution of investment solutions for clients across all seven Wealth Management Centres and has performed exceptionally well despite going through a complete system conversion in 2007 from ABN AMRO's system platform to a new state-of-the-art wealth management platform of its own. We thank our clients for their patience during this conversion process which is now thankfully behind us. The financial performance of Curaçao has been exceptionally good, in particular when considering this disruption.

We believe the combination of domestic and international Wealth Management provides good growth opportunities as we seek to be trusted advisors to our clients who reward us with a larger "share of their wallet" based on sound financial advice, best available open architecture investment products and the professionalism of our highly rated relationship managers.

Treasury Sales & Trading



Pradip Chhadva
Managing Director, Treasury Sales & Trading

Treasury Sales & Trading



Transformation and Investment

I am pleased to be writing my first annual report since joining FirstCaribbean in early 2007. I was very excited by the possibilities offered by this role prior to joining the Bank, and I subsequently have real confidence that we have delivered the required transformational change to enable real success.

We have expanded our name from Treasury to Treasury Sales & Trading. The name change represents our transformation from a support function to a new Strategic Business Unit; and indeed if we are to succeed as an SBU it is essential that we are both customer-focused and a prudent risk-taker in local markets.

I take this opportunity to highlight the key transformational changes:

Regional Treasuries

Regional Treasury centres have been set up and populated in Trinidad, Bahamas, Curaçao, Jamaica, and Barbados. We've had real success in recruiting highly qualified candidates for Trinidad, Bahamas and Barbados; whilst promoting strong internal talent for the Jamaica and Curaçao positions.

The creation of regional Treasuries represents a sharp change of focus from a purely centralised model to a model in which we have high-level sales capability on the ground and in close proximity to our clients.

The regional Treasury managers have responsibility for generating stronger relationships with customers and regulators, delivering optimal solutions for balance sheet management and further identifying opportunities for FX & Securities trading in local markets.

Barbados represents a key guide to the future success of this model. Recruitment has enabled us to significantly grow our small and medium business client base in Barbados – the net result is significant revenue growth. It's a success story which will be replicated across the Caribbean.

Corporate Treasury

This department was created this year with the hiring of a senior Corporate Treasurer.

Corporate Treasury has responsibility for establishing standard policies and procedures for the liquidity, interest rate risk and capital management across the Bank.

In this context and within a short space of time we have:

- i. Established local Assets and Liability Committees in the different countries in addition to the Group Alco.
- ii. Designed a new transfer pricing policy that will reflect the marginal cost of funding.
- iii. Optimised liquidity management with the implementation of target ratios and the concept of Core Deposits.

The full implementation of the Transfer Pricing policy, Capital Hedge and a comprehensive Liquidity Policy (to the highest international standards) will follow. Corporate Treasury in the simplest terms ensures best practice and compliance for TS&T.

Sales and Structuring

The major focus of Sales and Structuring has been in developing a systematic marketing approach towards customers and the build of strong relationships with other SBUs in order to increase the cross-sell activity and overall customer profitability.

To enable these aims we have:

- Mapped the Bank's top tier customers with relevant information about risk profile, business activity and product knowledge.
- Set up a formal marketing dealing procedure to better serve our customer base (meeting call, follow up, survey and workshops).
- Introduced, in the Budget 2008 process, "the double count of

revenues" concept to give incentive to all Relationship managers in cross-sell Bank's products

-As far as product diversification is concerned, we have actively marketed exposure management products to qualified customers.

We further initiated relationships with CIBC WM in the Structured Products Arena – organising the first joint customer meetings in the region to introduce CIBC WM's capability in structured investment solutions.

Trading

The Trading function is an absolutely key driver of revenues both for TS&T and for the Bank. We can summarise the key highlights for Trading as follows:

- 1) Independent management of tradable hard currency Caribbean assets (CBP): this portfolio has delivered significant out-performance over the last 12 months in comparison with both external benchmarks and internal targets.
- 2) Implementation and execution of structural hedge strategy: we have actively built a true rolling structural hedge programme (picking up yield by buying AA- banks rather than Treasuries). The post-structural interest rate position has been neutralised.

- 3) Implementation of outsource strategy (as determined by Board Committees): the subprime crisis and associated wider credit crunch resulted in higher volatility and below plan returns for the outsource strategies. We have in fact reduced exposures as we shift focus from outsource to in-house strategies (focus on CBP and local market opportunities).

In conclusion, I am proud of the performance of the function to date and further to be associated with the changes that we have delivered over a relatively short time frame.

As you can see from the above, the TS&T function has undergone real and radical change. I am now certain that we have the strong foundations, the correct structures and most importantly the right people in place to ensure future success.

Our ambition is to be viewed as the cutting-edge and leading TS&T service provider in the region – we are on the way.

“Recruitment has enabled us to significantly grow our small and medium business client base in Barbados – the net result is significant revenue growth. It’s a success story which will be replicated across the Caribbean.”

– Pradip Chhadva, Treasury Sales & Trading

Human Resources/Marketing



Peter Hall
Managing Director, Human Resources/Marketing

Human Resources/Marketing



Get There. Together. Our People. Our Brand.

FirstCaribbean is five years old this year. Built on the heritage platforms of two international banks, our brand continues to be a formidable part of the financial landscape in most of our current footprint. Even where our market share is lower than the competition, our brand is like our organisation's value acronym CRICKET. It's a long game and everybody knows we are in it.

Our financial performance continues to be a league table leader against any measure and our profits this year hit over US\$200 million. At the core of this has been the team at FirstCaribbean which has displayed a continuing commitment and capacity for change and challenge. Supported by a continued focus on our leadership development activities, our basic banking sales, credit and risk training agendas, we are slowly building a capability that is already differentiating us in the market. This differentiation was given a further dimension this year with the first phase implementation of our customer experience standards, which are about giving life and meaning in a universal and consistent way to what our customer experience will feel like.

Integrating this with a focus on recruitment, critical process re-engineering and measurement is creating a single momentum and connectivity between our employee experience and our customer experience. Operating as we do in a fierce market with competition for scarce people resources and business, our brand continues to be well positioned and is market leading in terms of the employee proposition.

Our organisation's change agenda, which witnessed numerous developments in our technology platform environment and upgrades in our Cards, Treasury and Wealth businesses, have all been successfully delivered by teams making significant contributions and demonstrating commitment and loyalty of which we are truly proud. To our Curaçao, Cards, Change Management, Operations and Technology teams, we owe this year a special thank you.

Our union partnership this year has been tested and found to be capable and innovative. Indeed, we have leveraged this year in a developmental way the partnership principles to enable successful closure to our collective agreement

arrangements in the Bahamas, where our first five-year settlement has been achieved. We recognise that we exercised a different level of engagement and note the role of the leaders in the union partnership in this process.

Our presence in the market was further felt this year through the release of our Universal "jingle", which won our agency an award. "FirstCaribbean. Get There. Together." is now a "hum" in the market. Our Wealth Management team was also this year supported by fresh collateral that is energising our team and impacting our clients.

Despite challenges associated with technology changes, our customer service ratings continue to hold their own in the market and will over the next three quarters show demonstrable positive change.

Our Internet platform continues to grow as a channel of choice, and upgrades in the coming year will further enhance this as a preferred service domain. With the added Internet channel for our Curaçao business, we are truly the No. 1 business in the region for basic online banking services.

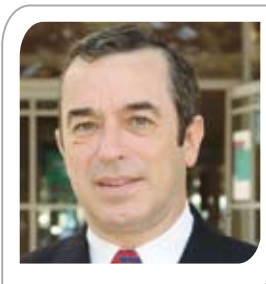
Our communication and public relations presence internally and externally witnessed a number of firsts this year, including our campaign which proudly shared the numerous awards achieved by the Bank from the financial services community. FirstCaribbean Unsung Heroes flagship recognition and social responsibility commitment unearthed more treasures this year. These are being shared across the Caribbean.

We approach the new financial year with continued focus for growth, but also with caution, noting that economic conditions in the US market have changed. This will require continued focus on leadership excellence, precise marketing execution and a careful attention to costs.

We would like to take this opportunity to thank the team leaders, who continue to help us make things happen. They are Beatrix Carrington, David Small, Debra Johnson, Neil Brennan, Jacqueline Floro-Forde, Vivian Hinds, Kerry Higgs, Henry Reid, Geoffrey King, Monique Straughan, Dawne Williams, Siobhan Lloyd and Carolyn Lewis.

Juan M. Corral
Managing Director, Operations and Technology

Operations and Technology



During this period we have been able to further progress our ambitious agenda to improve productivity and efficiency, reduce processing cost, increase quality of service to internal and external customers, automate manual transactions, integrating new activities and countries and implementing the portfolio of projects that improve our products, infrastructure and governance.

Curaçao, Treasury and Other Projects

In this period we have been able to successfully convert all systems utilised previously by our Curaçao franchise to a new fully integrated banking platform (Flexcube) that will provide our operations in that country with the launching pad for growth, not only in their established Wealth Management operation, but also into Corporate Banking for the country as well as other Dutch Caribbean jurisdictions. The new platform deploys all existing products and processes and adds material benefits in terms of integration, reporting, time-to-market and our expansion ambitions.

We also took this as an opportunity to deploy an end-to-end state-of-the-art integrated system for Treasury Sales & Trading across the region. This platform will allow the Bank to efficiently manage funding and liquidity, foreign exchange, securities trading and positioning, derivatives and many other Treasury product families that will be gradually deployed and offered to our different customer segments with the most up-to-date risk monitoring and reporting.

We also were able to implement check imaging for the Barbados franchise and after careful planning we are now committed to replicate the same in Bahamas, Jamaica and Cayman. This implementation resulted in efficiencies, elimination of manual processes, increased customer satisfaction and material improvement in our speed in responding to customer needs.

We upgraded all of our Automated Banking Machines (ABMs) to include encryption (improved security), handling of multiple currencies and multiple

languages for those countries that require it, and improvements to the look and feel of screens and processing service.

Organisation, Staff Recruiting and Development

During this year we also reorganised the structure to augment our banking expertise with the hiring of a senior banker who is now in charge of Operations for the region, as well as changed the organisation and leadership for our Technology area and created the Shared Services unit that consolidates many important enablers for the business. We continued to recruit the best bankers we find with experience in the new practices and processes that are being deployed.

We have also invested a material amount of resources (financial and human) to work with our Learning and Development colleagues and design a training curriculum that is banking-specific and fit-for-purpose to enhance the capabilities of our entire management structure. We are on the road to create excellent bankers who will be the best in the region.

Focus on Cost Management

We continue to focus on cost management and have materially contributed to the improvement of our cost-to-revenue ratio through:

- Processing higher volumes with a smaller structure
- Automation initiatives to reduce manual processing and paper
- Continuous negotiations and vendor development initiatives
- Faster and more streamlined implementation of projects.

Overall, this fiscal has been one of tremendous success and progress on the road to building a great Bank, the best in the Caribbean region!

Martin Griffiths
Chief Risk Officer

Risk Management



Risk Management Ethos

Risk-taking is inherent in banking and FirstCaribbean assumes a variety of risks in its ordinary business activities. These include credit risk, market risk, compliance risk and operational risk. The Board and Management view the Bank as having a prudent risk profile, with a prudent approach to lending. FirstCaribbean has a limited appetite for market risk and has implemented detailed procedures to manage both Compliance and Operational risk. Risk and Control is firmly embedded in our corporate culture as a core competence and it provides a sound foundation for sustained growth in earnings and shareholder value.

Risk Management's function is to ensure that FirstCaribbean continues to take risk in a controlled way in order to enhance value and exploit opportunity. The Bank's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits, and to monitor and enhance its risk management practices to reflect changes in markets, products and evolving best practice, drawing on international and regional expertise. Risk is subject to independent oversight and analysis by six centrally based risk management teams reporting to the Chief Risk Officer: Credit Risk, Market Risk, Receivables Management, Compliance, Risk & Controls, and Operational Risk.

Primary responsibility for risk management lies with the line management in our various businesses. We have embedded a risk and control governance structure within each Strategic Business Unit. Representatives from the risk teams meet regularly with the senior leadership of each business unit in order to identify risks in the business and propose and/or track remediation. Through this process, the business has taken ownership of its risks and responsibility for remediation through solutions delivered in partnership with the specialist expertise in the risk management teams. This approach is supported by enterprise reporting, enabling risks to be identified in a transparent and rational manner, thus facilitating speedy recognition, resolution and enhanced accountability. It similarly greatly enhances the

ability of the organisation to set and monitor risk tolerance and to allow these to play their proper role in determining and delivering on the strategy of the Bank.

Credit Risk

Credit risk is the risk a customer or counterparty will be unable or unwilling to meet in a commitment that it has entered into, and the pledged security does not cover the customer's liabilities in the event of a default. The credit risks in FirstCaribbean arise primarily from lending activities to customers but also occur with bonds, guarantees, and securities.

