Get There. Together.

FIRSTCARIBBEAN
INTERNATIONAL BANK

Annual Report 2005

Vision

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

First for Customers

First for Employees

First for Shareholders

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Annual General Meeting

Notice is hereby given that the Twelfth Annual General Meeting of the Shareholders of **FirstCaribbean International Bank Limited** will be held at the Poinsettia Room, Sherbourne Conference Centre, Two Mile Hill, St. Michael, Barbados, on Thursday, March 23, 2006 at 5 p.m. for the following purposes:

1. To receive audited Accounts for the year ended October 31, 2005 and the Reports of the Directors and Auditors thereon.

2. To elect the following Directors:

   (i) Renier Lemmens for a period of one year.
   (ii) Jacobo Gonzalez-Robatto for a period of one year.

   To re-elect the following Directors who retire by rotation and being eligible seek re-election:

   (iii) John Eaton for a period of three years.

   (iv) Charles Pink for a period of three years.

   (v) Sir Allan Fields for a period of three years.

3. To appoint the Auditors and to authorise the Directors to fix their remuneration.

4. 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, 2006

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$0.0225 approved for the year ended October 31, 2005 was paid on January 16, 2006 to the holders of Common Shares whose names were registered in the books of the Company at the close of business on December 14, 2005.

An interim dividend of US$0.0200 was paid on July 1, 2005 to holders of Common Shares whose names were registered in the books of the Company at the close of business on June 20, 2005.

Total dividend for the 2005 financial year amounted to US$0.0425.

Documents Available for Inspection:

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

Registered Office: Warrens, St. Michael, Barbados, West Indies.

Get There. Together.

Fulfilling the Promise

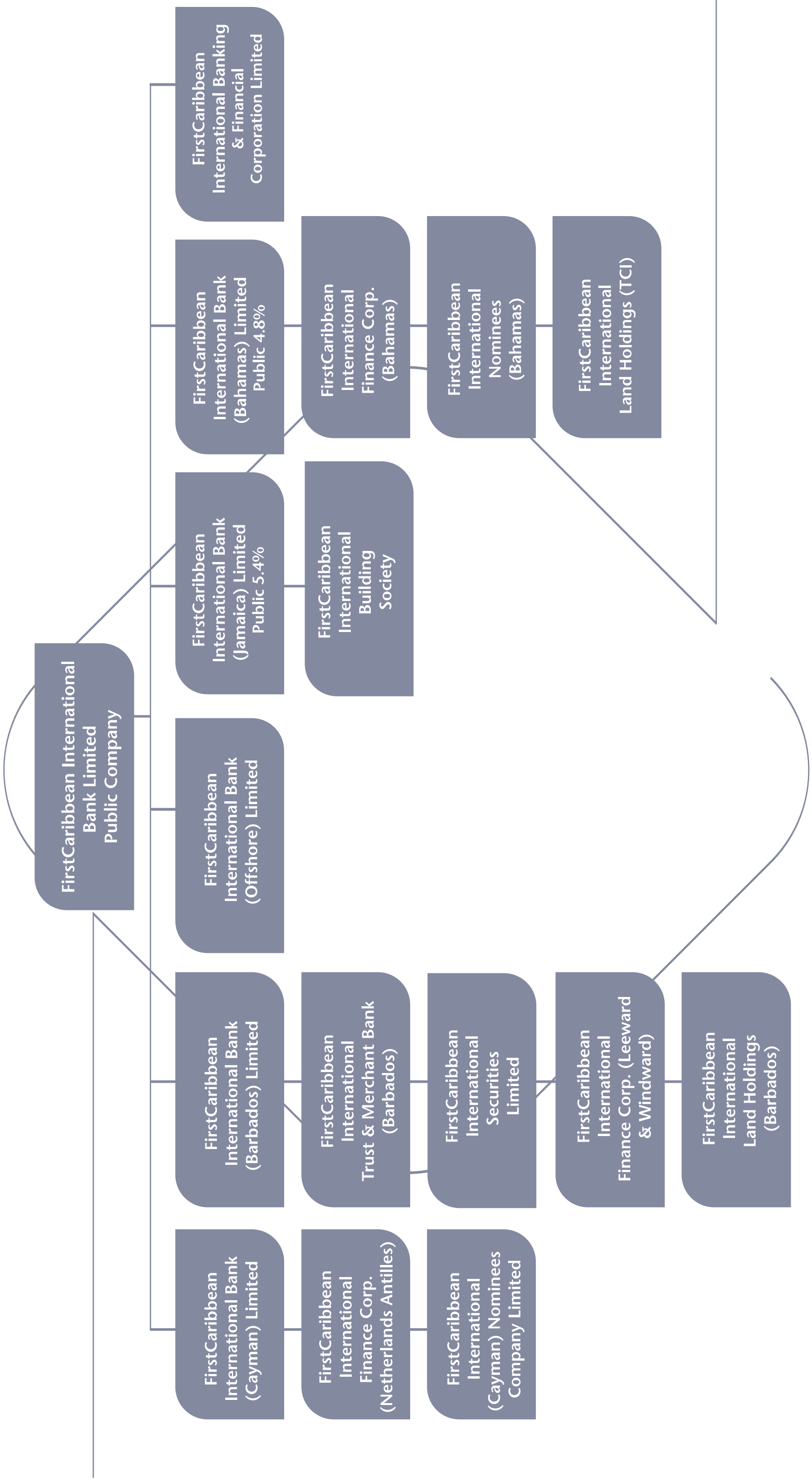
In a year free of integrating activities and mostly spared from natural upheavals, 2005 can perhaps be regarded as FirstCaribbean's first year of "normal" operations. And what a year it has been.

Several precedent-setting achievements have cemented FirstCaribbean's position as the leading bank in the region.
In all spheres of endeavour – financial, operational, social – FirstCaribbean has excelled spectacularly.
The year 2005 has shown just what we can do as a financial entity and corporate citizen for the Caribbean.

Most importantly, we have made impressive strides this year in solidifying our "Helpful Partner" approach and fulfilling our new brand promise to customers and to the Caribbean that we will "Get There. Together."

Branch Network

Ownership Structure



Branch Locations

Main Branches and Centres

FirstCaribbean International Bank Limited
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, High Street
P.O. Box 225
High Street
St. John's
Tel: (268) 480-5000

The Bahamas, Bay Street
P.O. Box N – 8350
Bay Street
Nassau
Tel: (242) 356-8000

Barbados
Broad Street
Bridgetown, St. Michael
Tel: (246) 467-1700

Belize, Albert Street
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, Grand Cayman
P.O. Box 68 GT
25 Main Street
George Town
Tel: (345) 949-7300

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 Boulevard
Kingston
Tel: (876) 929-9310

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

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

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

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

Turks & Caicos, Grand Turk
P.O. Box 61
Cockburn Town
Tel: (649) 946-2831

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

St. Vincent
P.O. Box 212
Halifax Street
Kingstown
Tel: (784) 457-1587

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

Financial Centres & Trust Companies

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

Corporate Office
308 East Bay Street
Nassau, The Bahamas
Tel: (242) 393-4710

International Banking Centre
P.O. Box N-8350
Bay Street
Nassau, The Bahamas
Tel: (242) 356-8016

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

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

Trust and Merchant Bank
P.O. Box 503
Warrens
St. Michael, Barbados
Tel: (246) 367-2100

Bridgetown Business Centre
P.O. Box 301
Broad Street
Bridgetown, Barbados
Tel: (246) 431-5204

International Banking Centre
P.O. Box 301
Rendezvous
Christ Church, Barbados
Tel: (246) 431-5262

Trustee Branch
P.O. Box 438
Broad Street
Bridgetown
St. Michael, Barbados
Tel: (246) 431-5296

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

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

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

Commercial 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

Securities Limited
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

FirstCaribbean International Banking & Financial Corporation Limited
12 Victoria Avenue
Port of Spain
Trinidad
Tel: (868) 625-8535

Capital Markets Head Office
Briar Place
10-12 Sweet Briar Road
St Clair, Trinidad
Tel: (868) 628-4989

Seated, from left:
Sir Fred Gollop
Attorney-at-Law
Chairman – Nation Media Group

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

Standing, from left:
John Eaton
Former Chief Operating Officer, Private Clients
Barclays Bank PLC

Jacobo Gonzalez-Robatto
Chief Executive, Southern Europe
Barclays Bank PLC

Michael Mansoor
Executive Chairman
FirstCaribbean International Bank Limited

Ron Lalonde
Senior Executive Vice President
Canadian Imperial Bank of Commerce

Board of Directors

Seated, from left:
Teresa Butler
Independent Director,
Former Chairman – Public Service
Commission of the Bahamas
& Retired Permanent Secretary

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

Standing, from left:
Charles Pink
Chief Executive Officer
FirstCaribbean International Bank Limited

Kyffin Simpson
Independent Director
President
Simpson Motors Limited

Renier Lemmens
Chief Operating Officer
International, Retail & Commercial Banking
Barclays Bank PLC

Richard Venn
Senior Executive Vice President
Canadian Imperial Bank of Commerce

THE EXECUTIVE LEADERSHIP TEAM:
Front row (from left): Francis Lewis, Ian Chinapoo, Sharon Brown, Juan Corral and Tom Crawford.
Centre row (from left): John Riviere, Peter Hall, Joe Barretto, Horace Cobham, Patrick Buxton and Oliver Jordan.
Back row (from left): Jan-Arne Farstad, Gerard Borely, Michael Mansoor, Chairman; Charles Pink, CEO; and Julian Murillo.
Absent: Lloyd Samaroo, Richard Pantcheff, Bryan Gaunt and Milton Brady.