Credit risk is managed and controlled on the basis of established credit processes and within a framework of credit policy and delegated authorities based on skill, experience and, with Corporate clients, by risk grade. Credit grading, scoring and monitoring systems accommodate the early identification and management of deterioration in loan quality. The credit management process is underpinned by an independent system of credit review by Credit Conformance teams. Delinquent facilities are subject to separate and additional oversight by our Receivables Management 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 the Financial Institutions Act to meet regulatory requirements by the central Risk & Control team, and is regularly reviewed by the Bank's auditors.

The Board determines the credit authority for the Credit Committee and approves the Group's key credit policies.

Market Risk

Market risk is the measurement of potential loss arising from adverse movements in interest rates, foreign exchange rates, equity and commodity

prices. It arises in trading activities as well as in the natural course of wholesale and retail business, for example in the advancing of fixed rate loans to customers. The principal aims of FirstCaribbean's market risk management activities are to limit the adverse impact of interest rate and exchange rate movements on profitability and shareholder value and to enhance earnings within defined limits. There is no single risk measure that captures all aspects of market risk. FirstCaribbean 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 in which FirstCaribbean are engaged as well as the amount of the Group's capital that can be put 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.

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

Compliance Risk

The Compliance team within the Risk function is tasked with identifying the compliance obligations in each country where the Bank operates and provides advice and guidance to the business line on compliance risks. Primary responsibility for compliance lies with territorial line management. 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.

Compliance supports management in the development of appropriate policies and procedures to ensure compliance with all legislation and internally our own code of conduct and ethics. The function regularly makes Compliance visits to assess conformance with group standards.

The Compliance function assesses and monitors the compliance risks faced by our businesses, and independently reports to the Audit & Governance Committee on the compliance framework operating across the Group, and on line management's attention to compliance issues.

Operational Risk

FirstCaribbean defines operational risk as the exposure to loss from failed or inadequate internal processes, people and systems or from external events. It is the risk of direct or indirect loss, or damaged reputation, due to deficiencies or errors in the Group's internal operations which may be attributable to fraud, human error, processes or technology failure, or due to external events.

Operational risks are inherent in all activities within the Bank, including in outsourced activities and in all interaction with external parties. Strong internal control and quality management, consisting of a fraud framework, leadership and trained staff, is the key to successful operational risk management. Each strategic business unit is primarily responsible for managing its own operational risks. Risk management develops and maintains the framework for identifying, monitoring and controlling operational risks and supports the business in implementing the framework and raising awareness of operational risks. The team sets policy, monitors compliance and promotes best practice.

An element of FirstCaribbean's operational risk management framework is ongoing monitoring through self-assessment of control deficiencies and weaknesses, the tracking of incidents and loss events to ensure that, once

identified, control deficiencies are communicated and remedied across the Group. FirstCaribbean has adopted the Sarbanes-Oxley Act in as far as its business activities are material to CIBC and this has led to a material overhaul of the Bank's control deficiency approach in 2007.

Operational Risk Management activities across the Group are reported regularly to the Audit & Governance Committee.

Basel II

FirstCaribbean continues to follow the regulatory developments of Basel II. Preparations for changes to risk management practices necessary to comply with the forthcoming regulations have been in evidence throughout the year and will continue in 2008. It is the Bank's intention to leverage the enhancements being made to the sound Risk Management capabilities in place today in order not only to meet the new requirements but additionally to better manage our risk adjusted returns to our shareholders.

We would like to encourage the ongoing dialogue with our regulators. We would welcome an approach that would lead to implementation at the same time across all our largest markets. We would like to recommend region-wide reporting formats and limited use of national discretion exceptions. This approach would make the implementation easier for all stakeholders and make it easier for regulators to assess risks in banks across the region.

Financial Statements 2007



Independent Auditors' Report

To the Shareholders of FirstCaribbean International Bank Limited

We have audited the accompanying consolidated financial statements of FirstCaribbean International Bank Limited ("the Company") which comprise the consolidated balance sheet as of October 31, 2007 and the consolidated statements of income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

The consolidated financial statements of the Company as at October 31, 2006 were audited by another auditor whose report dated December 14, 2006 expressed an unqualified opinion on these statements. We also audited the adjustments described in Note 2.3 that were applied to restate the 2006 consolidated financial statements. In our opinion, such adjustments are appropriate and have been properly applied.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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

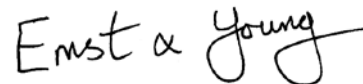
obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 Company as of October 31, 2007 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



CHARTERED ACCOUNTANTS

**Barbados
December 22, 2007**

Consolidated Statement of Income

For the year ended October 31, 2007
(expressed in thousands of United States dollars)

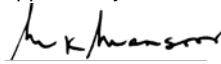
	Notes	2007 \$	Restated 2006 \$
Interest and similar income		784,857	648,016
Interest and similar expense		359,876	261,913
Net interest income	3	424,981	386,103
Operating income	4	181,048	105,627
		606,029	491,730
Operating expenses	5	301,607	294,864
Loan loss impairment	14	17,029	10,369
Amortisation of intangible assets	18	2,960	2,219
		321,596	307,452
Income before taxation		284,433	184,278
Income tax expense	6	23,092	20,005
Net income for the year		261,341	164,273
Attributable to:			
Equity holders of the parent		255,667	159,092
Minority interest		5,674	5,181
		261,341	164,273
Earnings per share for net income attributable to the equity holders of the parent during the year: (expressed in cents per share)	7		
– basic		16.8	10.4
– diluted		16.8	10.4

Consolidated Balance Sheet

As of October 31, 2007
(expressed in thousands of United States dollars)

	Notes	2007 \$	Restated 2006 \$
ASSETS			
Cash and balances with Central Banks	8	495,926	335,108
Due from banks	9	1,022,724	2,090,751
Derivative financial instruments	10	40,161	5,423
Financial assets at fair value through profit or loss	11	1,123,589	1,161,318
Other assets	12	82,190	72,756
Taxation recoverable		769	15,881
Investment securities	13	2,471,004	1,563,581
Loans and advances to customers	14	6,079,959	5,630,669
Property and equipment	15	136,002	139,680
Deferred tax assets	16	8,568	8,595
Retirement benefit assets	17	47,307	48,548
Intangible assets	18	347,476	349,418
TOTAL ASSETS		11,855,675	11,421,728
LIABILITIES			
Derivative financial instruments	10	20,305	12,859
Customer deposits	19	9,275,685	9,135,950
Other borrowed funds	20	758,156	734,602
Other liabilities	21	145,910	96,409
Taxation payable		8,349	14,480
Deferred tax liabilities	16	3,898	2,682
Debt securities in issue	22	274,161	200,290
Retirement benefit obligations	17	8,391	25,157
TOTAL LIABILITIES		10,494,855	10,222,429
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			
Issued capital	23	1,117,349	1,117,349
Treasury shares	24	(1,418)	(426)
Reserves	25	(300,248)	(336,159)
Retained earnings		520,310	396,166
		1,335,993	1,176,930
MINORITY INTEREST		24,827	22,369
TOTAL EQUITY		1,360,820	1,199,299
TOTAL LIABILITIES AND EQUITY		11,855,675	11,421,728

Approved by the Board of Directors on December 22, 2007


Michael Mansoor
Chairman


Gerard Borely
Chief Financial Officer


Charles Pink
Chief Executive Officer

Consolidated Statement of Changes in Equity

For the year ended October 31, 2007
(expressed in thousands of United States dollars)

	Notes	Attributable to equity holders of the parent			Minority interest	Total equity
		Issued capital \$	Treasury shares \$	Reserves \$		
Balance at October 31, 2005 as previously reported		1,117,349	—	(380,748)	343,578	1,100,484
Prior period adjustment	2.3	—	—	—	4,096	4,143
As restated		1,117,349	—	(380,748)	347,674	1,104,627
Foreign currency translation differences	25	—	—	205	(2,446)	(2,241)
Net change in available-for-sale investment securities	25	—	—	(473)	—	(473)
Net change in cash flow hedges		—	—	4,350	—	4,350
Total income and expense for the year recognised directly in equity		—	—	4,082	(2,446)	1,636
Net income for the year as previously reported		—	—	—	170,632	176,320
Prior period adjustment	2.3	—	—	—	(11,540)	(12,047)
As restated		—	—	—	159,092	164,273
Total income and expense for the year		—	—	4,082	156,646	165,909
Transfer to reserves	25	—	—	39,522	(39,522)	—
Net purchase of treasury shares	24	—	(426)	—	—	(426)
Share based payment reserves	25	—	—	985	—	985
Equity dividends		—	—	—	(68,632)	(68,632)
Dividends of subsidiaries		—	—	—	—	(3,164)
Balance at October 31, 2006		1,117,349	(426)	(336,159)	396,166	1,199,299

Consolidated Statement of Changes in Equity (continued)

For the year ended October 31, 2007
(expressed in thousands of United States dollars)

	Notes	Attributable to equity holders of the parent				Minority interest	Total equity
		Issued capital \$	Treasury shares \$	Reserves \$	Retained earnings \$		
Balance at October 31, 2006 as previously reported		1,117,349	(426)	(336,802)	403,610	22,829	1,206,560
Prior period adjustment	2.3	—	—	643	(7,444)	(460)	(7,261)
As restated		1,117,349	(426)	(336,159)	396,166	22,369	1,199,299
Foreign currency translation differences	25	—	—	1,053	(6,829)	(233)	(6,009)
Net change in available-for-sale investment securities	25	—	—	(4,023)	—	(279)	(4,302)
Total income and expense for the year recognised directly in equity		—	—	(2,970)	(6,829)	(512)	(10,311)
Net income for the year		—	—	—	255,667	5,674	261,341
Total income and expense for the year		—	—	(2,970)	248,838	5,162	251,030
Transfer to reserves	25	—	—	34,860	(34,860)	—	—
Net purchase of treasury shares	24	—	(992)	—	—	—	(992)
Share based payment reserves	25	—	—	902	—	—	902
Contributed surplus	25	—	—	3,119	—	—	3,119
Equity dividends		—	—	—	(89,834)	—	(89,834)
Dividends of subsidiaries		—	—	—	—	(2,704)	(2,704)
Balance at October 31, 2007		1,117,349	(1,418)	(300,248)	520,310	24,827	1,360,820

Consolidated Statement of Cash Flows

For the year ended October 31, 2007
(expressed in thousands of United States dollars)

	2007 \$	Restated 2006 \$		2007 \$	Restated 2006 \$
Cash flows from operating activities			Cash flows from financing activities		
Income before taxation and minority interest	284,433	184,278	Proceeds from other borrowed funds and debt securities	86,866	692,191
Provision for loan loss impairment	17,029	10,369	Interest expense paid on other borrowed funds and debt securities	(58,618)	(14,547)
Depreciation of property and equipment	28,572	21,243	Dividends paid	(93,325)	(71,796)
Amortisation of intangible assets	2,960	2,219	Purchase of treasury shares	(992)	(426)
Net gains on sale of property and equipment	(247)	(782)	Contributed surplus by parent	3,119	-
Net investment securities (gains)/losses	(54,403)	12,225	Net repayments to related parties	(1,293)	(17,000)
Interest income earned on investment securities	(54,555)	(40,638)	Net cash (used in)/from financing activities	(64,243)	588,422
Interest expense incurred on borrowed funds and debt securities	69,177	15,368			
Cash flows from operating profits before changes in operating assets and liabilities	292,966	204,282	Net (decrease)/increase in cash and cash equivalents for the year	(1,058,577)	76,537
			Effect of exchange rate changes on cash and cash equivalents	(6,009)	(2,241)
Changes in operating assets and liabilities:			Cash and cash equivalents, beginning of year	2,076,963	2,002,667
– net (increase)/decrease in due from banks	(157,377)	548,476			
– net decrease/(increase) in financial assets at fair value through profit or loss	37,729	(492,419)	Cash and cash equivalents, end of year (note 8)	1,012,377	2,076,963
– net increase in loans and advances to customers	(466,319)	(936,875)			
– net (increase)/decrease in other assets	(46,563)	126,076			
– net increase in customer deposits	139,735	387,405			
– net increase/(decrease) in other liabilities	45,778	(348,389)			
Corporate taxes paid	(12,868)	(16,371)			
Net cash used in operating activities	(166,919)	(527,815)			
Cash flows from investing activities					
Purchases of property and equipment	(27,317)	(35,920)			
Proceeds from sale of property and equipment	2,669	25,616			
Purchases of investment securities	(1,437,693)	(1,557,590)			
Proceeds from sale of investment securities	590,465	647,223			
Interest income received on investment securities	44,461	21,818			
Acquisition of subsidiary, net of cash acquired	—	914,783			
Net cash (used in)/from investing activities	(827,415)	15,930			

Notes to the Consolidated Financial Statements

October 31, 2007

(expressed in thousands of United States dollars)

1. General information

FirstCaribbean International Bank Limited and its subsidiaries (“the Group”) are registered under the relevant financial and corporate legislations of 17 countries in the Caribbean to carry on banking and other related activities. The Group’s parent company, FirstCaribbean International Bank Limited (“the Bank”), is a company incorporated and domiciled in Barbados at Warrens, St. Michael. The major shareholders of the Bank were jointly Canadian Imperial Bank of Commerce (“CIBC”), a company incorporated in Canada, and Barclays Bank PLC, a company incorporated in England until December 22, 2006. On that date, CIBC acquired Barclays’ interest in the Bank and now owns 91.5% of the shares of FirstCaribbean International Bank Limited. At October 31, 2007 the Group had 3,538 employees (2006 – 3,432).

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

2. Accounting policies

2.1 Basis of presentation

These consolidated financial statements are prepared under the historical cost convention as modified by the revaluation of available-for-sale investment securities, financial assets and financial liabilities at fair value through the profit and loss and all derivative contracts. The carrying value of recognised assets and liabilities that are hedged items in fair value hedges, and otherwise carried at cost, are adjusted to record changes in fair value attributable to the risks that are being hedged. The consolidated financial statements are presented in United States dollars, and all values are rounded to the nearest thousand.

Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS).

Basis of consolidation

Subsidiary undertakings, which are those companies in which the Bank directly or indirectly has an interest of more than one half of the voting rights or otherwise has power to exercise control over the operations, have been fully consolidated. The principal subsidiary undertakings are disclosed in note 35. Subsidiaries are consolidated from the date on which the effective control is

transferred to the Group. They are de-consolidated from the date that control ceases.

All inter-company transactions, balances and unrealised surpluses and deficits on transactions and balances have been eliminated. The financial statements of the subsidiaries are prepared for the same reporting year as the Bank, using consistent accounting policies.

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

If the cost of the acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the statement of income.

Minority interests represent the portion of profit or loss and net assets not owned, directly or indirectly, by the Group and are presented separately in the statement of income and within equity in the consolidated balance sheet, separately from equity attributable to equity holders of the parent.

2.2 Significant accounting judgements and estimates

The preparation of financial statements in conformity with IFRS requires management to make certain significant estimates and judgements that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates. The areas requiring a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 34.

Notes to the Consolidated Financial Statements

October 31, 2007

(expressed in thousands of United States dollars)

2.3 Change in accounting policies, change in accounting estimates and errors

The accounting policies and estimates adopted are consistent with those used in the previous financial year except for the following:

As of November 1, 2006, the Group changed its accounting policy on the recognition of all purchases and sales of financial assets at fair value through profit or loss that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) from trade date (which is the date that the Group commits to purchase or sell an asset) to settlement date (which is the date that an asset is delivered to or by the Group). This change has been applied retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and consequently the October 31, 2006 comparative financials have been restated to reflect this policy change. The impact on the financial statements as at October 31, 2006 was to reduce trading securities by \$0.5 billion, other assets by \$0.4 billion and other liabilities by \$0.9 billion.

As of November 1, 2006, the Group changed its estimate on the useful life of computer software from 5 years to 4 years. This change was applied prospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, which resulted in an increase in the depreciation charge for the year ended October 31, 2007 of \$6.4 million over the comparative year.

In the prior year, in accordance with IAS 18 Revenue, loan fee income, which would have been considered to be an integral part of the effective interest rate of the financial instruments, was deferred and recognised as an adjustment to the effective interest yield on the loan. The associated fees however continued to be reported as part of operating income, but have now been reclassified appropriately as part of the effective interest rate of the financial instruments. This adjustment was applied retrospectively and consequently, the comparative statements for 2006 were restated resulting in an increase in interest income by \$10.6 million with a corresponding decrease in operating income. There was no impact on total revenues or net income.

During the year, a review of the Group's hedge accounting revealed that one of the qualifying conditions was not fully met and this resulted in a restatement of the comparative statements for 2006. Opening retained earnings for 2006 was increased by \$4.1 million and net income attributable to the equity holders of the Company for 2006 was reduced by \$11.5 million

with a corresponding reduction in retained earnings. Total assets were reduced by \$7.4 million, total liabilities reduced by \$0.6 million and reserves were increased by \$0.6 million.

2.4 Summary of significant accounting policies

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

(1) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency of the Parent Company is Barbados dollars, however, these consolidated financial statements are presented in United States dollars ("the presentation currency") as this is the single largest currency of use throughout the Group and is universally accepted and recognised in all the territories in which the Group operates.

(i) Transactions and balances

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

Notes to the Consolidated Financial Statements

October 31, 2007

(expressed in thousands of United States dollars)

2.4 Summary of significant accounting policies (continued)

(1) Foreign currency translation (continued)

(ii) Group companies

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

- (a) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet.
- (b) Income and expenses for each statement of income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (c) All resulting exchange differences are recognised as a separate component of equity.

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

(2) Derivative financial instruments and hedge accounting

Derivatives are initially recognised in the balance sheet at their fair value at the trade date. Fair values are obtained from discounted cash flow models, using quoted market interest rates. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as trading or hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either: (a) hedges of the fair value of recognised assets or liabilities (fair value hedge); or (b) hedges of highly probable cash flows attributable to a recognised asset or liability (cash flow hedge). Hedge accounting is used for derivatives designated in this way provided certain criteria are met.

The Group's criteria for a derivative instrument to be accounted for as a hedge include:

- (i) formal documentation of the hedging instrument, hedged item, hedging objective, strategy and relationship, at the inception of the transaction;
- (ii) the hedge documentation shows that it is expected to be highly effective in offsetting the risk in the hedged item throughout the reporting period; and
- (iii) the hedge is highly effective on an ongoing basis.

Fair value hedge

Changes in the fair value of the effective portions of derivatives that are designated and qualify as fair value hedges and that prove to be highly effective in relation to hedged risk, are recorded in the statement of income, along with the corresponding change in fair value of the hedged asset or liability that is attributable to that specific hedged risk.

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

Cash flow hedge

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

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

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

Changes in the fair value of derivatives held-for-trading are included in the net trading income or losses in the statement of income.

Notes to the Consolidated Financial Statements

October 31, 2007

(expressed in thousands of United States dollars)

2.4 Summary of significant accounting policies (continued)

(3) Interest income and expense

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

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

(4) Fee and commission income

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

(5) Financial instruments

The Group classifies its financial assets into the following categories:

- (i) Financial assets at fair value through profit or loss
- (ii) Loans and receivables
- (iii) Held-to-maturity investments
- (iv) Available-for-sale financial assets

Management determines the classification of its investments at initial recognition.

- (i) Financial assets at fair value through profit or loss

This category comprises financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held-for-trading unless they are designated as hedges.

- (ii) Loans and receivables

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

- (iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Were the Group to sell other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available for sale.

Notes to the Consolidated Financial Statements

October 31, 2007

(expressed in thousands of United States dollars)

2.4 Summary of significant accounting policies (continued)

(5) Financial instruments (continued)

(iv) Available-for-sale financial assets

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

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

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

Available-for-sale financial assets and financial assets 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 and held-to-maturity investments are carried at amortised cost using the effective interest yield method, less any provision for impairment. Unrealised gains and losses arising from changes in the fair value of securities classified as available-for-sale financial assets are recognised in equity. When the securities are disposed of or impaired, the related accumulated fair value adjustments are included in the statement of income as net investment securities (gains)/losses. All realised and unrealised gains and losses arising from changes in the fair value of securities classified as financial assets at fair value through profit or loss are included in operating income.

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

Dividends are recorded on the accrual basis when declared.

(6) Offsetting financial instruments

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

(7) Sale and repurchase agreements

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

(8) Impairment of financial assets

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

- (i) significant financial difficulty of the issuer or obligor;
- (ii) a breach of contract, such as a default or delinquency in interest or principal payments;
- (iii) the Group granting to a borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;

Notes to the Consolidated Financial Statements

October 31, 2007

(expressed in thousands of United States dollars)

2.4 Summary of significant accounting policies (continued)

(8) Impairment of financial assets (continued)

- (iv) it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- (v) the disappearance of an active market for that financial asset because of financial difficulties; or
- (vi) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
 - adverse changes in the payment status of borrowers in the group; or
 - national or local economic conditions that correlate with default on the assets in the group.

If there is objective evidence that an impairment loss on loans and receivables 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.

When a loan is uncollectible, it is written off against the related provision for impairment; subsequent recoveries are credited to the provision for credit losses in the statement of income. If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited to loan loss impairment in the statement of income.

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

(9) Intangible assets

(i) 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 balance sheet as an intangible asset. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Goodwill is allocated to the lowest levels for which there are separately identifiable cash flows (cash-generating units) for the purpose of impairment testing. An impairment loss is recognised for the amount by which the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

(ii) Customer-related intangible assets

Customer-related intangible assets represent the fair value of each customer relationship acquired in a business combination, as of the acquisition date, which met the contractual-legal criterion for identification as an intangible asset in the balance sheet separated from goodwill. The fair value of the customer relationships is amortised on a straight line basis over its expected useful life of six years. At each reporting date, an assessment is made to determine whether there are any indications of impairment, and if such an indication exist, then the recoverable amount shall be estimated. If no indicators exist, then the test for impairment is not necessary.

Notes to the Consolidated Financial Statements

October 31, 2007

(expressed in thousands of United States dollars)

2.4 Summary of significant accounting policies (continued)

(10) Property and equipment

Land and buildings comprise mainly branches and offices. All property and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

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

The annual rates used are:

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

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

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

(11) Leases

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

(12) Cash and cash equivalents

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

(13) Provisions

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

(14) Retirement benefit obligations

(i) Pension obligations

The Group operates a number of pension plans, the assets of which are generally held in separate trustee-administered funds. The pension plans are generally funded by payments from the relevant Group companies, taking account of the recommendations of independent qualified actuaries. The Group has both a defined benefit plan and a defined contribution plan. A defined benefit plan is a pension plan that defines an amount of pension benefit to be provided, usually as a function of one or more factors such as age, years of service or compensation. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive 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.

Notes to the Consolidated Financial Statements

October 31, 2007

(expressed in thousands of United States dollars)

2.4 Summary of significant accounting policies (continued)

(14) Retirement benefit obligations (continued)

(i) Pension obligations (continued)

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

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

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

(ii) Other post retirement obligations

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

(15) Deferred tax

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

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

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

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

Notes to the Consolidated Financial Statements

October 31, 2007

(expressed in thousands of United States dollars)

2.4 Summary of significant accounting policies (continued)

(16) Borrowings

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

(17) Share capital

(i) Share issue costs

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

(ii) Dividends on ordinary shares

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

(iii) Treasury shares

Where the Company or other members of the consolidated Group purchase the Company's equity share capital, the consideration paid is deducted from total equity attributable to the equity holders of the parent as treasury shares until they are cancelled. Where such shares are subsequently sold or reissued, any consideration received is included in equity attributable to the equity holders of the parent.

(18) Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the parent by the weighted average number of Common Shares (including treasury shares) outstanding during the year. For the diluted earnings per share, the weighted average number of Common Shares in issue is adjusted to assume conversion of all dilutive potential shares.

(19) Share-based payments to employees

The Group engages in equity settled share-based payment transactions in respect of services rendered from certain of its employees. The cost of the services received is measured by reference to the fair value of the shares or share options granted. The cost related to the shares or share options granted is recognised in the statement of income over the period that the services of the employees are received, which is the vesting period, with a corresponding credit to equity.

(20) Fiduciary activities

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

(21) Segment reporting

A business segment is a group of assets and operations engaged in providing products and services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments. Segments with a majority of revenue earned from external customers, and whose revenue, results or assets are 10% or more of all the segments, are reported separately.

Notes to the Consolidated Financial Statements

October 31, 2007

(expressed in thousands of United States dollars)

2.4 Summary of significant accounting policies (continued)

(22) Comparatives

Where necessary, comparative figures have been adjusted to comply with changes in presentation in the current year as noted in note 2.3 Change in accounting policies, change in accounting estimates and errors.

2.5 Future changes in accounting policies

New standards, interpretations and amendments to published standards relevant to the Group that are not yet effective

Certain new standards, interpretations and amendments to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after November 1, 2007 or later periods but which the Group has not early adopted, as follows:

- (i) IAS 1, (Revised) Presentation of Financial Statements (effective from annual periods beginning on or after January 1, 2009). IAS 1 (Revised) will require the disclosure of all non-owner changes in equity either in one statement of comprehensive income or in two statements (a separate statement of income and a statement of comprehensive income), will require additional disclosures about an entity's capital and will change the titles of financial statements.
- (ii) IAS 23 (Revised), Borrowing Costs (effective from annual periods beginning on or after January 1, 2009). IAS 23 will remove the option of immediately recognising as an expense, borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. An entity will therefore now be required to capitalise borrowing costs as part of the cost of such assets. The capitalisation of borrowing costs relating to assets measured at fair value is not however required by IAS 23.
- (iii) IFRS 7, Financial Instruments: Disclosures, and a complementary amendment to IAS 1, Presentation of Financial Statements – Capital Disclosures (effective from annual periods beginning on or after January 1, 2007). IFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risk arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market

risk. It replaces IAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions, and disclosure requirements in IAS 32, Financial Instruments: Disclosure and Presentation. It is applicable to all entities that report under IFRS. The amendment to IAS 1 introduces disclosures about the level of an entity's capital and how it manages capital. The Group assessed the impact of IFRS 7 and the amendment to IAS 1 and concluded that the main additional disclosures will be sensitivity analysis to market risk and the capital disclosures required by the amendment to IAS 1.