Senior Management & Advisors

Legal Advisors

Chancery Chambers
Messrs. Carrington & Sealy
Fitzwilliam, Stone & Alcazar

Head of Governance and Corporate Secretary

Ella N. Hoyos

Registrar and Transfer Agent

FirstCaribbean International Trust and Merchant Bank (Barbados) Limited

Audit & Governance Committee

Ron Lalonde – Chairman
John Eaton
Christopher Bovell
Teresa Butler
Jacobo Gonzalez-Robatto
Sir Allan Fields
Sir Fred Gollop
David Ritch

Auditors

PricewaterhouseCoopers

Bankers

FirstCaribbean International Bank (Barbados) Limited

Senior Management

Michael Mansoor
Executive Chairman

Charles Pink
Chief Executive Officer

Joe Barretto
Executive Director – Change Management

Gerard Borely
Chief Financial Officer

Milton Brady
Managing Director, Jamaica

Sharon Brown
Managing Director, Bahamas

Patrick Buxton
Executive Director – Group Treasury

Ian Chinapoo
Executive Director – Capital Markets

Horace Cobham
Executive Director – Corporate

Juan Manuel Corral
Chief Operations Officer

Tom Crawford
Managing Director, Cayman

Jan-Arne Farstad
Executive Director – International Wealth Management

Peter Hall
Chief Administrative Officer

Oliver Jordan
Managing Director, Barbados

Julian Murillo
Executive Director – Retail Banking

Richard Pantcheff
Chief Risk Officer

Lloyd Samaroo
Managing Director, Trinidad & Tobago

Jai Somaratne
Executive Director – Audit

Michael Mansoor, Chairman

Chairman's Report

It is with a sense of pride and satisfaction that I report that the Bank's third year of operation represented another successive year of growth and profitability. I am pleased to report that this continued financial growth has resulted in the payment of a total annual dividend to you our shareholders of US 4.25 cents per share. The Board of Directors is at this stage confident that the Bank is well on its way to fulfilling its mandate – to be First for Customers, First for Employees and also First for Shareholders.

The Bank's achievement of normalised NIAT of $140.5 million in our third year of operation is a significant accomplishment. Fostered by key drivers such as the strong performing loan book, higher US interest rates, declining loan loss expenses and reduction of non-performing loans, it is a performance of which the entire Bank is proud.

These results reflect the general economic conditions existing in our major markets. Most of these economies have improved materially since the exogenous shocks of 9/11 and in many centres there is an unprecedented level of economic activity in construction and infrastructural development. While the historical weaknesses of single commodity dependence, high unemployment, rising levels of crime and deficits in international competitiveness continue to plague certain economies, it would seem that most of the region is at a relatively benign stage of the economic and credit cycle.

Governance

We continue to place significant emphasis upon the quality of our Governance, especially during a period when the Bank has been growing in stature and size. We have strengthened the Risk and Control framework of the Bank, through the introduction of a number of new risk tools and policies, all of which we designed to enable the organisation to effectively anticipate, identify and remediate the risks we take.

These tools and policies have been introduced through the office of the new Chief Risk Officer, and our expertise spans the full orbit of Credit, Market, Operational, Portfolio and Compliance Risk. Additionally, we operate well-staffed Legal, Regulatory, and Internal Audit functions. Our actions in these areas have led to further improvements in the control of our business, and this is evident from the Bank's performance in the areas of expenses for credit and non-credit losses. Our overarching focus on risk management and mitigation is supported by the expertise and commitment of our senior executives across the Group.

At the same time we place great emphasis upon the relationships we have with our regulators across the region. We are pleased to have enhanced the quality and depth of those relationships in 2005, thus ensuring continued confidence in the Bank's legal and regulatory capabilities, as well as compliance with applicable laws and regulations.

The Board

The Board of Directors, comprised as it is of 12 experienced and distinguished professionals, has within three short years established a collegiate camaraderie and rapport which enhance its deliberations in a meaningful way and contribute to the highest level of engagement in relation to the Bank's affairs.

At the quarterly meetings your directors, through their full board meetings and through the Finance and Change Committee, Risk and Conduct Committee, Audit and Governance Committee and Human Resources and Pensions Committee, have examined and assessed performance and progress in a comparative and detailed manner across the Strategic Business Units, Lines of Business and geographic segments.

The Board has also reviewed and approved a comprehensive strategy for the Bank, which, it is envisioned, will guide the development of the segmented lines of business and the expansion of FirstCaribbean's geographic footprint.

I wish to thank Messrs Robert Hunter and David Roberts who because of individual circumstances withdrew from the Board during the year. Mr. Hunter is a "founding" director of FirstCaribbean having taken a lead role in the work that led to the successful merger of the two predecessor banks and we wish him well in his retirement. Mr. Roberts is a senior executive with Barclays and withdrew because of new responsibilities in different geographies. We thank them both for their sterling and important contribution to our group. Mr. Chester Feldberg, who served as alternate director to David Roberts also retired and I thank him also for his able contribution.

Our People

We remain committed to the development of our people to meet the task of satisfying our customers and delivering strong financial performances. Our employee benefits continue to be generous and empowering and we are especially proud of the Employee Share Purchase plan under which the bank actively encourages share ownership by its employees and the opportunity for a larger share of the profits which they help to create.

The inclusion into our Executive Leadership Team this Year of five new Caribbean nationals in the person of Gerard Borely, Oliver Jordan, Milton Brady, Lloyd Samaroo and Ian Chinapoo, is a source of particular pride and inspiration for all of our people.

The establishment of the FirstCaribbean University, our ongoing commitment to learning and development programmes and our initiation of CareerFirst, the graduate recruitment programme in association with the University of the West Indies, herald the Bank's tangible demonstration of our belief in the promotion and advancement of our staff.

Outlook for 2006

During 2006 we will focus on harvesting the returns from our considerable investment in people, plant and technology and leveraging our strengths to produce even better results for all of our stakeholders. The acquisition of ABN AMRO Curaçao's operation in 2006, the expansion of our branch and ABM network in Jamaica, and the successful introduction of FirstCaribbean to Trinidad & Tobago in 2005…all present exciting new opportunities for your bank.

Continued emphasis on improved customer satisfaction, a robust control environment, sustained loan growth and a continued decline in our non-performing loans will be primary contributors to the Bank's overall performance in 2006.

I thank our customers, our employees and the directors of our bank and its subsidiaries for their support and contribution since 2002. Our Group, in our collective estimation, is well poised to realise its promise and potential.

Michael Mansoor
Chairman

Charles Pink, Chief Executive Officer

Regional Financial Performance

I closed my 2004 Report by laying down a challenge as we completed Integration of two into one: "We have invested. Now it is time to yield."

In 2005 we have yielded. Massively.

Net Income After Tax (NIAT) at US$257.9 million was 191% up on 2004's US$88.5 million.

The gain on the sale of the Group's no-longer strategic investment in Republic Bank was US$117.4 million, achieved at a very healthy exit P/E of 20.

Excluding this one-off gain, NIAT was US$140.5 million, still an extremely creditable 59% up on 2004.

Rising US interest rates assisted our cause, but the main driver of this growth in profits was doing more business with customers whilst showing excellent control of Costs and Risk in the form of Provisions for Credit Losses.

The key customer business aggregates showed excellent growth.

Loans grew 17% to US$4.6 billion, having risen 10% in 2004. The group is gaining market share in almost all its main markets. Growth was broadly spread across SBUs and geographies.

Deposits grew 5% to US$7.7 billion. This figure needs to be considered against a context where the Group is not looking to grow its deposits actively in many major markets, given continuing excess liquidity. Offshore deposits showed pleasing growth within this number.

Costs were flat in 2005 at US$262.2 million, a tremendous result showing the benefit of integration synergies. There were US$14 million of restructuring costs in 2004, but similar levels of restructuring expense were incurred in 2005.

With Revenue rising 11.3% to US$429.1 million (excluding the Republic Sale) the Revenue-Cost "jaws" was an extremely healthy +10.9%, powering the profit growth.

Credit Risk Provisions were US$7.3 million versus US$14.9 million in 2004. Excluding the 2004 Hurricane Ivan provision of US$7.9 million, provisions were flat year on year, despite rapid Loan growth. As a percentage, Loan book provisions in 2005 were an extremely creditable 16 basis points, again proving the Company's business model of conservative credit policies.

Driven by these key business drivers Earnings per Share (EPS) increased from US 5.8 cents in 2004 to US 9.2 cents in 2005 (excluding the Republic gain), a healthy 58.6% increase. Dividends increased 70% at US 4.25 cents per share. Our share price responded to these returns and rose 28% to an average of US$2.05 by year-end.

All in all, this has been a tremendously strong financial performance in 2005.

Strategy

In 2005 we completed rollout of remaining elements of the Five-Year Strategy agreed with the Board in 2003.

The key implementations in 2005 were:

Retail and Cards

- In Q1 2005, completing the rollout of our new Sales and Service focused Organisation Design built around what are now four product businesses in Home Finance, Cards, Consumer Lending and Premier/Asset Management/Insurance. Each has its own salesforce.
- The completion of rollout of our new Sales tracking and Sales productivity platform, Salesforce.com. This has proved very successful and has consequently been spread into other SBUs.
- Investment in widening our product range in Insurance and Asset Management.
- Completion of hiring of a new leadership team for our Cards business and advancement of our strategy, in particular via Co-Branding with a number of significant partnerships signed.

Corporate

- The rollout of the new Organisation Design developed in 2004, separating Sales and Control/Servicing within Corporate Banking, to bring focus to both.
- The completion of rollout and launch of our new Small Business "Business Banking" offer across 15 countries.
- The rollout of our "Super Lender" model following successful piloting.

International

- The completion of rollout of our new specialised International Mortgage Salesforce and improvements to the product.

- The hiring of a heavyweight Head of Corporate Development for International Banking. After the year-end, we announced our first acquisition in support of developing our International Wealth Management offering, the acquisition subject to regulatory approval, of ABN AMRO's operations in Curaçao. This is a very exciting growth opportunity that we intend to capitalise on and I look forward to welcoming the excellent team in Curaçao to the Group. In recognition of the capability shift this acquisition brings, the International Banking SBU will be renamed International Wealth Management.

Capital Markets

- We completed the acquisition of The Mercantile to enter the crucial Trinidad & Tobago market in January and have been extremely pleased with the rapid growth achieved by Lloyd Samaroo and team.

- We opened a fourth Capital Markets "hub" in The Bahamas late in 2005, adding to the Barbados, Jamaica and Trinidad hubs.

- We continue to recruit high quality investment bankers to grow this business.

Geographic Expansion

- The acquisition of The Mercantile gave us a platform in Trinidad and we have recruited a Corporate team to complement the focus on Capital Markets.

- Curaçao will mark the 17th country of operations for FirstCaribbean and we continue to consider other market entries where we believe our business model can be successful.

Costs

Costs, and pushing on towards our targeted long-term Cost Income ratio of 50%, will be a major focus in 2006.

Customer Service

Significant investments continue to be made in Customer Service via the CustomerFirst programme. Customer Satisfaction scores, as measured by independent market surveys, have risen significantly during 2005. Nevertheless, there is further to go to achieve our target of First for Service.

Late in 2005, we relaunched the FirstCaribbean Brand, moving to Brand Values of "Helpful Partner" and a Brand Aspiration of "Get There. Together", from the previous "Caribbean Pride. International Strength. Your Financial Partner" which served us well in the Integration phase. We are focused on connecting the internal brand, our people, to the external brand, with significant investments planned in 2006.

People – Employer of Choice

As always, investment in our number one asset has continued. Key developments in 2005 included:

- Under "Investing in our No. 1 Asset," we developed significant new training programmes, including "Foundation First" core process training for frontline and operations staff and a suite of Leadership Training programmes for management and supervisory staff. Investment in Learning and Development again exceeded US$3 million in 2005 and will continue.

- Under "Opportunities for All," we launched a Graduate recruitment scheme, "CareerFirst" and were gratified with the number and quality of applicants.

- Employee satisfaction as measured by independent surveys is the ultimate measure of "Employer of Choice" and this has increased significantly, from already high levels, in 2005.

- Changes in our Executive Leadership Team were several, with Mark Strang and Stuart Gunn returning to CIBC at the end of their secondments. At the end of 2005, Bryan Gaunt and John Riviere will be returning to Barclays and CIBC respectively at the end of their secondments and Francis Lewis will be leaving the bank. Jai Somaratne and Gerard Borely will replace Bryan and John with the other roles not being replaced as we continue our Costs focus. John, Francis and Bryan have made huge contributions to our development – all being to the fore in Integration and the transformation thereafter. Thank you.

- Changes in our Organisation Design to bring greater geographic focus via the creation of geographic operating company SBUs to match the existing segmented SBUs resulted in the creation of new SBU Managing Director roles for Jamaica, Barbados, Cayman and Trinidad & Tobago.

As a result I was delighted to welcome Milton Brady, Oliver Jordan, Tom Crawford and Lloyd Samaroo to the team during 2005. Ian Chinapoo took up Lloyd's old role of Executive Director, Capital Markers. All of these recruits are Caribbean nationals or residents and Oliver, Tom, Ian (and Gerard) represent promotions in FirstCaribbean. It is also good to see the company's "Talent" programme focused on developing high potential individuals coming through.

Control

Control remains a major focus and again, Standard & Poor's reaffirmed our credit rating at A- Stable.

We have invested significantly in further improving Control, People, Processes and Measures via the Group Control Programme led by Richard Pantcheff as Chief Risk Officer.

I am pleased with progress in this area but we have not declared victory and, notwithstanding our Control metrics comparing extremely favourably with peer banks, we believe we can make further strides forward. We will do so in 2006.

Community Partnership

The FirstCaribbean Foundation, and its pledge of 1% of our post-tax profits to Community causes, grows from strength to strength, as illustrated in our Social Annual Report.

I am particularly proud of the Unsung Heroes Programme, now extended to 16 countries and taking root across the Caribbean. "Adopt-a-Cause" has seen FirstCaribbean business units adopting local causes such as Schools and Hospices and working as a team to enhance their local communities. We intend to widen the Programme significantly in 2006.

Thanks go to Francis Lewis who has chaired the Foundation from inception.

This has been a huge year for FirstCaribbean, but it also marks the completion of our first three years as FirstCaribbean. Three years give us a trend and accompanying graphs allow us to see where we stand on Key Performance Indicators.

Again the three-year trends are very positive. Profits (NIAT) have almost doubled in three years, rising from U$77 million in 2002 (the year prior to merger) to US$140.5 million in 2005, a 23% CAGR. We have completed only one very small acquisition in this period. Return on Tangible Equity (RoE) has risen from 7% to 17%. Earnings per Share have risen from US 4.6 cents in 2003 to US 9.2 cents in 2005. Cost Income ratio has fallen from 69% to 61% in 2005. Credit Risk provisions as a percentage of loan book have reduced from 59 bps to 16 bps. The trends are all excellent.

Great companies, however, distinguish themselves by consistency of performance over long periods and consistency is what we are now aiming for.

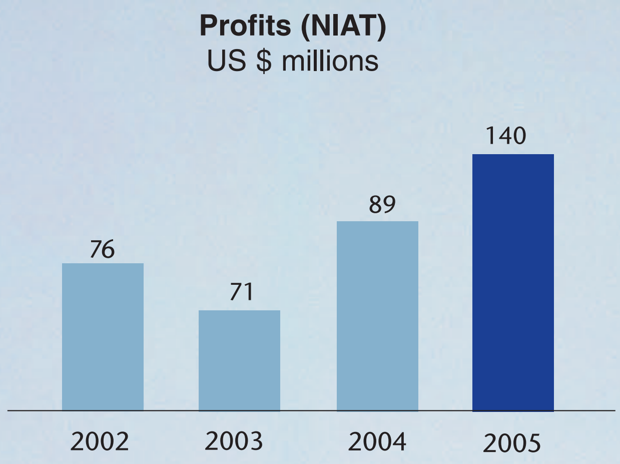
In summary, this has been a massive year of all-round progress for our Bank.

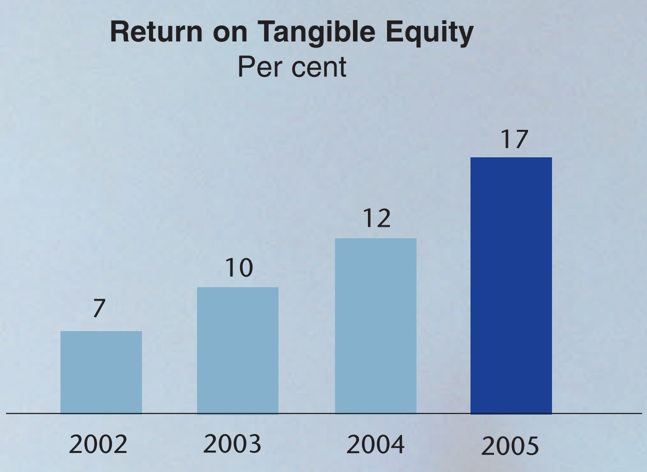
I am proud of the results achieved over three years by our 3,400 people. I continue to believe we have the most fantastic group of staff. Thank you to all 3,400 : you have been titans. And thank you to our 750,000 customers too, these results highlight your doing more business with us. You have choices. Thank you.

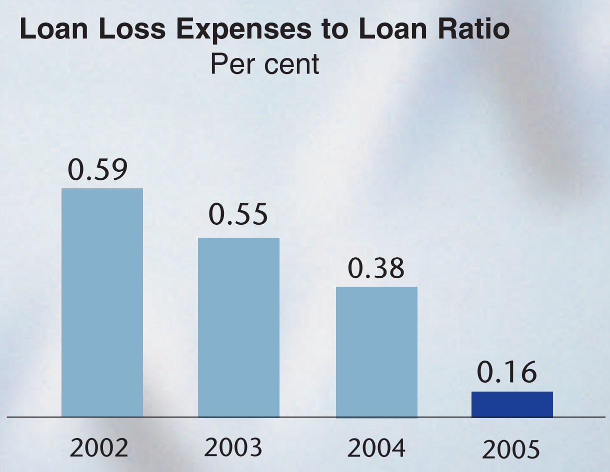
Our challenge in 2006 and beyond is to consolidate and sustain the performance of 2003-5. With 3,400 excellent people, and the support of our customers, we can do this.