- (iv) IFRS 8, Operating Segments (effective from annual periods beginning on or after January 1, 2009). IFRS 8 will replace IAS 14 Segment Reporting and increases the level of disclosure required and extends the scope to include entities that meet certain requirements.
- (v) IFRIC 11, IFRS 2: Group and Treasury Share Transactions (effective from annual periods beginning on or after March 1, 2007). IFRIC 11 will provide guidance on applying IFRS 2 in three circumstances.
- (vi) IFRIC 13, Customer Loyalty Programmes (effective from annual periods beginning on or after July 1, 2008). IFRIC 13 specifically seeks to explain how entities should account for their obligations to provide free or discounted goods and services ("awards") to customers who redeem award credits.
- (vii) IFRIC 14, The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective from annual periods beginning on or after January 1, 2008). IFRIC 14 addresses the interaction between minimum funding requirements and the limit placed by paragraph 58 of IAS 19, Employee Benefits on the measurement of the defined benefit asset or liability.

Notes to the Consolidated Financial Statements

October 31, 2007

(expressed in thousands of United States dollars)

3. Net interest income

	2007	Restated 2006
	\$	\$
Interest and similar income		
Cash & short term funds and due from banks	114,785	88,679
Investment securities	54,555	40,638
Trading securities	86,591	50,981
Loans and advances to customers	528,730	467,764
Other	196	(46)
	<u>784,857</u>	<u>648,016</u>
Interest and similar expense		
Customer deposits	295,425	246,545
Debt securities in issue	17,037	11,687
Borrowed funds and other	47,414	3,681
	<u>359,876</u>	<u>261,913</u>
	<u>424,981</u>	<u>386,103</u>

4. Operating income

	2007	Restated 2006
	\$	\$
Net fee and commission income	65,133	59,293
Foreign exchange transactional net gains	54,871	52,240
Foreign exchange revaluation net gains	1,813	529
Net trading losses	(3,294)	(923)
Net investment securities gains/(losses)	54,403	(12,225)
Other operating income	8,122	6,713
	<u>181,048</u>	<u>105,627</u>

Net trading gains/(losses) have arisen from either disposals and/or changes in the fair value, on both trading securities and derivatives held for trading.

Net investment securities gains/(losses) have arisen from disposals. Also included in this line for 2007 is a realised gain of \$52.4 million on the non-monetary exchange of the Bank's membership interest in VISA for a share interest.

Analysis of net fee and commission income:

	2007	Restated 2006
	\$	\$
Underwriting fees and commissions	3,896	2,663
Deposit services fees and commissions	30,915	30,093
Credit services fees and commissions	10,361	11,304
Card services fees and commissions	18,501	13,437
Other fees and commissions	1,460	1,796
	<u>65,133</u>	<u>59,293</u>

5. Operating expenses

	2007	2006
	\$	\$
Staff costs	142,984	147,896
Property and equipment expenses	41,327	38,706
Depreciation (note 15)	28,572	21,243
Other operating expenses	88,724	87,019
	<u>301,607</u>	<u>294,864</u>

Analysis of staff costs:

	2007	2006
	\$	\$
Wages and salaries	135,456	127,883
Pension costs – defined contribution plans	1,612	943
Pension costs/(income) – defined benefit plans (note 17)	656	(1,664)
Other post retirement medical benefits (income)/costs (note 17)	(16,465)	1,907
Share-based payments	2,907	1,428
Other staff related costs	18,818	17,399
	<u>142,984</u>	<u>147,896</u>

Notes to the Consolidated Financial Statements

October 31, 2007

(expressed in thousands of United States dollars)

5. Operating expenses (continued)

Analysis of other operating expenses:

	2007 \$	2006 \$
Professional fees	10,830	13,578
Advertising and marketing	8,095	10,734
Business development and travel	9,504	7,183
Communications	7,952	7,993
Profit on sale of property and equipment	(247)	(782)
Other	52,590	48,313
	<u>88,724</u>	<u>87,019</u>

6. Taxation

	2007 \$	Restated 2006 \$
Taxation charge for the year:		
Current tax	22,566	19,133
Deferred tax	1,243	1,705
Prior year tax	(717)	(833)
	<u>23,092</u>	<u>20,005</u>

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

	2007 \$	Restated 2006 \$
Income before taxation and minority interest	<u>284,433</u>	<u>184,278</u>
Tax calculated at the statutory tax rate of 25% (2006 - 25%)	71,108	46,070
Effect of different tax rates in other countries	(49,768)	(40,496)
Effect of change in tax rate	(203)	—
Effect of income not subject to tax	(19,848)	(2,760)
Effect of income subject to tax at 12.5%	(694)	(1,248)
Prior year tax reassessments	(717)	(833)
Effect of other adjustments	—	(41)
(Over)/under provision of prior year deferred tax liability	(534)	1,114
(Over)/under provision of current year corporation tax liability	(481)	121
Over provision of current year deferred tax liability	—	(678)
Movement in deferred tax asset not recognised	19,705	16,219
Effect of expenses not deductible for tax purposes	4,524	2,537
	<u>23,092</u>	<u>20,005</u>

7. Earnings per share

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

Basic earnings per share

	2007 \$	Restated 2006 \$
Net income attributable to equity holders of the parent	<u>255,667</u>	<u>159,092</u>

Weighted average number of Common Shares in issue (thousands)	1,525,666	1,525,048
---	-----------	-----------

Basic earnings per share (expressed in cents per share)	16.8	10.4
---	------	------

Diluted earnings per share

	2007 \$	Restated 2006 \$
Net income attributable to equity holders of the parent	<u>255,667</u>	<u>159,092</u>

Weighted average number of Common Shares for diluted earnings per share (thousands)	1,525,666	1,525,155
---	-----------	-----------

Diluted earnings per share (expressed in cents per share)	16.8	10.4
---	------	------

The share options are considered to be dilutive potential Common Shares (note 27).

Notes to the Consolidated Financial Statements

October 31, 2007

(expressed in thousands of United States dollars)

8. Cash and balances with Central Banks

	2007 \$	2006 \$
Cash	132,598	133,879
Deposits with Central Banks – interest bearing	49,715	24,244
Deposits with Central Banks – non-interest bearing	<u>313,613</u>	<u>176,985</u>
Cash and balances with Central Banks	495,926	335,108
Less: Mandatory reserve deposits with Central Banks	<u>(205,545)</u>	<u>(178,011)</u>
Included in cash and cash equivalents as per below	<u>290,381</u>	<u>157,097</u>

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

Cash and cash equivalents

	2007 \$	2006 \$
Cash and balances with Central Banks as per above	290,381	157,097
Due from banks (note 9)	<u>721,996</u>	<u>1,919,866</u>
	<u>1,012,377</u>	<u>2,076,963</u>

9. Due from banks

	2007 \$	2006 \$
Included in cash and cash equivalents (note 8) Greater than 90 days maturity from date of acquisition	721,996	1,919,866
	<u>300,728</u>	<u>170,885</u>
	<u>1,022,724</u>	<u>2,090,751</u>

The effective yield on these amounts during the year was 5.1% (2006 – 3.5%).

10. Derivative financial instruments

	Contract/ Notional Amount \$	Assets \$	Liabilities \$
October 31, 2007			
Interest rate swaps	411,736	32,335	(20,305)
Foreign exchange forwards	408,552	7,826	—
		<u>40,161</u>	<u>(20,305)</u>
October 31, 2006			
Interest rate swaps	1,070,432	5,423	(12,859)
		<u>5,423</u>	<u>(12,859)</u>

Notes to the Consolidated Financial Statements

October 31, 2007

(expressed in thousands of United States dollars)

11. Financial assets at fair value through profit or loss

	2007	Restated 2006
	\$	\$
Trading securities		
Government bonds	5,744	495
Corporate bonds	14,926	241,556
Asset-backed securities	1,099,575	911,202
	<u>1,120,245</u>	<u>1,153,253</u>
Add: Interest receivable	3,344	8,065
	<u>1,123,589</u>	<u>1,161,318</u>

The effective yield on these securities during the year was 4.0% (2006 – 6.9%).

12. Other assets

	2007	Restated 2006
	\$	\$
Amount due from related parties	—	3,517
Prepayments and deferred items	17,872	6,277
Other accounts receivable	64,318	62,962
	<u>82,190</u>	<u>72,756</u>

In the prior year, the amount due from related parties was due from CIBC and Barclays Bank PLC entities and was interest-free with no fixed terms of repayment.

13. Investment securities

	2007	Restated 2006
	\$	\$
Loans and receivables		
Issued or guaranteed by Governments		
– Treasury bills	—	49,265
– Debt securities	—	312,229
	<u>—</u>	<u>361,494</u>
Total loans and receivables		
Securities available-for-sale		
Equity securities – unquoted	53,061	8,316
Government debt securities	1,626,146	—
Other debt securities	753,746	1,114,239
	<u>2,432,953</u>	<u>1,122,555</u>
Total securities available-for-sale		
Securities held-to-maturity		
Issued or guaranteed by Governments		
– Treasury bills	—	23,894
– Debt securities	—	27,681
	<u>—</u>	<u>51,575</u>
Total securities held-to-maturity		
	<u>2,432,953</u>	<u>1,535,624</u>
Add: Interest receivable	38,051	27,957
	<u>2,471,004</u>	<u>1,563,581</u>

The effective yield during the year on these securities was 6.0% (2006 – 6.6%). The Group has a regulatory reserve requirement to maintain a percentage of deposit liabilities in cash or in the form of Government securities. At October 31, 2007 the reserve requirement amounted to \$437,698 (2006 - \$376,512) of which \$205,545 (2006 - \$178,011) is included within cash and balances with Central Banks (note 8).

Available-for-sale securities (2006 – Held-to-maturity securities) in the amount of \$15,140 (2006 - \$15,140) were held as security for investment note certificates issued by the Group (note 20).

Notes to the Consolidated Financial Statements

October 31, 2007

(expressed in thousands of United States dollars)

13. Investment securities (continued)

The movement in investment securities excluding interest receivable may be summarised as follows:

	Loans and receivables \$	Available- for-sale \$	Held-to- maturity \$	Total \$
Balance at October 31, 2005 restated	536,520	29,160	63,702	629,382
Additions (purchases and changes in fair value and foreign exchange)	242,002	1,240,751	70,505	1,553,258
Disposals (sales and redemptions)	(417,028)	(147,356)	(82,632)	(647,016)
Balance at October 31, 2006 restated	361,494	1,122,555	51,575	1,535,624
Additions (purchases and changes in fair value and foreign exchange)	8,459	1,477,412	—	1,485,871
Disposals (sales and redemptions)	(8,197)	(580,345)	—	(588,542)
Transfers	(361,756)	413,331	(51,575)	—
Balance at October 31, 2007	—	2,432,953	—	2,432,953

14. Loans and advances to customers

	2007 \$	Restated 2006 \$
Mortgages	2,162,570	2,089,778
Personal loans	789,102	768,345
Business and government loans	3,240,225	2,896,396
	6,191,897	5,754,519
Add: Interest receivable	37,926	36,282
Add: Unearned fee income	(43,141)	(41,249)
Less: Provisions for impairment	(106,723)	(118,883)
	6,079,959	5,630,669

Movement in provisions for impairment is as follows:

	2007 \$	2006 \$
Balance, beginning of year	118,883	103,564
Identified impairment	20,256	8,241
Unidentified impairment	(3,227)	2,128
Recoveries of bad and doubtful debts	2,300	2,344
Bad debts written off	(31,489)	(2,391)
Acquired as part of a business combination	—	4,997
Balance, end of year	106,723	118,883

The average interest yield during the year on loans and advances to customers was 9.2% (2006 – 9.0%). Impaired loans as at October 31, 2007 amounted to \$316,783 (2006 - \$280,607) and interest taken to income on impaired loans during the year amounted to \$1,438 (2006 - \$1,978).