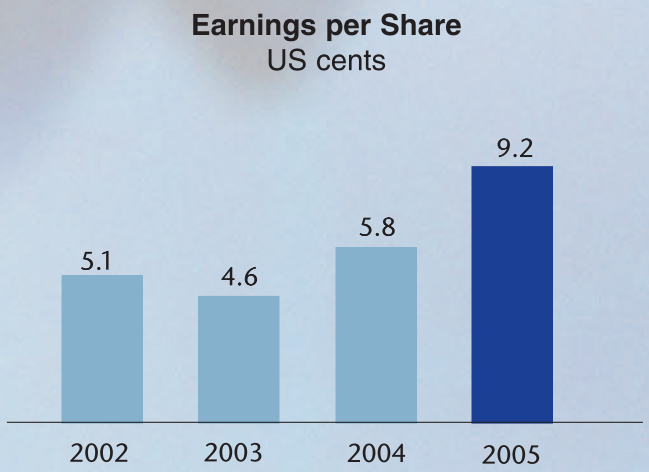
Charles Pink
Chief Executive Officer

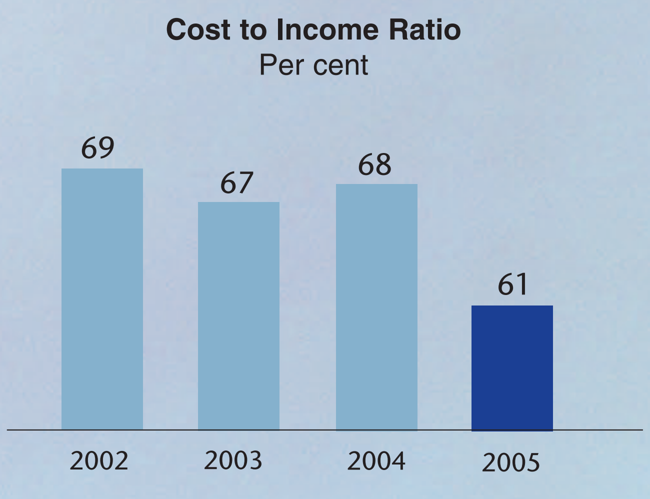
2005 Financial Performance











Ella Hoyos

Head of Governance & Corporate Secretary

Directors' Report

Directors

During the year David Roberts and Robert Hunter resigned as Directors of the Company and concomitantly, Chester Feldberg resigned as Permanent Alternate Director to David Roberts effective September 9, 2005. At a meeting of the Board of Directors held on September 9, 2005, Renier Lemmens and Jacobo Gonzalez-Robatto were appointed to fill the casual vacancies created on the Company's Board of Directors by the resignation of Messrs. Roberts and Hunter.

The shareholders are now being asked to reappoint Mr. Renier Lemmens and Mr. Jacobo Gonzalez-Robatto to the Board of Directors. They are also asked to reappoint as directors, Mr. John Eaton, Mr. Charles Pink, and Sir Allan Fields for a period of three years.

Directors' Interest

As at October 31, 2005, 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	125,706	nil
2. Charles Pink	1,000	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. Renier Lemmens	nil	nil
7. Ron Lalonde	nil	1,000
8. John Eaton	nil	nil
9. David Ritch (Independent Director)	nil	nil
10. Kyffin Simpson (Independent Director)	1,000	nil
11. Richard Venn	nil	1,000
12. Jacobo Gonzalez-Robatto	nil	nil

Financial Results and Dividends

The Directors report that the Company's consolidated profit after taxation for the period ended October 31, 2005 amounted to US$257,935,000. All statutory requirements for the period ended October 31, 2005 have been fulfilled.

In keeping with the established Dividend Policy the Directors have declared a final dividend of US$0.0225 per Common Share for the period ended October 31, 2005. An interim dividend of US$0.0200 per Common Share was also paid in the 2005 fiscal period. Total dividend for the period was US$0.0425 per common share.

Share Capital

During the 2005 financial year the Company acting pursuant to the Articles of Incorporation redeemed 180,000,000 million Preference Shares held by Barclays Bank PLC and representing all of the issued and outstanding Preference Shares in the capital of the Company for a consideration of $180,000,000.00. The issued and outstanding capital of the Company is now comprised solely of Common Shares.

Substantial interest as at October 31, 2005*

Common shares of no par value

1. CIBC Investments (Cayman) Limited	666,179,631	(43%)
2. Barclays Bank PLC	666,001,367	(43%)

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

Auditors

A resolution relating to the reappointment of PricewaterhouseCoopers as Auditors for the current financial year will be proposed at the Annual Meeting of the shareholders of the Company.

By Order of the Board

Ella N. Hoyos
Corporate Secretary

Management's Discussion and Analysis
Geographical Business Segments

The Group manages its strategic business units on both geographical and lines of business segments. The lines of business segments are International, Retail, Corporate, Capital Markets and Treasury. 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.

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

	2005	2004
Net Interest Income	310,751	273,351
Operating Income	235,817	112,039
Total Revenue	546,568	385,390
Operating Expenses	262,172	261,706
Loan Loss Expenses	7,308	14,889
Total Expenses	269,480	276,595
Net Income	257,935	88,542
Total Assets	9,567,933	8,648,720
Net Loans and Advances to Customers (incl. accrued interest)	4,630,998	3,958,080
Customer Deposits (incl. accrued interest)	7,729,395	7,359,646

The Group delivered exceptional results in the current fiscal with net income exceeding $257 million. Included in these results was the gain on sale of Republic Bank shares of $117 million. Excluding this gain, the Group's results were still very strong, showing growth of 59% from $88.5 million in 2004 to $140.5 million in the current year.

All of the Group's key metrics showed marked improvements in the current fiscal, underlying the strong performance of our core operations.

Net interest income increased by $37.4 million. $12.1 million of this increase related to the impact of increases in the US Fed Fund rates from 2% to 3.75%; $16.1 million related to increased earnings in our trading investment portfolios and improved management of excess liquidity and spreads throughout the region; and the balance of $9.2 million related to increased volumes during the year.

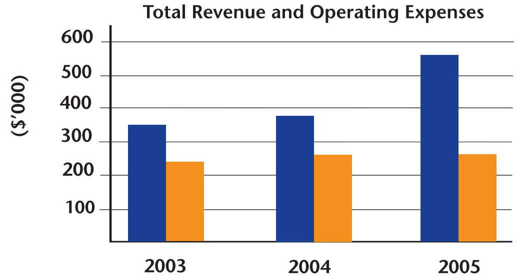
Operating income, excluding the gain on sale of the Republic Bank shares, increased by $6.4 million. Also included in operating income were mark to market losses on our trading investment portfolio of $6.7 million which, if excluded, would reflect an increase in operating income of 12% year on year, driven mainly by credit fees associated with loans.

Operating expenses were flat year on year and reflect management's strong focus on cost control and the realisation of integration synergies.

Loan loss expenses declined by $7.6 million and reflect the write-back of provisions made in 2004 relating to Hurricane Ivan. The Group's overall loan loss ratio of 0.15% to total loans reflects our strong credit and adjudication policies and procedures. Despite our prudent approach to lending, the Group experienced 17% or $673 million in loan growth over the prior year.

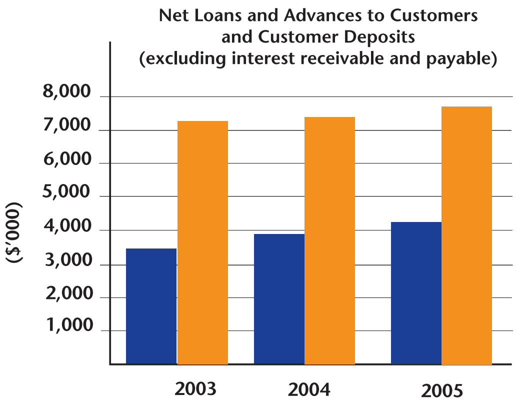
Most of this loan growth occurred in the Corporate Business Segment – $363 million, Retail – $120 million, Capital Markets – $53 million and International – $10 million, with Treasury Repos accounting for the balance.

Deposits showed a modest growth of 5%, resulting mainly from growth in International deposits of 10%, offset by reductions in onshore deposits, as the Group actively managed excess liquidity, principally in Barbados and the Eastern Caribbean.



	2003	2004	2005
Revenues	370	385	547
Operating Expenses	246	262	262

Fiscal Year End



	2003	2004	2005
Loans	3,560	3,934	4,604
Deposits	7,256	7,338	7,700

Fiscal Year End

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

This geographical segment continues to be the main contributor to the Group's overall performance.

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

	2005	2004
Net Interest Income	126,469	98,853
Operating Income	39,100	36,907
Total Revenue	165,569	135,760
Operating Expenses	62,158	66,233
Loan Loss Expenses	3,917	7,909
Total Expenses	66,075	74,142
Net Income	99,493	61,618
Total Assets	3,510,142	3,265,983
Net Loans and Advances to Customers (incl. accrued interest)	1,972,392	1,679,181
Customer Deposits (incl. accrued interest)	2,856,737	2,721,981

Net income increased 61% to $99.5 million, driven by very strong loan growth and increase in the US Fed Fund rates.

Net interest income increased by $27.6 million (28%), due to the 175bps increase in US Fed Fund rates to 375bps, very strong loan growth and earnings on our outsourced portfolios.

Operating income increased by 6% or $2.2 million mainly due to credit fees associated with loan growth, offset by mark to market adjustments on our trading portfolios.

Operating expenses reduced by 6% ($4.1 million) due to tight expense control and synergies related to our integration programme.

Loan growth of 17% or $293 million was driven mainly in our Corporate business, which showed growth of $154 million and Retail with growth of $81 million.

International deposits grew by $115 million which accounted for most of the growth in total deposits.

Cayman, British Virgin Islands (BVI) and St. Maarten Operations (All lines of business)

This geographical segment continues to be a strong contributor to the Group's overall performance. During the year, the Group raised $198 million in subordinated debt via the Cayman Operations, to assist in the repayment of the preferences shares outstanding in the parent company.

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

	2005	2004
Net Interest Income	62,887	58,226
Operating Income	17,874	14,184
Total Revenue	80,761	72,410
Operating Expenses	25,670	30,286
Loan Loss Expenses	(3,443)	8,656
Total Expenses	22,227	38,942
Net Income	56,493	31,910
Total Assets	3,172,252	2,524,991
Net Loans and Advances to Customers (incl. accrued interest)	1,078,477	946,915
Customer Deposits (incl. accrued interest)	2,372,261	2,203,309

Net income was $56.5 million, an increase of 77% over the prior year, due mainly to the write-back of loan loss provisions principally associated with Hurricane Ivan, and the reduction in operating expenses.

Net interest income exceeded the prior year by $4.7 million (8%) due to increases in earnings from the growth in the loan book and US Fed Fund rates, offset by the cost of the subordinated debt issued in March 2005.

Operating income increased by $3.7 million (26%) due to credit fees emanating from strong loan growth and foreign exchange commissions.

Operating expenses were $4.6 million below the prior year due mainly to reductions in provisions for non-credit losses and insurance recoveries from damage incurred as a result of Hurricane Ivan in the previous year.

Loan loss expenses declined by $12.1 million, due primarily to write-backs associated with Hurricane Ivan provisions made in the prior year.

Loan growth was very strong at 14% ($131.6 million), with our Corporate business accounting for 83% and our Retail business 17%.

The growth in deposits of 8% ($168.9 million) was driven principally from International, Retail and Corporate business segments.

Barbados, Eastern Caribbean (EC) Islands and Belize Operations (All lines of business)

The following analysis includes the Group's onshore and offshore operations in Barbados, Belize and the Eastern Caribbean, as well as, the impact of the Regional Head Office. The Group's operations in the Eastern Caribbean are in seven territories, namely Anguilla, Antigua & Barbuda, Dominica, Grenada, St. Lucia, St. Kitts & Nevis and St. Vincent, conducted mainly in the Retail and Corporate onshore business segments.

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

	2005	2004
Net Interest Income	98,825	90,858
Operating Income	170,438	53,868
Total Revenue	269,263	144,726
Operating Expenses	147,415	142,376
Loan Loss Expenses	5,738	(1,960)
Total Expenses	153,153	140,416
Net Income	108,312	(8,163)
Total Assets	4,186,092	4,074,347
Net Loans and Advances to Customers (incl. accrued interest)	1,375,777	1,229,468
Customer Deposits (incl. accrued interest)	2,364,303	2,329,917

Net income of $108.3 million includes the gain on sale of the Republic Bank shares of $117 million and the net costs of our Regional Head Office operations of $50.9 million (2004 – $50.7 million). Excluding these items, net income was flat year on year at $42 million for these operations.

Net interest income increased by $8.0 million (9%) mainly due to the 12% loan growth, increases in US Fed Fund rates on USD deposit placements and improvements in margins due to strong management of surplus liquidity, offset by margin contraction as funding costs increased with the minimum savings rates in Barbados moving from 2.25% to 4.25%.

Operating income, excluding the gain on sale of the Republic Bank shares, was relatively flat year on year at $53 million although credit fees increased in line with loan growth, this was offset by lower capital market fees.

Operating expenses increased by $5.0 million (4%) stemming from increased depreciation costs associated with new technology platforms, annual remuneration increases and other costs associated with the integration of these operations.

Loan loss expenses of $5.7 million represent 0.41% of total loans, which reflects the Group's prudent underwriting policies. The increase in loan loss expenses mainly related to a large recovery in the prior year.

Loans grew by $146 million or 12% year on year, mainly in Corporate – $40 million and Treasury repurchase agreements – $125 million.

Total deposits remained flat with the prior year despite a $22 million or 7.5% increase in International deposits, which was due to active management of surplus liquidity on our onshore book and the earnings drag associated with it.

Jamaica Operations
(All lines of business)

The Group's operations in Jamaica are mainly conducted in the Retail, Corporate and Capital Markets business segments. The Group considers this geographic segment as having significant growth potential and intends to invest capital and expand its network and operations in the ensuing year.

Jamaica Geographical Business Segment Financial Highlights (USD'000)

	2005	2004
Net Interest Income	25,233	25,493
Operating Income	10,893	8,545
Total Revenue	36,126	34,038
Operating Expenses	24,907	24,931
Loan Loss Expenses	1,095	285
Total Expenses	26,002	25,216
Net Income	7,796	6,290
Total Assets	369,295	326,978
Net Loans and Advances to Customers (incl. accrued interest)	217,903	139,886
Customer Deposits (incl. accrued interest)	311,760	271,566

Net income increased by $1.5 million (24%) due mainly to the gain on sale of a subsidiary (FirstCaribbean International (Jamaica) Securities Limited) to an associated Group Company (FirstCaribbean International Bank (Barbados) Limited). Excluding this transaction and the reduction in the Jamaican Dollar exchange rates, our results were flat with the prior year.

Net interest income of $25.2 million was flat with the prior year despite exceptional loan growth of $78 million (56%) as the effect of this growth was offset by reductions in securities earnings on treasury bills, where yields on average declined by over 200 bps versus the prior year.

The growth in operating income of $2.3 million (27%) includes the $2 million gain on the sale of the subsidiary and was therefore flat year on year.

Operating expenses were also flat to the prior year at $24.9 million due to reductions in employee benefit costs in accordance with International Accounting Standard (IAS) 19 – Employee Benefits.

Loan loss expenses increased by $0.8 million, which was in line with expectations and loan growth.

Loans grew by 56% mainly in Corporate and Retail where year on year growth was 85% and 55% respectively.

Deposits grew by 15% or $40 million in support of continuing loan growth.

Trinidad Operations

On December 31, 2004, the Group acquired 100% of the share capital of The Mercantile Banking & Financial Corporation Limited, a small merchant bank in Trinidad. Most of the business in Trinidad was conducted in the Corporate business segments.

Trinidad Geographical Business Segment Financial Highlights (USD'000)

	2005
Net Interest Income	2,329
Operating Income	862
Total Revenue	3,191
Operating Expenses	811
Net Income	2,096
Total Assets	91,653
Net Loans and Advances to Customers (incl. accrued interest)	32,803
Customer Deposits (incl. accrued interest)	14,783

The Trinidad operations have contributed net income of $2.1 million for the ten (10) month period January 1 to October 31, 2005.

Loan growth since the date of acquisition amounted to $13.5 million, while customer deposits remained flat at $14.8 million.

Capital Ratios

Capital strength provides protection to depositors and creditors, allows FirstCaribbean to undertake profitable business opportunities as they arise and helps maintain favourable credit ratings. In August 2005, the International Credit Agency, Standard & Poors, reconfirmed FirstCaribbean International Bank Limited's A- stable credit rating, first issued in October 2002.

Banks are 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 includes common stock, preference shares, retained earnings, 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.

FirstCaribbean International Bank Limited has significantly exceeded the required minimum capital ratios. In 2005, both Tier 1 and total capital ratios were 14% and 18% respectively (2004 – 18% and 20% respectively).

Strategic Business Units


Sharon Brown

Managing Director, The Bahamas

The Bahamas

Our third year of operation has been exciting, challenging and rewarding as the foundation laid in the prior two years has started to bear fruit. The results have confirmed the appropriateness of our strategy and focus of concentration on our customers, cost and control. Fiscal 2005 saw the expansion of our service offering, the restructuring of some of our key business units to better and more effectively service our customers, process efficiency improvement and the realisation of more merger synergies, culminating with the delivery of significantly improved financial results and enhanced shareholder value.

Our Service Offering – Expanding and Improving

Improving and enhancing our service was a key area of focus for the Bank in 2005 as we continued, unwaveringly, on our mission to be First for Customers. While survey results show we are improving, we are not yet where we would like to be. Toward further improvement in this area, we have restructured some of our business units, restructured and increased some of our service and support teams, introduced an additional delivery channel – all as we continue to further automate and streamline certain processes.

In 2005, we further enhanced our branch footprint with the relocation of our Cable Beach branch to enlarged facilities in Sandyport. This branch is better positioned and equipped to service our customers in the western area of New Providence. We are also very excited by the successful launch of our Internet Banking services, which has received very favourable commentary from our customers in both The Bahamas and Turks & Caicos. Our Internet banking offering additionally provides bill payment capabilities for all utility services in The Bahamas as well as credit card payments and specified insurance payments.

Both our Corporate and Retail business units have been restructured to enable them to better meet the requirements of our customers. The restructuring has provided for dedicated resources to satisfy the service and sales needs of our retail and corporate customers. For our corporate customers, we now additionally have available capital market capability domiciled in The Bahamas. On the retail side, additional services include our newly introduced Platinum Card and the provision of insurance products.

Operations and Technology

2005 was a very challenging year for our Technology and Operations teams as theirs was the task of keeping the support engines operating efficiently in order to facilitate smooth business operation for the frontline while simultaneously enhancing and upgrading our platforms and processes. The major area of focus for our Operations team was improving service delivery and efficiency, cost management and internal controls. Further improvements are anticipated in the coming year.

The successful launch of Internet Banking and its enhanced bill payment feature was a major achievement for our Technology team. This year saw the upgrading of our entire ABM network and the rollout of an improved payroll service for our corporate customers.

Our Operations and Technology teams as well as our Call Centre continue to provide support services to The Bahamas and Turks & Caicos as well other countries within the Group.

Financial Performance

A record financial performance in 2005 with total assets growing by $244 million, to end the year at $3.5 billion, primarily due to the growth in loans of some 17%. Following a very focused approach from our sales teams, our loan book grew by a very substantive $293 million to end the year at $2.0 billion. Again this year, the major area of growth in the loan book came from business loans and mortgages as we continued to support expansion of the business sector and facilitate our customers to become homeowners. Deposits growth of $135 million came primarily on the international side and from our Turks & Caicos operations.

On the profit and loss side, net interest income grew by 28% consequent to higher US dollar interest rates and the growth in our lending book. Commission income also improved over the last year and when combined with the growth in net interest, resulted in revenue growth of some $30 million. Net income bettered our 2004 performance by 61% as a result of the significant revenue growth, our continued careful control of expenses and the gain on the sale of our Bay Street property. We continue to be well capitalised at some $580 million, an improvement over 2004 of $55 million.

This very strong financial performance resulted from the continuing commitment and hard work of our staff and the support of our customers.

Community Partnership

Our commitment to giving back to the community continued in 2005. We actively supported many charitable institutions and activities, both financially and through our Adopt-a-Cause programme wherein staff volunteered their time to assist some worthy causes in the community.