Loans and advances to customers include finance lease receivables:

	2007 \$	2006 \$
No later than 1 year	5,990	4,812
Later than 1 year and no later than 5 years	21,361	9,717
Later than 5 years	2,129	1,393
Gross investment in finance leases	29,480	15,922
Unearned future finance income on finance leases	(7,135)	(4,845)
Net investment in finance leases	22,345	11,077

Notes to the Consolidated Financial Statements

October 31, 2007

(expressed in thousands of United States dollars)

15. Property and equipment

	Land and buildings \$	Equipment, furniture and vehicles \$	Leasehold improvements \$	Total 2007 \$
Cost				
Balance, beginning of year	91,740	146,138	17,970	255,848
Purchases	7,448	17,585	2,284	27,317
Disposals	(1,387)	(2,390)	(175)	(3,952)
Assets written off	—	(83)	(162)	(245)
Balance, end of year	97,801	161,250	19,917	278,968
Accumulated depreciation				
Balance, beginning of year	22,677	83,523	9,969	116,169
Depreciation	2,099	25,163	1,310	28,572
Disposals	(39)	(1,292)	(199)	(1,530)
Assets written off	—	(83)	(162)	(245)
Balance, end of year	24,737	107,311	10,918	142,966
Net book value, end of year	73,064	53,939	8,999	136,002
	Land and buildings \$	Equipment, furniture and vehicles \$	Leasehold improvements \$	Total 2006 \$
Cost				
Balance, beginning of year	91,096	134,678	22,964	248,738
Purchases	1,034	33,245	2,522	36,801
Disposals	(8,635)	(17,323)	(973)	(26,931)
Transfers	8,246	(1,703)	(6,543)	—
Assets written off	—	(2,757)	—	(2,757)
Balance, end of year	91,741	146,140	17,970	255,851
Accumulated depreciation				
Balance, beginning of year	19,145	70,749	9,888	99,782
Depreciation	1,523	18,267	1,453	21,243
Disposals	(870)	(1,192)	(35)	(2,097)
Transfers	2,880	(1,544)	(1,336)	—
Assets written off	—	(2,757)	—	(2,757)
Balance, end of year	22,678	83,523	9,970	116,171
Net book value, end of year	69,063	62,617	8,000	139,680

Included as part of equipment, furniture and vehicles is an amount for \$11,740 (2006 – \$5,908) relating to systems development costs and work in progress, on which no depreciation has been charged as these systems and works are not yet complete and in operation. Assets acquired as part of a business combination amounted to \$nil (2006 - \$881).

16. Deferred income taxes

Deferred income taxes are calculated on all temporary differences under the liability method using an effective rate of 26.6% (2006 – 27.9%).

The movement on the deferred income tax account was as follows:

	2007 \$	2006 \$
Deferred tax position, beginning of year	5,913	7,618
Deferred tax charge for the year	(1,243)	(1,705)
Deferred tax position, end of year	4,670	5,913
	2007 \$	2006 \$
Represented by:		
Deferred tax assets	8,568	8,595
Deferred tax liabilities	(3,898)	(2,682)
	4,670	5,913

Notes to the Consolidated Financial Statements

October 31, 2007

(expressed in thousands of United States dollars)

16. Deferred income taxes (continued)

Deferred income tax assets and liabilities are attributable to the following items:

	2007 \$	2006 \$
Deferred tax assets		
Accelerated tax depreciation	1,404	(187)
Pension and other post retirement medical benefits	(2,587)	(1,462)
Loan loss provisions	2,029	577
Other provisions	872	2,533
Tax losses carried forward	6,850	7,134
	<u>8,568</u>	<u>8,595</u>
Deferred tax liabilities		
Accelerated tax depreciation	(199)	(849)
Pension and other post retirement medical benefits	(3,974)	(3,962)
Loan loss provisions	—	288
Other provisions	181	1,804
Tax losses carried forward	94	37
	<u>(3,898)</u>	<u>(2,682)</u>

The deferred tax comprises of tax losses of \$28,982 (2006 – \$33,480), which will expire between 2010 and 2014.

The Group has tax losses of \$299,271 (2006 – \$224,918) for which no deferred tax assets have been recognised due to uncertainty of their recoverability. These losses will expire between 2008 and 2016.

17. Retirement benefit assets and obligations

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

The amounts recognised on the balance sheet are determined as follows:

	Defined benefit pension plans		Post-retirement medical benefits	
	2007	2006	2007	2006
	\$	\$	\$	\$
Fair value of plan assets	269,205	244,545	—	—
Present value of funded obligations	(178,533)	(166,505)	(5,135)	(15,662)
	<u>90,672</u>	<u>78,040</u>	<u>(5,135)</u>	<u>(15,662)</u>
Unrecognised actuarial gains	(43,365)	(29,512)	(3,256)	(9,475)
Net asset/(liability)	<u>47,307</u>	<u>48,528</u>	<u>(8,391)</u>	<u>(25,137)</u>

The amounts recognised on the balance sheet are as follows:

	Defined benefit pension plans		Post-retirement medical benefits	
	2007	2006	2007	2006
	\$	\$	\$	\$
Retirement benefit assets	47,307	48,548	—	—
Retirement benefit obligations	—	(20)	(8,391)	(25,137)
Net asset/(liability)	<u>47,307</u>	<u>48,528</u>	<u>(8,391)</u>	<u>(25,137)</u>

The pension plan assets include the Company's Common Shares with a fair value of \$1,721 (2006 - \$2,567).

Notes to the Consolidated Financial Statements

October 31, 2007

(expressed in thousands of United States dollars)

17. Retirement benefit assets and obligations (continued)

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

	2007	2006
	\$	\$
Opening fair value of plan assets	244,545	230,550
Expected return	19,492	20,267
Contributions by employer	258	152
Benefits paid	(5,386)	(3,264)
Foreign exchange translation loss	(923)	(867)
Actuarial gains/(losses)	11,219	(2,293)
Closing fair value of plan assets	<u>269,205</u>	<u>244,545</u>

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

	2007	2006
	\$	\$
Opening funded obligation	166,505	148,730
Interest cost	12,325	11,169
Current service cost	8,216	8,113
Benefits paid	(5,386)	(3,264)
Foreign exchange translation loss	(380)	(480)
Actuarial (gains)/losses	(2,747)	2,237
Closing funded obligations	<u>178,533</u>	<u>166,505</u>

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

	2007	2006
	\$	\$
Opening funded obligation	15,662	15,200
Interest cost	1,147	1,100
Current service cost	1,029	1,024
Gain on curtailment	(11,791)	—
Benefits paid	(132)	(151)
Foreign exchange translation loss/(gain)	4	(1)
Actuarial gains	(784)	(1,510)
Closing funded obligations	<u>5,135</u>	<u>15,662</u>

The Bank expects to contribute \$1,668 to its defined benefit pension plan in 2008.

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

	Defined benefit pension plans		Post retirement medical benefits	
	2007	2006	2007	2006
	\$	\$	\$	\$
Current service costs	8,216	8,113	1,029	1,024
Interest cost	12,325	11,169	1,147	1,100
Expected return on plan assets	(19,492)	(20,267)	—	—
Net actuarial gain recognised during the year	(393)	(679)	(456)	(217)
Curtailment gains	—	—	(18,185)	—
Total amount included in staff costs (note 5)	<u>656</u>	<u>(1,664)</u>	<u>(16,465)</u>	<u>1,907</u>
Actual return on plan assets	<u>30,711</u>	<u>18,051</u>	<u>—</u>	<u>—</u>

Effective January 1, 2007 certain changes to the Group's health benefit scheme were made which resulted in the recognition of a curtailment gain.

The movements in the net asset/(liability) recognised on the balance sheet are as follows:

	Defined benefit pension plans		Post retirement medical benefits	
	2007	2006	2007	2006
	\$	\$	\$	\$
Balance, beginning of year	48,528	47,170	(25,137)	(23,640)
(Charge)/income for the year	(656)	1,664	16,465	(1,907)
Contributions by employer	258	152	—	—
Benefits paid	—	—	132	151
Foreign exchange translation (gains)/losses	(823)	(458)	149	259
Balance, end of year	<u>47,307</u>	<u>48,528</u>	<u>(8,391)</u>	<u>(25,137)</u>

Notes to the Consolidated Financial Statements

October 31, 2007

(expressed in thousands of United States dollars)

17. Retirement benefit assets and obligations (continued)

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

	Main Plan %	2007 Bahamas Plan %	Jamaica Plan %
Equity instruments	63%	64%	14%
Debt instruments	37%	36%	41%
Property	0%	0%	15%
Other assets	0%	0%	30%

The principal actuarial assumptions used at the balance sheet date were as follows:

	Defined benefit Pension plans	
	2007	2006
Discount rate	6.5 – 12.0%	6.5 – 12.0%
Expected return on plan assets	8.0 – 14.0%	8.0 – 14.0%
Future salary increases	4.5 – 10.0%	4.5 – 10.0%
Future pension increases	0.0 – 4.0%	0.0 – 4.0%

	Post retirement medical benefits	
	2007	2006
Discount rate	6.5 – 12.0%	6.5 – 12.0%
Premium escalation rate	4.5 – 10.0%	4.5 – 10.0%
Existing retiree age	60 – 65	60 – 65

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

	2007 \$	2006 \$	2005 \$	2004 \$	2003 \$
Plan assets	269,205	244,545	230,550	192,000	233,150
Defined benefit obligation	(178,533)	(166,505)	(148,730)	(151,150)	(167,669)
	<u>90,672</u>	<u>78,040</u>	<u>81,820</u>	<u>40,850</u>	<u>65,481</u>

- a) **FirstCaribbean International Bank Limited Retirement Plan**
The last actuarial valuation was conducted as at November 1, 2004 and revealed a fund surplus of \$28,549.
- b) **FirstCaribbean International Bank (Bahamas) Limited Retirement Plan**
The last actuarial valuation was conducted as at November 1, 2004 and revealed a fund surplus of \$20,900.
- c) **FirstCaribbean International Bank (Jamaica) Limited Retirement Plan**
The last actuarial valuation was conducted as at October 31, 2006 and revealed a fund surplus of \$12,928.

Notes to the Consolidated Financial Statements

October 31, 2007

(expressed in thousands of United States dollars)

18. Intangible assets

	2007	2006
	\$	\$
i) Goodwill	334,907	333,889
ii) Customer-related intangible assets	12,569	15,529
	<u>347,476</u>	<u>349,418</u>

	2007	2006
	\$	\$
i) Goodwill		
Carrying amount, beginning of year	333,889	305,535
As a result of the acquisition of a subsidiary	—	28,354
Adjustment	1,018	—
	<u>334,907</u>	<u>333,889</u>

During 2006, the Group acquired 100% of the voting shares of ABN AMRO Bank Curaçao N.V., ABN AMRO Asset Management (Curaçao) N.V. and ABN AMRO Asset Management (N.A.) N.V.

The purchase price calculation was finalised during 2007 within 12 months after the initial acquisition date and resulted in an increase of \$1,018 to goodwill.

Impairment tests for goodwill

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

	2007	2006
	\$	\$
St. Vincent	946	946
Barbados (Offshore Operations)	17,040	17,040
Bahamas	177,920	177,920
Cayman	105,369	105,369
Trinidad	4,260	4,260
Curacao	29,372	28,354
	<u>334,907</u>	<u>333,889</u>

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

Key assumptions used for value-in-use calculations

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

	Discount Rate		Growth Rate	
	2007	2006	2007	2006
St. Vincent	16%	16%	3%	3%
Barbados (Offshore Operations)	14%	14%	5%	5%
Bahamas	16%	13%	6%	4%
Cayman	12%	12%	3%	3%
Trinidad	15%	15%	6%	6%
Curacao	12%	14%	4%	2%

	2007	2006
	\$	\$
ii) Customer-related intangible assets		
Gross carrying amount, beginning of year	17,748	—
Acquired as part of a business combination	—	17,748
	<u>17,748</u>	<u>17,748</u>
Gross carrying amount, end of year	17,748	17,748
Accumulated amortisation, beginning of year	2,219	—
Amortisation for the year	2,960	2,219
	<u>5,179</u>	<u>2,219</u>
Accumulated amortisation, beginning of year	5,179	2,219
Net carrying amount, end of year	<u>12,569</u>	<u>15,529</u>

Notes to the Consolidated Financial Statements

October 31, 2007

(expressed in thousands of United States dollars)

19. Customer deposits

	Payable on demand \$	Payable after notice \$	Payable at a fixed date \$	2007 Total \$	2006 Total \$
Individuals	456,720	1,552,312	1,823,228	3,832,260	3,030,166
Business and Governments	2,239,453	432,850	2,691,984	5,364,287	4,843,854
Banks	30,163	—	23,147	53,310	1,218,536
	<u>2,726,336</u>	<u>1,985,162</u>	<u>4,538,359</u>	9,249,857	9,092,556
Add: Interest payable	4,715	1,914	19,199	25,828	43,394
	<u>2,731,051</u>	<u>1,987,076</u>	<u>4,557,558</u>	9,275,685	9,135,950

The effective rate of interest on customer deposits during the year was 3.2% (2006 – 2.9%).