Youth was a major beneficiary of the Bank's sponsorship in 2005. We were very pleased to provide $20,000 to the Centre for the Deaf to facilitate improved communications in the classroom for the students. A further $10,000 was provided to support the care of children at the Ranfurly Home for Children. Additionally, 11 students in various disciplines benefited from tuition scholarships provided by the Bank under the Memorandum of Understanding that the Bank has with the College of The Bahamas

The sports community also benefited from the Bank's support, as the Bank was a Bronze sponsor of the Central American & Caribbean Championships that was held in The Bahamas in July. Additionally, the bank sponsors a team in the volleyball league as well as a junior baseball team.

The AIDS Foundation received $30,000 from the Bank as a partner in the Kerzner programme.

We are pleased to salute the three exemplary humanitarians and Bahamian finalists in the third year of our Unsung Heroes Programme – Cynthia Stanko, Daphnie Johnson-Knowles, and Fruzan Langdon Bethell. These outstanding women from our neighbourhoods continue to dedicate their lives to making our communities better.

Cynthia Stanko has spent most of her lifetime giving of herself to help mentally challenged persons in The Bahamas. Ms Stanko founded the first and only Bahamas Infant Stimulation Programme in 1985. The Infant Stimulation Programme provides comprehensive services free of charge to mentally challenged children from birth to the age of three years, as well as assists the children's parents and families.

Daphnie Johnson-Knowles, a housekeeper in the AIDS Ward at the Princess Margaret Hospital, though hypertensive and epileptic, commits her time and humble means to providing hot meals to needy children in her neighbourhood, and often brings home children from the AIDS ward to share her food and love with them.

The first Bahamian Speech Therapist, Fruzan Langdon Bethell, has given much of the past 37 years of her time and money to assist children with speech disabilities, and to help the underprivileged. Her dedicated service goes beyond the call of duty and she often makes free house calls, and also coordinates autism, communication and oral motor development workshops for parents and others.

The work these three women do have not ever brought them fame or fortune. However, FirstCaribbean International Bank and persons in the community thought it appropriate that these unsung heroes be recognised for their kind hearts, healing hands and commitment to helping those in need. Each of the finalists was awarded $6,000 towards her cause.

Our People

2005 was yet another year of challenge and change for our staff and they responded remarkably well, embedding various change initiatives whilst remaining focused on the business, internal controls and our customers. Our staff embraced the many learning and development activities rolled out in 2005, which were designed to equip them with the tools needed to better operate in an environment of change as well as enhance their skills in sales, service, operations, risk and control.

Five staff members were chosen as Group Regional Pro Performers for exceptional performance, three hailing from The Bahamas. Congratulations and well done to Katrice Darville, Patrick Lockhart and Marva Pratt.

We welcomed this year three senior management officials who have brought a wealth of experience to our team – John Vadiveloo, Head of Operations for the Northern Caribbean Region, Robin Scavella, Legal Counsel, and Catherine Gibson, Associate Director Capital Markets.

Future Outlook

The business has gone through enormous changes to position it to be the Bank of First Choice for our Customers, First for Employees and First for Service and Innovation. We are beginning to see the benefits of the various initiatives and will continue to review opportunities to enhance our performance and expand our offering and services.

Improving customer service and continuing to embed control improvements in the business are areas to be given increased attention in 2006. Additionally, the training of our staff will again be a major area of concentration in 2006 as we continue to equip staff with the skills, processes and systems needed to enable them to be true helpful partners to our customers. We are committed to providing our customers with unparalleled service and facilitating their achievement of prosperity.

We continue to be encouraged by the opportunities we see in the economies and future outlook of The Bahamas and Turks & Caicos. They augur well for continued growth.

Appreciation

We are appreciative of the loyalty and commitment of our 800 staff and the contribution they have made to the success achieved in 2005. To our loyal customers, we are grateful for your continued support, partnership and patience as we embed various change initiatives designed to improve our service and offerings to you. To our shareholders, we thank you for your ongoing support. Our thanks and appreciation also go to our Board of Directors for their tremendous contribution, support and counsel in 2005.


Oliver Jordan

Managing Director, Barbados

Barbados

Performance

In the year under review, the bank's performance in the countries within the Barbados Strategic Business Unit (Barbados, EC Islands and Belize) was affected by the mixed economic performance within these countries. In Barbados, the Central Bank has increased interest rates to control the high levels of consumer borrowing, while the EC islands continued to face economic challenges from the decline in their traditional export products. The Belizean market was also affected by some degree of economic uncertainty.

As a result of these challenges, total assets and total loan growth for the Barbados Strategic Business Unit (SBU) remained relatively unchanged from the prior year. We are particularly pleased however, that our loans to Businesses and Government increased by US$100 million over the previous year, as it is through increased investment by the public and private sectors, that our countries will diversify and strengthen their economies for the benefit of all residents in the region. We also experienced a 7% growth in our residential mortgage assets, which is consistent with our objective of supporting our customers' desire to realise the dreams of owning their own home. Finally, our net interest income of US$84 million and our consolidated income of US$50 million remained relatively unchanged from the previous year.

Improved Customer Service

During the year, Internet and Telephone banking were successfully rolled in Barbados, the EC Islands and Belize as part of our efforts to provide continuous improvements in customer service. These services have been well-received by our customers, as they are now able to access our services through a number of alternative channels. In addition to the Internet and Telephone services, we have sought to improve the quality of our traditional branch services through the renovation and consolidation of branches. The newly renovated facilities enabled us to provide more cashiers and customer service officers in addition to more spacious banking halls.

Community Partnership

Our Sponsorship and Community Relations (SCR) programme supported the efforts of a number of community organisations and charities within the Barbados SBU during 2005. In addition our Adopt-a-Cause was a tremendous success with support from staff for the adopted causes, which ranged from assisting with The Lamb's Feast (a soup kitchen for underprivileged children) in Dominica, to staff providing the food and clothing to children orphaned by AIDS in St. Vincent and the Grenadines, to the refurbishment of classrooms for special needs children in Barbados. In all cases, staff turned out on their own time, with their families, to implement the various projects identified.

2006 – A year of growth

In the coming year, the Barbados SBU will build on the successful integration efforts of the past three years, to improve customer service, increase our operating efficiency and deliver a larger share of bank profitability. We will also continue to support the efforts of individuals, governments and businesses in the continuing preparations for the 2007 World Cup, which will be of tremendous economic benefit to our region.

We would like to close by thanking our customers for supporting us during the past year. We believe that we have laid the foundation for future growth and profitability and look forward to your continued support. To our staff, we say thank you for your commitment and productivity, as collectively we build a bank that is "First for Customers" and "First for Employees".

Tom Crawford

Managing Director, Cayman Islands

Cayman Islands

FirstCaribbean International Bank (Cayman) Limited has offices in the Cayman Islands, British Virgin Islands and in the Netherlands Antilles.

FirstCaribbean (Cayman) net income for the year was US$56.5 million. This is a significant milestone for the company and represents the highest annual earnings in FirstCaribbean (Cayman) history. The results are especially dramatic when we consider the challenges that followed in the aftermath of Hurricane Ivan in Cayman.

These results provided a clear testimony to the strength and dedication of the employees making up the Cayman SBU, as well as the support provided by other territories in which FirstCaribbean operates. The results also attest to the loyalty of our customers. Our customers stayed with us through the difficult times, allowed us to recover and then facilitated our ascent to new heights.

In 2005, the Retail, International and Corporate Banking units were redesigned in recognition of the changing markets in which we operate. Professionalism and customer service are at the heart of these changes. Each business unit has its own financial and strategic plans with the expectation that the performance and profit levels achieved will rank FirstCaribbean as the leading bank in Cayman, British Virgin Islands and Netherlands, Antilles.

Retail Banking remains the core of our operations. While we intend to capitalise on our technology, including infrastructure and electronic delivery channels, we will also focus upon training and career development of our staff, recognising that professionalism and customer service is critical to our continued success.

In 2005 FirstCaribbean (Cayman) rationalised its delivery channels by consolidating offices that were in close proximity. We also upgraded and opened new offices in strategic locations to better serve our customers.

The focus of the Corporate Banking Team is to continue to provide value and quality services to our clients. Corporate Banking has developed and integrated a multi-channel delivery system which partners with retail branches, telephone centres, Internet banking and Capital Markets to provide a full range of service to their clients.

International Business, rebranded to International Wealth Management during the latter part of 2005, is undergoing significant changes and the improvements are designed to provide international clients with a full spectrum of wealth management products and services. International Customers can access wealth management products and services through the telephone, computer, branch, ABM or Private Client Banking facility.

Operations and Technology have brought us support and innovation throughout 2005. Operations and Technology continue to provide state of the art computer and processing solutions supported by dedicated and skilled staff.

In 2006, FirstCaribbean (Cayman) will continue to hire employees with the right attributes, in the communities in which we operate. FirstCaribbean (Cayman), through the support of our Human Resources Division, is addressing the needs of young people. We offer tuition assistance and scholarships. Our people are the key to our success and in 2006, we will provide enhanced on-the-job training, classroom training, tuition support, and apprentice opportunities.

As a member of the community, FirstCaribbean (Cayman) goes beyond providing financial services. FirstCaribbean (Cayman) and its staff are involved in many community sponsorships and activities.

In 2005, a few of our sponsorships included:

Leo Club of Grand Cayman	Cayman Hospice Care
Rotary Sunrise	CI Little League
Pines Retirement Home	Child Month 2005
FC International Children's Football Camp	Cayman Crisis Centre
National Drug Council	CI Girls Football
Unsung Heroes	National Council of Voluntary Organisations
CI Cancer Society	National Recovery Centre
Junior Achievement	Cayman Aids Foundation
Purple Ribbon Pledge	

Milton Brady

Managing Director, Jamaica

Jamaica

Financial Performance

2005 was a challenging year for FirstCaribbean Jamaica; however, our team was equal to the task, delivering a Net Income (after tax) of $7.8 million. This represents a 23.9% improvement over the 2004 Net Income after Tax of $6.3 million. Despite a 300 basis point fall in interest rates during the year, Loan Interest Income rose by 25.1% to $37.9 million, driven primarily by the strong growth in our loan portfolio. Non-Interest Income was $10.9 million, reflecting a 27.5% increase and included a $2.2 million gain from the sale of FirstCaribbean International Securities Ltd.