20. Other borrowed funds

	2007 \$	2006 \$
Investment note certificates	27,539	15,140
Other fund raising instruments	—	33,872
Repurchase agreements	718,508	683,138
	<u>746,047</u>	732,150
Add: Interest payable	12,109	2,452
	<u>758,156</u>	734,602

Investment certificates issued by the Company amounting to \$15,140 (2006 – \$15,140) are secured by debt securities referred to in note 13. The effective rate of interest on these borrowings during the year was 6.2% (2006 – 9.5%).

The repurchase agreements are related to US Treasury bonds included in available-for-sale investment securities. The effective rate of interest on these instruments during the year was 4.3% (2006 – 5.2%).

21. Other liabilities

	2007 \$	Restated 2006 \$
Accounts payable and accruals	144,929	87,127
Dividends payable	—	3,491
Amount due to related parties	981	5,791
	<u>145,910</u>	96,409

The amount due to related parties is due to CIBC entities only in 2007 and to CIBC and Barclays Bank PLC entities in 2006 and is interest-free with no fixed terms of repayment.

22. Debt securities in issue

	2007 \$	2006 \$
USD\$200 million guaranteed subordinated floating rate notes due 2015	198,991	198,564
BSD\$20 million unsubordinated floating rate notes due 2011	20,000	—
JMD\$1,500 million unsubordinated floating rate notes due 2012	21,127	—
TT\$195 million subordinated fixed rate notes due 2017	31,415	—
	<u>271,533</u>	198,564
Add: Interest payable	2,628	1,726
	<u>274,161</u>	200,290

In 2005, the Group issued floating-rate notes with a face value of \$200,000 through its Cayman subsidiary. The notes are denominated in United States dollars. The interest rate on the notes is reset every 3 months at the USD 3 month LIBOR interest rate plus 70 basis points during the first 5 years. The average effective interest rate during 2007 was 6.3% (2006 – 5.9%). The notes are payable at the option of the Bank in 2010 and are guaranteed on a subordinated basis by the Parent and two fellow subsidiary companies. The notes are listed on the Luxembourg Exchange.

Notes to the Consolidated Financial Statements

October 31, 2007

(expressed in thousands of United States dollars)

22. Debt securities in issue (continued)

In November 2006, the Group issued unsubordinated term redeemable floating rate notes which are unsecured with a face value of BSD \$20,000 (USD\$20,000) through its Bahamas subsidiary due November 2011. Interest on the notes is payable at a rate of Bahamas Prime plus 0.75% per annum. The notes may be redeemed after one year at the option of the Group. The average effective interest rate during 2007 was 7.7%.

In April 2007, the Group issued subordinated term redeemable floating rate notes which are unsecured with a face value of JMD \$1,500,000 (USD \$23,000) through its Jamaica subsidiary due April 2012. The interest on the notes is payable at a rate of weighted average Government Growth Treasury plus 1.65% per annum. The average effective interest rate during 2007 was 12.7%.

In March 2007, the Group issued subordinated term notes which are unsecured but guaranteed by the Parent Company with a face value of TT \$195,000 (USD\$31,000) through its Trinidad subsidiary due in March 2017. The interest on the notes will be fixed for the first two years at 7.90%; then fixed for the next three years at 8.15%; thereafter fixed at 8.75% for the remaining term. The average effective interest rate during 2007 was 7.9%.

23. Issued capital

	2007	2006
	\$	\$
Balance, beginning and end of year	<u>1,117,349</u>	<u>1,117,349</u>

The Company is entitled to issue an unlimited number of Common Shares. Common Shareholders are entitled to attend and vote at all meetings of shareholders. Common Shareholders have one vote for each share owned.

As at October 31, 2007, the Company had 1,525,176,762 shares issued and outstanding (October 31, 2006 – 1,525,176,762 shares).

24. Treasury shares

	2007	2006
	\$	\$
Balance, beginning of year	(426)	—
Net purchases of treasury shares	(992)	(426)
Balance, end of year	<u>(1,418)</u>	<u>(426)</u>

As at October 31, 2007, the Company held 758,929 treasury shares (October 31, 2006 – 196,601 treasury shares).

Where the Company or other members of the consolidated Group purchase the Company's equity share capital, the consideration paid is deducted from total equity attributable to equity holders of the parent as treasury shares until they are cancelled. Where such shares are subsequently sold or reissued, any consideration received is included in total equity attributable to equity holders of the parent.

25. Reserves

	2007	Restated 2006
	\$	\$
Statutory and general banking reserves	165,322	130,462
Revaluation reserve – available-for-sale investment securities	790	4,813
Translation reserve	(7,738)	(8,791)
Share-based payment reserve	1,887	985
Contributed surplus reserve	3,119	—
Reverse acquisition reserve	(463,628)	(463,628)
Total reserves	<u>(300,248)</u>	<u>(336,159)</u>

Notes to the Consolidated Financial Statements

October 31, 2007

(expressed in thousands of United States dollars)

25. Reserves (continued)

The movements in reserves were as follows:

	2007	2006
	\$	\$
Statutory and general banking reserve		
Balance, beginning of year	130,462	90,940
Transfers from retained earnings	<u>34,860</u>	<u>39,522</u>
Balance, end of year	<u>165,322</u>	130,462

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

	2007	Restated 2006
	\$	\$
Revaluation reserve – available-for-sale investment securities		
Balance, beginning of year	4,813	5,286
Net gains from changes in fair value of available-for-sale investment securities	<u>(4,023)</u>	<u>(473)</u>
Balance, end of year	<u>790</u>	4,813

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

	2007	2006
	\$	\$
Translation reserve		
Balance, beginning of year	(8,791)	(8,996)
Currency translation difference arising during the year	<u>1,053</u>	<u>205</u>
Balance, end of year	<u>(7,738)</u>	(8,791)

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are recorded in equity through the translation reserve.

	2007	2006
	\$	\$
Share-based payment reserve		
Balance, beginning of year	985	—
Shares vested during the year	<u>902</u>	<u>985</u>
Balance, end of year	<u>1,887</u>	985

The Group engages in equity settled share-based payment transactions in respect of services rendered from certain of its employees. The cost of the services received is measured by reference to the fair value of the shares or share options granted. The cost related to the shares or share options granted is recognised in the statement of income over the period that the services of the employees are received, which is the vesting period, with a corresponding credit to equity.

	2007	2006
	\$	\$
Contributed surplus reserve		
Balance, beginning of year	—	—
Contributed surplus by Parent during the year	<u>3,119</u>	<u>—</u>
Balance, end of year	<u>3,119</u>	—

During the year, certain obligations were settled by the Parent on behalf of the Bank and were credited to the contributed surplus reserve.

	2007	2006
	\$	\$
Reverse acquisition reserve		
Balance, beginning and end of year	<u>(463,628)</u>	<u>(463,628)</u>

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.

Notes to the Consolidated Financial Statements

October 31, 2007

(expressed in thousands of United States dollars)

25. Reserves (continued)

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

26. Dividends

As at October 31, 2007 the Directors recommended a final common share dividend, which is not reflected in these financial statements, of three point two five cents (\$0.0325) per common share (2006 - \$0.0300), bringing the total dividend payout for 2007 to six point two five cents (\$0.0625) per common share (2006 - \$0.0525).

27. Share-based payments

Stock option plan

One of the predecessor organisations, CIBC West Indies, had a stock option plan. Under the rules of the Plan, options to purchase Common Shares in the Company were granted to employees that entitled the employee to purchase Common Shares of the Company at the market price (strike price) of the shares on the date of granting the options. The options were vested over a four-year period and the maximum period within which an option may be exercised is ten years. In February 1999, 1,775,000 options were granted to current employees at a strike price of one dollar and seventy-two cents (\$1.72) per share.

To date no options have been exercised and no further options have been granted. Number of options forfeited in 2007 amounted to nil (2006 - 225,000). Number of options outstanding as at October 31, 2007 amounted to 1,050,000 (2006 - 1,050,000).

The expense arising from this plan in 2007 was \$Nil (2006 - \$236) and liabilities at October 31, 2007 amounted to \$472 (2006 - \$235).

Long Term Incentive Plan

The Group operates a long term incentive plan whereby under the rules of the plan, Common Shares in the Company may be granted to employees on a discretionary basis. The shares vest over a three year period. The number of shares granted as at October 31, 2007 amounted to 1,662,164 (2006 - 770,910) and the carrying value of these shares amounted to \$3,088 (2006 - \$1,349).

Fair value of the shares granted is measured based on the market price of the shares as at the grant date, adjusted to take into account the terms and conditions upon which the shares were granted. IFRS 2 specifies that vesting conditions, other than market conditions, are not taken into account when estimating the fair value of the shares at the grant date. Instead, vesting conditions are taken into account by adjusting the number of equity instruments included in the measurement.

The expense arising from this plan in 2007 was \$1,708 (2006 - \$958).

Notes to the Consolidated Financial Statements

October 31, 2007

(expressed in thousands of United States dollars)

28. Related party transactions and balances

The Group's major shareholder for 2007 is CIBC and for 2006 jointly CIBC and Barclays Bank PLC.

A number of banking transactions are entered into with related parties in the normal course of business. The key related party balances and transactions included in the Group's financials are disclosed below.

	Directors and key management personnel		Major shareholders	
	2007	2006	2007	2006
Asset balances:	\$	\$	\$	\$
Cash and due from banks	—	—	426,866	1,235,803
Loans and advances to customers	4,643	3,879	—	—
Liability balances:				
Customer deposits	5,899	7,825	11,112	98,773
Revenue transactions:				
Interest income earned	269	244	22,216	64,425
Other revenue – fee income (note (i))	—	—	1,511	1,667
Expense transactions:				
Interest expense incurred	243	220	—	3,961
Other expenses (note (ii))	—	—	35	368

(i) The agreement with Barclays Bank PLC whereby the Company received an annual payment from Barclays Bank PLC of \$10,000 effective January 1, 2002, as an incentive for the Company to retain its deposit placements with Barclays Capital was terminated on December 31, 2005. Consequently, \$1,667 was included in other revenue-fee income for 2006.

(ii) Expenses incurred in relation to banking and support services.

2007
\$

2006
\$

Key management compensation

Salaries and other short term benefits	8,050	7,275
Post-employment benefits	461	320
Share-based payments	2,048	709
	<u>10,559</u>	<u>8,304</u>

Non-Executive Directors' remuneration

A listing of the members of the Board of Directors is included within the Group's Annual Report. In 2007, the total remuneration for the Non-Executive Directors was \$158 (2006 - \$112). The Executive Directors remuneration is included under key management compensation.

29. Contingent liabilities and commitments

The bank conducts business involving letters of credit, guarantees, performance bonds and indemnities, which are not reflected in the balance sheet.

	2007 \$	2006 \$
Letters of credit	86,562	100,472
Loan commitments	869,375	786,210
Guarantees and indemnities	143,521	113,839
	<u>1,099,458</u>	<u>1,000,521</u>

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

Notes to the Consolidated Financial Statements

October 31, 2007

(expressed in thousands of United States dollars)

30. Future rental commitments under operating leases

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

	2007	2006
	\$	\$
Not later than 1 year	14,130	7,458
Later than 1 year and less than 5 years	24,683	29,398
Later than 5 years	3,163	5,436
	<u>41,976</u>	<u>42,292</u>

31. 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 financial statements. At the balance sheet date, the Group had investment assets under administration on behalf of third parties amounting to \$2,002,700 (2006 - \$1,275,566).

32. Business segments

The Group operates five main lines of business organised along customer segments, but also includes treasury operations as a reportable segment.

Retail Banking (Retail) is organised along three product lines: Home Finance (mortgages), Consumer Finance and Asset Management & Insurance.

Credit Card Banking (Cards) is responsible for both the issuance and acceptance of credit cards. The issuing side of Cards offers four key product types, namely VISA Classic, VISA Gold, VISA Platinum and MasterCard and the acceptance side of Cards accepts/acquires on behalf of the global leading Card associations, namely VISA, MasterCard, American Express and Discover. All customer segments are served with a range of Commercial and Consumer Cards, including Co-Branded Cards.

Corporate Banking (Corporate) comprises two customer sub-segments: Corporate Business and Small Business Banking. Corporate Banking offers deposit and investment products, borrowing and cash management products, point of sale and on demand services, foreign exchange and trade finance products and services.

Wealth Management (WM) is organised into three segments: International and Domestic Wealth Management clients, International Mortgages and International Corporate. For Personal Wealth Management clients, the Bank offers traditional day-to-day banking services; investment advice; and a relationship management which is pro-active on client needs. This extends to our International clientele and Domestic clients who meet the Wealth Management criteria. The International Mortgage group provides funding in U.S. dollars, and other 'hard currencies' typically to non-residents of the Caribbean seeking to purchase homes in the Caribbean for personal/investment use. The International Corporate Banking segment specialises in providing banking services to businesses and professional intermediaries who use international financial centres.

The Capital Markets (CM) segment provides issuers and investors with access to larger pools of capital resources and greater investment opportunities. It acts for, and on behalf of, large business, institutions and sovereign clients who seek both equity and debt capital instruments and facilitates the development and expansion of available investment banking products in the region.