Operating Expenses amounted to $24.9 million, which was flat to the previous year. Management's success in improving operating efficiency is further reflected by the reduction in our Non-Interest Expenses/Total Revenue Ratio to 68.9% from 73.3% in the prior year.

Loans & Leases (net of provisions) was $217.9 million reflecting a 55.8% growth over the prior year; this surpassed the industry growth rate of about 16.0%. Portfolio quality continued the trend of improvement with Non-Performing Loans/Total Loans falling from 2.6% to 1.7%.

Major Successes

In 2005, we introduced our FirstCaribbean Visa Platinum Card which has been well received by our customers. We successfully launched our Internet Banking service and completed our "Customer Day 2" conversion to give greater access and deliver a more competitively priced suite of products to our customers. Finally, we continued our branch-remodeling programme by upgrading our Twin Gates and Mandeville branches and completed an upgrade of our ABMs island-wide to enhance customer experience and create stronger brand awareness.

Major Change Initiatives

During 2005, we undertook several major initiatives. The most significant was the development of a new business strategy to aggressively grow our Corporate, Retail and Capital Markets businesses. We also launched a new line of business—International Banking—applying our experience from other markets in the Caribbean to capitalise on the rapidly growing market for luxury vacation properties in Jamaica.

Our Retail Banking division was restructured, creating separate specialised sales and service operations to drive growth while simultaneously improving customer service. The new model incorporates enhanced market coverage and integrated branch and electronic banking channels.
We also took significant steps to strengthen our Corporate Governance model. These included establishment of a local risk committee with reporting lines to the Group Risk Officer and the Board of Directors as part of an enterprise-wide initiative to sharpen accountability and oversight.

2006 Business Plans

In 2006, we will continue to aggressively grow our Corporate and Capital Markets business by focusing on financing infrastructure projects and production/manufacturing capacity of international companies operating in Jamaica. Our International Banking unit will co-brand with selected high-profile developers of luxury properties to provide financing to investors who are interested in acquiring second homes in Jamaica.

We will grow our Retail business by expanding our market coverage and product range. Our branch network will be extended from the current eleven to fourteen, and ABM network will be expanded from eleven to twenty-three. Our service channels will be integrated to give greater access to our customers as we leverage our investment to generate greater efficiencies. These initiatives will be supported by a capital injection of $20 million by our parent bank.

FirstCaribbean will be making significant investments in its people. Our "FoundationsFirst" programme will provide specialist skill training for our employees. Our staff will be encouraged to participate in the Professional Development Programme. In order to deliver on our new "brand promise", we will train staff to meet the new service standards. Finally, we will undertake initiatives to capitalise on opportunities identified by staff in our employee voice (e-Voice) survey to achieve our objective of "One Team. One Bank".

Lloyd Samaroo

Managing Director, Trinidad & Tobago

Trinidad & Tobago

Performance Review

We are pleased to report that for its extended seventh financial year which comprised the 19 months ended 31st October, 2005, the Bank produced a before-tax profit of $3.4 million (2004 (12 months)–$1.1 million) with total assets of $91 million (2004–$65.1 million). After tax, net income for the year was $3.2 million (2004 (12 months)–$0.9 million).

The Bank became a wholly-owned subsidiary of FirstCaribbean International Bank Limited ("First-Caribbean") on 31st December, 2004 when FirstCaribbean completed the purchase of all of the Bank's outstanding share capital from former shareholders. On 4th March, 2005, FirstCaribbean injected fresh cash capital of US$25 million into the Bank. Total Shareholder's Equity as at year-end was $32.7 million (2004 – $4.4 million).

The change in the Bank's accounting year-end from 31st March to 31st October to make it co terminus with that of the Parent Company was approved by the Central Bank of Trinidad and Tobago and the Board of Inland Revenue.

The normal funding base comprising certificates of deposit and other short term unsecured funding instruments amounted to $19.4 million (2004 – $16.7 million) at the end of the period. The Bank's policy for the past four years of restricting deposits remained unchanged due to high liquidity, inconsistent credit demand for most of the year, falling and erratic interest rates which reached new lows during the year. The US Dollar–denominated lending portfolio was funded by loans from the Parent Company in the aggregate amount of $11.8 million at year-end.

The lending portfolio made up of inventory and receivables finance, finance leases, medium – and long-term finance, totalled $32.8 million (2004 – $23.9 million) at year-end. The Bank continued maintaining a high quality credit portfolio whilst growing its Loans Book. A review of the year's lending activity reveals new lending turnover of $52.3 million (2004 (12 months) – $17.6 million) of which $17.9 million (2004 (12 months) – $6.3 million) comprised renewals of short-term instruments, resulting in net new lendings (before repayments) of $34.4 million (2004 (12 months)–$11.2 million).

The Bank replaced its main computer system with a completely new system ("MicroBanker") in September, 2004 using the latest Windows-based technology platform with all data being satisfactorily migrated. Under the licence agreement with the Indian supplier, this software will be maintained and enhanced from time to time. The Bank has a three-year Strategic Information Technology Plan, reviewed and updated annually.

The Parent Company intends to migrate the data from MicroBanker to its ICBS software during the latter part of the 2006 Financial Year to bring the Bank's systems in line with the Group's operating IT platform.

The Bank's paid-up capital increased from $2,634 million to $27,725 million on March 4, 2005. This capital base provides significant growth room for deposits as, under existing legislation, deposits of up to $640 million can be raised.

The number of Class A shares authorised for issue was increased from 50,000,000 to 500,000,000 on 21st February, 2005.

Retail Banking

Julian Murillo

Executive Director–Retail Banking

Retail Banking

Growth, the result of a revitalised business

New channels, refurbished branches, revitalised staff with renewed service focus and wider products and solutions for our customers were only some of the key deliverables to our customers in what was another year of great progress in our Retail business.

The financial results were once again outstanding and for the third consecutive year, we achieved "double digit" growth in overall profitability, driven largely by commensurate growth in the core Retail loan portfolio and an increase of 30% in overall new customer business.

Our mortgage portfolio continued to grow at a pace that is unparalleled and we are, once again, well ahead of our competitor banks in our larger markets such as The Bahamas, Cayman and Barbados. We are now truly seen as the leading provider of home finance solutions across the region, providing a distinct product offering which aims to give our customers more than just a mortgage – to attain fulfilment of their dreams.

We also made significant strides in both our Consumer Finance and Credit Card businesses where our innovative sales and promotional activities bore fruit against a background of tightening competition across most of our markets.

Customer First

At the end of 2004, we embarked on an ambitious goal to change our Retail sales and service delivery model. The essence of this revitalisation was to create a more nimble and flattened organisational design where our staff would be empowered to determine and deliver complete solutions to our customers. This transformation landed remarkably well and the smoothness with which we transitioned such a large part of our business to a more customer-focused model is a testament to the quality of our frontline employees and the leadership team.

The end result is that we now have dedicated and proactive sales specialists who can readily apply their skills to meet their customers' needs. Our significant lift in new customer business is key evidence of the success of our revitalised business model.

In our branches, we also sought to change the branch service experience by empowering our Branch Managers to own and lead the challenge of enhanced customer experience. We implemented a strong programme of core customer service standards, supported by leader-led daily coaching of our frontline teams. The results of this have been very positive and the overall improvement programme also involves the use of heavy and frequent customer feedback mechanisms, aptly recognising that we must listen to our customers to improve the way we serve them.

New Products and Services

In late 2004, we began the process of providing new product capabilities, in particular in insurance and asset management. I am delighted to report that we met all our 2005 strategic objectives in these areas and we are now providing insurance and asset management services in most of our countries of operation, packaged with our other products and sold through our frontline sales specialists. This is at the heart of our wider strategy to deliver holistic and lifetime solutions for our customers and we are squarely on that path now.

In our Credit Card business, we continued to differentiate ourselves from the competition by providing new and innovative solutions. Through partnering with other organisations and businesses, we are now in the process of launching several co-branded card offerings with distinct and added benefits to cardholders. In 2005, we also introduced the VISA Platinum card across the region, further evidence that we are committed to delivering cutting-edge products to our customers. With these developments, our Cards business is now poised for significant expansion in the years to come.

We also continued with the rollout of our Premier Banking service, going into new markets such as Belize, and this has met great success on the whole. Premier Banking will receive increased focus in 2006 as we continue to develop this offering to world-class levels. To support this key objective, I am also pleased to advise that all of our Account Managers have received training and certification in financial planning. This added capability in our people will be our main differentiator.

Our Internet and Telephone Banking services got off to a good start in 2005 with increasing levels of subscription throughout the year. Later in the year, we added new features and functionality such as online bill payment and, more recently, international wire payments. These added benefits now clearly establish our electronic channel offerings as best in class.

In 2006, our expectations for growth, service improvement and people development continue to be high as we leverage the transformational changes and successes of 2005. We expect to continue to provide an exciting and differentiated experience for our customers.

Our success in 2005 is a credit and testament to the commitment and diligence of our staff and I take this opportunity to extend my thanks to all, whether on the front line facing our customers or alongside as support staff. Our people made it possible.