The Treasury Group (TST) manages the interest rate, foreign exchange and liquidity risk of the Bank. In addition, the Treasury Group conducts foreign exchange transactions on behalf of bank clients, where possible, and hedges fixed rate loans and investments with interest rate swaps.

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

Funds are ordinarily allocated between segments, resulting in funding costs transfers. Interest charged for these funds is based on the Group's funds transfer pricing. There are no other material items of income or expense between the segments.

Segment assets and liabilities comprise operating assets and liabilities, being the majority of the balance sheet, but exclude items such as taxation and intangible assets.

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

Notes to the Consolidated Financial Statements

October 31, 2007

(expressed in thousands of United States dollars)

32. Business segments (continued)

	Retail \$	Corporate \$	WM \$	CM \$	TST \$	Cards \$	Other \$	Group \$
October 31, 2007								
External revenues	214,983	344,505	107,262	18,374	183,485	39,144	58,152	965,905
Revenues from other segments	31,607	(23,128)	163,149	(5,696)	(52,836)	(5,995)	(107,101)	—
Total revenues	246,590	321,377	270,411	12,678	130,649	33,149	(48,949)	965,905
Segment result	(8,322)	147,046	93,634	4,626	(3,034)	19,187	31,296	284,433
Taxation								<u>(23,092)</u>
Net income for the year								<u>261,341</u>
Segment assets	3,189,752	3,839,035	4,289,829	121,371	2,406,141	96,135	(2,443,401)	11,498,862
Unallocated assets								<u>356,813</u>
Total assets								<u>11,855,675</u>
Segment liabilities	2,149,303	2,939,123	4,759,283	91,100	2,936,572	2,197	(2,394,970)	10,482,608
Unallocated liabilities								<u>12,247</u>
Total liabilities								<u>10,494,855</u>

Notes to the Consolidated Financial Statements

October 31, 2007

(expressed in thousands of United States dollars)

32. Business segments (continued)

	Retail \$	Corporate \$	WM \$	CM \$	TST \$	Cards \$	Other \$	Group \$
October 31, 2006 restated								
External revenues	200,861	288,054	64,730	21,200	148,839	29,250	709	753,643
Revenues from other segments	45,849	(12,986)	144,297	(10,347)	(140,956)	(4,839)	(21,018)	—
Total revenues	246,710	275,068	209,027	10,853	7,883	24,411	(20,309)	753,643
Segment result								
Taxation	(11,187)	139,132	68,577	5,487	(8,785)	11,831	(20,777)	184,278 <u>(20,005)</u>
Net income for the year								164,273
Segment assets	2,777,551	3,363,836	3,891,000	52,836	1,843,975	71,831	(953,195)	11,047,834
Unallocated assets								<u>373,894</u>
Total assets								11,421,728
Segment liabilities	2,855,699	2,750,588	3,978,642	34,642	1,491,647	2,411	(908,362)	10,205,267
Unallocated liabilities								<u>17,162</u>
Total liabilities								10,222,429

Geographical segments are set out in note 33 (c).

Notes to the Consolidated Financial Statements

October 31, 2007

(expressed in thousands of United States dollars)

33. Financial risk management

A. Strategy in using financial instruments

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

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

B. Credit risk

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

The exposure to any one borrower including banks and brokers is further restricted by sub-limits covering on and off-balance sheet exposures 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 and corporate and personal guarantees, but a significant portion is personal lending where no such facilities can be obtained.

Derivatives

The Group maintains strict control limits on net open derivative positions, that is, the difference between purchase and sale contracts, by both amount and term. At any one time the amount subject to credit risk is limited to the current

fair value of instruments that are favorable to the Group (i.e. assets), which in relation to derivatives is only a small fraction of the contract or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments, except where the group requires margin deposits from counterparties.

Master netting arrangements

The Group 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 balance sheet assets and liabilities as transactions are usually settled on a gross basis. However, the credit risk associated with favorable contracts is reduced by a master netting arrangement to the extent that if an event of default occurs, all amounts with the counterparty are terminated and settled on a net basis. The Group's overall exposure to credit risk on derivative instruments subject to master netting arrangements can change substantially within a short period since it is affected by each transaction subject to the arrangement.

Credit related 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 Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct borrowing.

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

Notes to the Consolidated Financial Statements

October 31, 2007

(expressed in thousands of United States dollars)

33. Financial risk management (continued)

C. Geographical concentration of assets, liabilities and off-balance sheet items

The following note reflects geographical concentrations of assets, liabilities and off-balance sheet items.

	Total assets \$	Total liabilities \$	Credit commitments \$	Revenues \$	Capital expenditure \$
October 31, 2007					
Barbados	1,801,265	1,742,005	51,331	284,954	9,955
Bahamas	4,049,888	3,467,362	260,836	275,800	1,411
Cayman	3,182,169	2,458,925	154,653	189,057	811
Eastern Caribbean	1,252,200	1,205,777	59,261	108,235	4,303
Curacao	734,678	682,724	317,383	50,149	3,272
BVI	234,631	643,831	50,213	27,377	668
Jamaica	595,459	508,825	89,699	76,534	2,917
Belise	115,268	96,770	8,282	13,657	432
Other	1,121,158	915,625	107,800	82,233	3,548
	<u>13,086,716</u>	<u>11,721,844</u>	<u>1,099,458</u>	<u>1,107,996</u>	<u>27,317</u>
Eliminations	(1,231,041)	(1,226,989)	—	(142,091)	—
	<u>11,855,675</u>	<u>10,494,855</u>	<u>1,099,458</u>	<u>965,905</u>	<u>27,317</u>
	Total assets \$	Total liabilities \$	Credit commitments \$	Revenues \$	Capital expenditure \$
October 31, 2006 Restated					
Barbados	1,720,026	1,778,534	30,875	116,733	20,011
Bahamas	3,865,767	3,319,001	332,371	226,570	1,265
Cayman	2,770,631	2,476,299	240,956	131,896	49,744
Eastern Caribbean	1,036,320	880,174	78,559	90,562	4,844
Curacao	903,946	864,287	34,987	38,321	1,097
BVI	564,180	529,801	69,619	36,707	726
Jamaica	505,012	424,322	77,917	58,955	2,624
Belise	109,594	91,447	12,797	12,321	1,108
Other	888,176	790,734	122,440	62,596	1,484
	<u>12,363,652</u>	<u>11,154,599</u>	<u>1,000,521</u>	<u>774,661</u>	<u>82,903</u>
Eliminations	(941,924)	(932,170)	—	(21,018)	—
	<u>11,421,728</u>	<u>10,222,429</u>	<u>1,000,521</u>	<u>753,643</u>	<u>82,903</u>

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

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

	2007 \$	2007 %	Restated 2006 \$	Restated 2006 %
Barbados	776,624	13	708,369	12
Bahamas	2,144,854	35	2,236,041	39
Cayman	1,116,645	18	1,023,648	18
Eastern Caribbean	828,092	13	703,893	12
Jamaica	447,405	7	363,307	6
BVI	167,221	3	166,323	3
Belize	77,490	1	63,625	2
Curacao	40,712	1	28,985	1
Other	569,679	9	425,241	7
	<u>6,168,722</u>	<u>100</u>	<u>5,719,432</u>	<u>100</u>
Eliminations	(88,763)		(88,763)	
	<u>6,079,959</u>		<u>5,630,669</u>	

D. Currency risk

The Group takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board of Directors sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily. The table below summarises the Group's exposure to foreign currency exchange rate risk at October 31. The off-balance sheet net notional position represents the difference between the notional amounts of foreign currency derivative financial instruments, which are principally used to reduce the Group's exposure to currency movements, and their fair values.

Notes to the Consolidated Financial Statements

October 31, 2007

(expressed in thousands of United States dollars)

33. Financial risk management (continued)

D. Currency risk (continued)

Concentrations of assets, liabilities and credit commitments:

	EC \$	BDS \$	CAY \$	BAH \$	US \$	JA \$	Other \$	Total \$
October 31, 2007								
Assets								
Cash and balances with Central Banks	99,701	111,878	5,102	104,652	76,189	47,503	50,901	495,926
Due from banks	9,310	(66,417)	1,087	(484)	602,768	2,315	474,145	1,022,724
Derivative financial instruments	41	219	—	—	39,217	631	53	40,161
Financial assets at fair value through profit or loss	—	—	—	—	1,123,589	—	—	1,123,589
Other assets	(28,714)	(41,654)	1,937	10,287	118,709	548	21,077	82,190
Taxation recoverable	768	1	—	—	—	—	—	769
Investment securities	30,637	269,580	4	133,974	1,875,528	8,702	152,579	2,471,004
Loans and advances to customers	711,945	655,021	448,518	1,462,674	2,300,214	283,306	218,281	6,079,959
Property and equipment	19,438	44,925	17,929	20,779	17,261	7,087	8,583	136,002
Deferred tax assets	1,873	6,363	—	—	—	63	269	8,568
Retirement benefit assets	7,013	10,257	—	11,731	4,495	12,166	1,645	47,307
Intangible assets	—	305,535	—	—	41,941	—	—	347,476
Total assets	852,012	1,295,708	474,577	1,743,613	6,199,911	362,321	927,533	11,855,675
Liabilities								
Derivative financial instruments	124	295	—	—	19,886	—	—	20,305
Customer deposits	731,946	1,166,879	196,298	1,348,011	4,417,122	228,478	1,186,951	9,275,685
Other borrowed funds	—	—	—	—	727,942	—	30,214	758,156
Other liabilities	272	82,627	173,410	(651)	(72,270)	9,145	(46,623)	145,910
Taxation payable	2,741	(346)	—	—	1,911	1,278	2,765	8,349
Deferred tax liabilities	65	74	—	—	15	3,223	521	3,898
Debt securities in issue	—	—	—	20,620	200,702	21,158	31,681	274,161
Retirement benefit obligations	728	1,528	—	3,717	1,079	1,136	203	8,391
Total liabilities	735,876	1,251,057	369,708	1,371,697	5,296,387	264,418	1,205,712	10,494,855
Net on balance sheet position	116,136	44,651	104,869	371,916	903,524	97,903	(278,179)	1,360,820
Contingent liabilities & commitments	52,653	41,479	17,740	115,814	470,396	57,157	344,219	1,099,458

Notes to the Consolidated Financial Statements

October 31, 2007

(expressed in thousands of United States dollars)

33. Financial risk management (continued)

D. Currency risk

Concentrations of assets, liabilities and credit commitments: (continued)

	EC \$	BDS \$	CAY \$	BAH \$	US \$	JA \$	Other \$	Total \$
October 31, 2006 restated								
Assets								
Cash and balances with Central Banks	80,404	80,449	4,342	62,192	55,485	33,981	18,255	335,108
Due from banks	5,276	20,796	355	1,440	1,090,501	3,491	968,892	2,090,751
Derivative financial instruments	—	—	—	—	5,423	—	—	5,423
Financial assets at fair value through profit or loss	—	—	—	—	1,161,318	—	—	1,161,318
Other assets	(32,449)	48,771	4,101	16,779	(64,409)	3,085	96,878	72,756
Taxation recoverable	5,637	9,482	—	—	—	—	762	15,881
Investment securities	34,506	145,873	—	139,025	1,148,899	29,997	65,281	1,563,581
Loans and advances to customers	588,987	606,972	425,035	1,419,066	2,214,457	193,679	182,473	5,630,669
Property and equipment	23,724	42,914	18,557	22,391	18,431	6,828	6,835	139,680
Deferred tax assets	1,380	6,915	—	—	—	47	253	8,595
Retirement benefit assets	7,287	11,556	—	11,869	4,608	11,412	1,816	48,548
Intangible assets	—	305,535	—	—	43,883	—	—	349,418
Total assets	714,752	1,279,263	452,390	1,672,762	5,678,596	282,520	1,341,445	11,421,728
Liabilities								
Derivative financial instruments	—	—	—	—	12,859	—	—	12,859
Customer deposits	640,097	1,099,069	192,762	1,334,691	4,350,661	198,336	1,320,334	9,135,950
Other borrowed funds	—	—	—	—	734,602	—	—	734,602
Other liabilities	14,413	53,251	183,207	108	(191,202)	5,400	31,232	96,409
Taxation payable	6,080	1,016	—	—	855	3,348	3,181	14,480
Deferred tax liabilities	441	113	—	—	12	2,143	(27)	2,682
Debt securities in issue	—	—	—	—	200,290	—	—	200,290
Retirement benefit obligations	2,193	4,381	—	11,219	4,675	2,145	544	25,157
Total liabilities	663,224	1,157,830	375,969	1,346,018	5,112,752	211,372	1,355,264	10,222,429
Net on balance sheet position	51,528	121,433	76,421	326,744	565,844	71,148	(13,819)	1,199,299
Contingent liabilities & commitments	62,410	23,555	38,856	175,755	631,219	34,546	34,180	1,000,521

Notes to the Consolidated Financial Statements

October 31, 2007

(expressed in thousands of United States dollars)

33. Financial risk management (continued)

E. Cash flow and fair value interest rate risk

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

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

F. Liquidity risk

The Group is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan draw downs, guarantees and from margin and other calls on cash settled derivatives. The Group does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The Board sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

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

Maturities of assets and liabilities

	0-3 months \$	3-12 months \$	1-5 years \$	Over 5 years \$	Total \$
October 31, 2007					
Assets					
Cash and balances with Central Banks	495,426	—	—	500	495,926
Due from banks	755,493	267,231	—	—	1,022,724
Derivative financial instruments	40,161	—	—	—	40,161
Financial assets at fair value through profit or loss	1,123,589	—	—	—	1,123,589
Other assets	(46,671)	12,143	116,718	—	82,190
Taxation recoverable	769	—	—	—	769
Investment securities	99,163	178,773	682,766	1,510,302	2,471,004
Loans and advances to customers	694,021	596,521	1,032,511	3,756,906	6,079,959
Property and equipment	2,088	6,266	7,087	120,561	136,002
Deferred assets	1,528	116	6,749	175	8,568
Retirement benefit assets	—	—	—	47,307	47,307
Intangible assets	740	2,219	9,610	334,907	347,476
Total assets	3,166,307	1,063,269	1,855,441	5,770,658	11,855,675

Notes to the Consolidated Financial Statements

October 31, 2007

(expressed in thousands of United States dollars)

33. Financial risk management (continued)

F. Liquidity risk (continued)

Maturities of assets and liabilities (continued)

	0-3 months \$	3-12 months \$	1-5 years \$	Over 5 years \$	Total \$
October 31, 2007					
Liabilities					
Derivative financial instruments	20,305	—	—	—	20,305
Customer deposits	7,967,684	1,245,509	55,471	7,021	9,275,685
Other borrowed funds	643,863	95,205	596	18,492	758,156
Other liabilities	42,474	27,490	75,946	—	145,910
Taxation payable	3,285	3,127	—	1,937	8,349
Deferred tax liabilities	73	—	653	3,172	3,898
Debt securities in issue	621	21,158	51,680	200,702	274,161
Retirement benefit obligations	—	—	—	8,391	8,391
Total liabilities	8,678,305	1,392,489	184,346	239,715	10,494,855
Net on balance sheet position	(5,511,998)	(329,220)	1,671,095	5,530,943	1,360,820
Contingent liabilities & commitments	624,853	413,893	24,848	35,864	1,099,458

	0-3 months \$	3-12 months \$	1-5 years \$	Over 5 years \$	Total \$
October 31, 2006 restated					
Assets					
Cash and balances with Central Banks	310,515	15,969	8,124	500	335,108
Due from Banks	1,798,878	166,291	125,500	82	2,090,751
Derivative financial instruments	5,423	—	—	—	5,423
Financial assets at fair value through profit or loss	1,161,318	—	—	—	1,161,318
Other assets	72,756	—	—	—	72,756
Taxation recoverable	6,598	9,283	—	—	15,881
Investment securities	50,479	178,560	477,259	857,283	1,563,581
Loans and advances to customers	1,143,942	602,718	1,405,628	2,478,381	5,630,669
Property and equipment	—	—	7,059	132,621	139,680
Deferred assets	511	70	7,199	815	8,595
Retirement benefit assets	286	—	—	48,262	48,548
Intangible assets	740	2,218	12,571	333,889	349,418
Total assets	4,551,446	975,109	2,043,340	3,851,833	11,421,728

Notes to the Consolidated Financial Statements

October 31, 2007

(expressed in thousands of United States dollars)

33. Financial risk management (continued)

F. Liquidity risk (continued)

Maturities of assets and liabilities (continued)

	0-3 months \$	3-12 months \$	1-5 years \$	Over 5 years \$	Total \$
October 31, 2006 restated					
Liabilities					
Derivative financial instruments	12,859	—	—	—	12,859
Customer deposits	7,567,080	822,926	216,998	528,946	9,135,950
Other borrowed funds	733,587	1,015	—	—	734,602
Other liabilities	65,886	30,523	—	—	96,409
Taxation payable	10,860	3,620	—	—	14,480
Deferred tax liabilities	113	266	193	2,110	2,682
Debt securities in issue	—	—	200,290	—	200,290
Retirement benefit obligations	—	—	—	25,157	25,157
Total liabilities	8,390,385	858,350	417,481	556,213	10,222,429
Net on balance sheet position	(3,838,939)	116,759	1,625,859	3,295,620	1,199,299
Contingent liabilities & commitments					
	449,979	471,507	17,860	61,175	1,000,521

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Group. 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 Group 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 Group 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.

G. Fair values of financial assets and liabilities

The following table summarises the carrying amounts and fair values of those financial assets and liabilities not presented on the Group's balance sheet at fair value. Bid prices are used to estimate fair value of assets, whereas offer prices are applied for liabilities.

	Carrying Value		Fair Value	
	2007 \$	Restated 2006 \$	2007 \$	Restated 2006 \$
Financial assets				
Investment securities	2,471,004	1,563,581	2,471,004	1,577,555
Loans and advances to customers	6,079,959	5,630,669	5,937,286	5,556,808
Financial liabilities				
Customer deposits	9,275,685	9,135,950	9,267,330	9,141,150
Debt Securities in issue	274,161	200,290	274,660	200,277
Other borrowed funds	758,156	734,602	757,988	734,346

Notes to the Consolidated Financial Statements

October 31, 2007

(expressed in thousands of United States dollars)

33. Financial risk management (continued)

G. Fair values of financial assets and liabilities (continued)

Investment securities

Fair value for held-to-maturity investments and investments designated as loans and receivables is based on market prices or broker/dealer price quotations. Where this information is not available, fair value has been estimated using quoted market prices for securities with similar credit, maturity and yield characteristics. Where fair values still cannot be measured reliably, these securities are carried at cost less impairment. Available-for-sale securities are measured at fair value.

Loans and advances to customers

The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value. The balances are net of specific and other provisions for impairment and their net carrying amounts reflect their fair values.

Customer deposits and other borrowed funds

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

Debt securities in issue

The fair value is based on quoted market prices and where not available, is based on a current yield curve appropriate for the remaining term to maturity.

34. Significant accounting estimates and judgements in applying accounting policies

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

i) Impairment losses on loans and advances

The Group reviews its loan portfolios to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the statement of income, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

ii) Retirement benefit obligations

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

Notes to the Consolidated Financial Statements

October 31, 2007

(expressed in thousands of United States dollars)

34. Significant accounting estimates and judgements in applying accounting policies (continued)

iii) Income taxes

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

iv) Valuation of investments

The Bank has applied IAS 39 in its classification of investment securities which requires measurement of available-for-sale securities at fair value. For unquoted equity instruments and unlisted securities, fair values are estimated using price/earnings or price/cash flow ratios which have been refined to accommodate the specific circumstances of the issuer.

v) Goodwill

The Bank's financial statements include goodwill arising from acquisitions. In accordance with IFRS 3, goodwill was reviewed for impairment as at October 31, 2007 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.

35. Principal subsidiary undertakings

Name	Country of incorporation
FirstCaribbean International Bank Limited	Barbados
FirstCaribbean International Wealth Management Bank (Barbados) Limited	Barbados
FirstCaribbean International Bank (Barbados) Limited	Barbados
FirstCaribbean International Trust and Merchant Bank (Barbados) Limited	Barbados
FirstCaribbean International Land Holdings (Barbados) Limited	Barbados
FirstCaribbean International Operations Centre Ltd	Barbados
FirstCaribbean International Finance Corporation (Leeward & Windward) Limited	St. Lucia
FirstCaribbean International Bank (Bahamas) Limited (95.2%)	Bahamas
FirstCaribbean International Finance Corporation (Bahamas) Limited	Bahamas
FirstCaribbean International (Bahamas) Nominees Company Limited	Bahamas
FirstCaribbean International Land Holdings (TCI) Limited	Turks & Caicos Islands
FirstCaribbean International Bank (Jamaica) Limited (96.3%)	Jamaica
FirstCaribbean International Securities Limited	Jamaica
FirstCaribbean International Building Society Limited	Jamaica
FirstCaribbean International Bank (Trinidad & Tobago) Limited	Trinidad
FirstCaribbean International Bank (Cayman) Limited	Cayman Islands
FirstCaribbean International Finance Corporation (Cayman) Limited (in liquidation)	Cayman Islands
FirstCaribbean International (Cayman) Nominees Company Limited	Cayman Islands
FirstCaribbean International Finance Corporation (Netherlands Antilles) Limited	Netherlands Antilles
FirstCaribbean International Bank (Curacao) N.V.	Netherlands Antilles
FirstCaribbean International Wealth Management (Curacao) N.V.	Netherlands Antilles
FirstCaribbean International Wealth Management (N.A.) N.V.	Netherlands Antilles

All subsidiaries are wholly owned unless otherwise stated.

Management Proxy Circular

Barbados
The Companies Act, Chapter 308
[Section 140]

- 1. Name of Company:**
FirstCaribbean International Bank Limited Company No. 8521
- 2. Particulars of Meeting:**
Fourteenth Annual General Meeting of the Shareholders of the Company to be held at the Flamboyant Room, Sherbourne Conference Centre, Two Mile Hill, St. Michael on Thursday, April 3, 2008 at 5 p.m.
- 3. Solicitation:**
It is intended to vote the Proxy hereby by the Management of the Company (unless the shareholder directs otherwise) in favour of all resolutions specified on the Proxy Form sent to the Shareholders with this Circular and in the absence of a specific direction, in the discretion of the Proxy Holder in respect of any other resolution.
- 4. Any Director's Statement Submitted Pursuant to Section 71 (2):**
No statement has been received from any Director of the Company pursuant to Section 71 (2) of the Companies Act, Chapter 308.
- 5. Any Auditor's Statement Submitted Pursuant to Section 163 (1):**
No statement has been received from the Auditors of the Company pursuant to Section 163 (1) of the Companies Act, Chapter 308.
- 6. Any Shareholder's Proposal Submitted Pursuant to Section 112:**
No. proposal has been received from any Shareholder pursuant to Section 112 of the Companies Act, Chapter 308.

Date
January 31, 2008

Name and Title
Ella N. Hoyos
Corporate Secretary
FirstCaribbean International
Bank Limited

Signature



Proxy Form

I/We, the undersigned shareholder/shareholders of FirstCaribbean International Bank Limited hereby appoint Mr. Michael Mansoor or failing him, Mr. Charles Pink, or any Director of the Company or

As my/our proxy to vote for me/us on my/our behalf as indicated below on the Resolutions to be proposed at the Annual Meeting of the shareholders of the Company to be held on Thursday, April 3, 2008.

Dated this _____ day of _____ 2008.

Name of shareholder(s) of the Company _____

Signature _____

Name(s) of signatory in block capitals _____

Please indicate with an "X" in the spaces below how you wish your proxy to vote on the Resolutions referred to. If no indication is given the proxy will exercise his or her discretion as to how he or she votes or whether he or she abstains from voting.

	FOR	AGAINST
<p>Resolution 1 To approve the adoption of the audited consolidated financial statements and balance sheet of the Company for the year November 01, 2006 to October 31, 2007.</p>		
<p>Resolution 2 To approve the election of the following person as a Director for the term hereinafter set forth: (i) G. Diane Stewart for a period of one year. (ii) David Williamson for a period of one year. And to re-elect the following persons as Directors: (iii) Thomas Woods for a period of two years. (iv) A. John D. Orr for a period of two years. (v) Michael K. Mansoor for a period of three years. (vi) Sir Fred A.W. Gollop for a period of three years. (vii) Ronald Lalonde for a period of three years.</p>		
<p>Resolution 3 To approve the appointment of the Auditors, and to authorise the Directors to fix their remuneration.</p>		

Notes:

1. If it is desired to appoint a proxy other than the named Directors, the necessary deletion must be made and initialled and the name inserted in the space provided.
2. In the case of joint holders, the signature of any holder is sufficient, but the name of all joint holders should be stated.
3. If the appointer is a Corporation, this form must be under its Common Seal or under the name of an officer of the Corporation duly authorised in this behalf.
4. To be valid, this form must be completed and deposited with the Registrar & Transfer Agent, FirstCaribbean International Trust and Merchant Bank (Barbados) Limited, c/o Wealth Management Department, Rendezvous, Christ Church at least 48 hours before the time appointed for holding the Meeting or adjourned Meeting.

Anguilla
Antigua & Barbuda
The Bahamas
Barbados
Belize
British Virgin Islands
The Cayman Islands
Curaçao
Dominica
Grenada & Carriacou
Jamaica
The Netherlands Antilles
St. Kitts & Nevis
St. Lucia
St. Vincent & the Grenadines
Trinidad & Tobago
Turks & Caicos Islands



FIRST CARIBBEAN
INTERNATIONAL BANK