Capital Markets

Ian Chinapoo

Executive Director–Capital Markets

Capital Markets

Intellectual capital our competitive advantage

The 2004/05 financial year can aptly be described as one of growth and transformation. The acquisition of The Mercantile Banking & Financial Corporation was completed in January 2005 and this established FirstCaribbean's presence in the Trinidad & Tobago market. Not only was the entry into this market a significant accomplishment for FirstCaribbean, but also specifically for Capital Markets as it facilitated a key strategic objective, i.e. to establish our Capital Markets headquarters in Trinidad (at Briar Place in St. Clair). We have also launched physical operations in The Bahamas. So our planned regional network is now complete.

The Regional Network and Team

To optimise resources and secure the best regional coverage, Capital Markets is serving the region through four main offices in (i) Jamaica, which also covers the Cayman Islands and Belize, (ii) Bahamas, also covering BVI and Turks & Caicos, (iii) Trinidad, also covering Guyana and Suriname, and (iv) Barbados, also covering the OECS and Netherlands Antilles. To support our coverage model we've expanded the team so that dedicated professionals support each territory. In so doing, we've carefully selected from the best in the industry. Indeed, our team's intellectual capital is a key source of competitive advantage, which will certainly benefit our customers and distinguish FirstCaribbean in the market. Already the synergies of the team are being demonstrated through the build-up/building of a significant transaction pipeline.

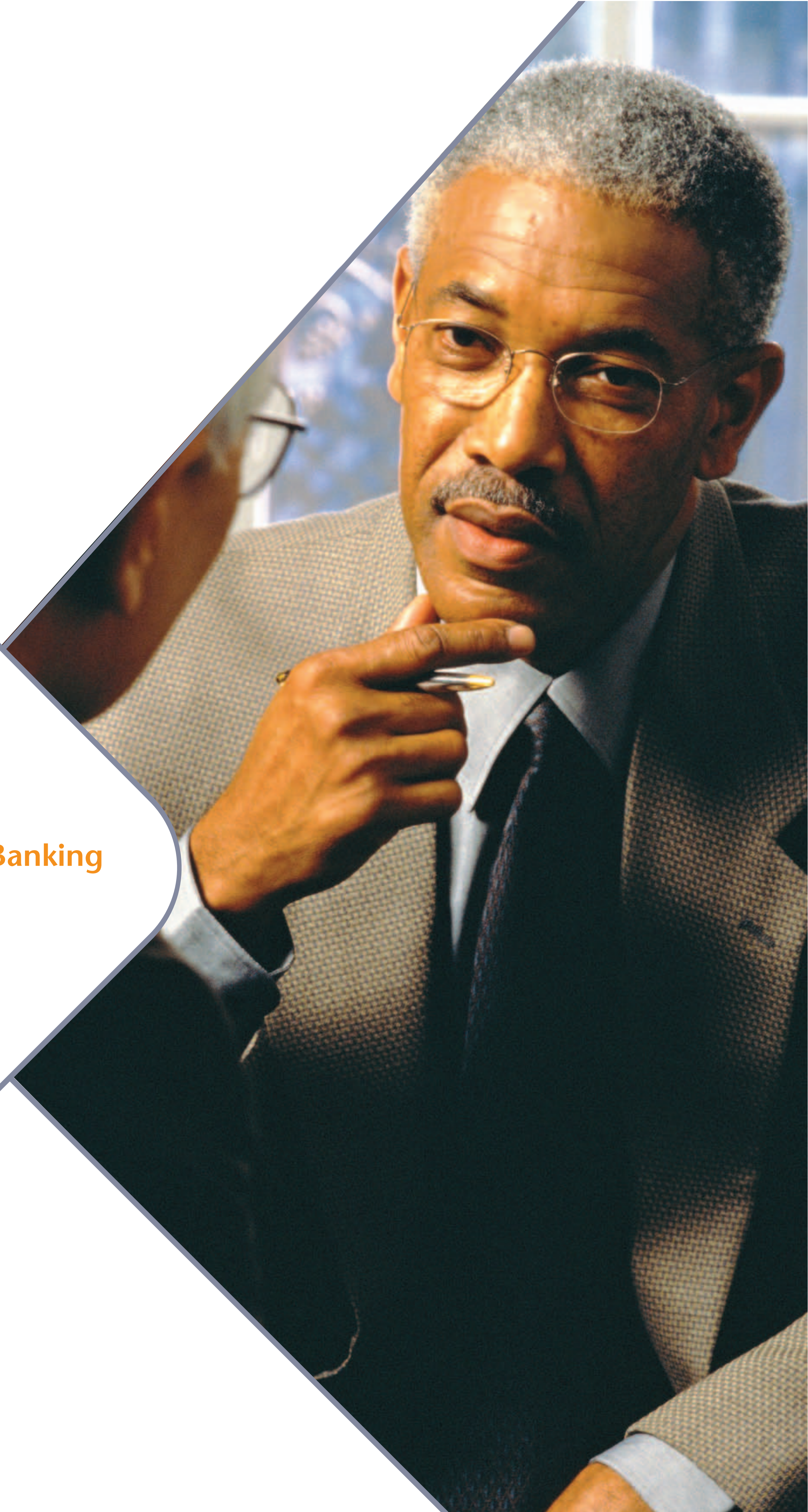
The Deals Pipeline

During the year, we won and executed on mandates; significant not only because of deal size, but also on account of their creative financial structures. These transactions reflect our key competencies in structured finance and our ability to deliver by leveraging the strengths of the wider Bank. The transactions were the first of their kind and capture the essence of what we can bring to the market and the niche we can fill. As we work toward strengthening our existing pipeline, we are confident that in the new financial year we will benefit from, and augment, the momentum created last year.

The Way Forward

Although we have made much progress in the past year, there is more work to be done. In particular, the build-up/building of support systems and infrastructure is a continuous process. We must equip our team with the necessary resources and support. Indeed, we face unique challenges as Capital Markets is a new business line and Trinidad is a new territory. For these reasons, I cannot sufficiently underscore the value of our team, in which I have total confidence. At the close of this year, Mr. Lloyd Samaroo hands over the responsibility for Capital Markets to me in order to focus on his role as Managing Director of the Trinidad & Tobago subsidiary. I recognise that holding the reigns of Capital Markets at this juncture is no easy task, but I am excited and honoured by the appointment. I look forward to leading our team of high-quality professionals and I have no doubt in our abilities to forge ahead successfully.

Corporate Banking



Horace Cobham

Executive Director–Corporate Banking

Corporate Banking

Growth through meeting our customers' expectations

The focus of the Corporate Strategic Business Unit (SBU) is on corporate and small business customers. We provide a wide range of financial services to our 38,000 plus Small Business and 12,000 Corporate accounts across 16 countries. Corporate SBU is organised in a functional structure with cross-border responsibilities and has over 240 employees.

With the Integration of two banks into one bank solidly behind us, in 2005 we were able to return our undivided attention to our customers. We rolled out our new value-enhancing Corporate Organisation Model, delivered improved customer-service – as measured by opinion surveys of our customers – and in the process, delivered strong financial results.

Customer Value

We rolled out a new Corporate Organisation Model that had as its single objective, enhancing "Customer Value". Key customer-value enhancing elements were:
- Sales and Service effectiveness.
- Industry Expertise
- Dedicated Small Business Banking offering

Designed into the model was a new sales approach with enhanced sales leadership capability through training, tools and internal processes. During the year, we hired a new Director, Sales and Service to drive these priorities.

An important feature of our new sales approach is the creation of the Corporate Finance Group, which delivers increased industry expertise capability region-wide, in Tourism, Real Estate, Leasing, Wholesale/Retail Distribution, Trade Finance and Correspondent Banking. This group has already led and/or supported a number of large, complex, multi-jurisdictional transactions and delivered acknowledged value-added financial solutions to our customers in the process.

We also launched our new Small Business offering in all the markets we serve. Small Business customers no longer have to compete with larger businesses for a relationship manager's time. We now have dedicated Small Business professionals at branch locations convenient to our Small Business customers. Through technology, innovation and focused staff training programmes we aim to be the bank of choice for Small Business in the region.

This new approach to Small Business is already paying dividends. Small Business lending volumes are strong with approved transactions up 50%. Customer loyalty ratings in this key market improved in 2005 and we intend to drive customer satisfaction ratings higher through technology and our decentralised, dedicated Small Business team approach to this market segment.

Performance

Despite aggressive competition, we successfully defended and grew our market-leading position. Corporate's performance was characterised by:
- Continued leading and increasing market share position
- Strong loan growth
- Improved income and operating profit

During the year, we strengthened our position in the markets in which we operate. With market shares of over 20% in all major markets except Jamaica, we reinforced our market leading position in all markets through increased lending to corporate customers. In Jamaica in particular, we grew our business volumes by 64%, most coming from new customers to FirstCaribbean.

For the second consecutive year, sanctioned loans topped US$1 billion and for the first time, loan disbursements reached approximately US$1 billion. Our loan portfolio is solid and well diversified and asset quality remains high. At year-end, Corporate lending stood at US$2.6 billion, an increase of 14.5% year over year. Impaired loans as a percentage of total loans, already relatively low, improved as a result of a 20% decline in the impaired loan portfolio.

Corporate achieved record profitability in 2005, with an operating profit of $120 million, a 43% contribution to the Bank's overall performance. Besides robust loan growth, all the other key profit drivers reflected positive trends. Net interest income grew 29%, fees & commissions were up 26%, deposits grew by over 15% while expenses were well contained.

2005 was truly a successful year for the Corporate SBU. We thank our Corporate and Small Business clients for their continued loyalty and the Corporate team for their dedication and commitment to meeting the expectations of our customers.

Going Forward

We finished the year with a very favourable pipeline of transactions and we will focus on converting them to value-added financial solutions for our customers.

As a result of globalisation and the increasing sophistication of our customers, the capital markets are becoming increasingly important to large corporate customers for meeting their financing needs. We will provide integrated financial solutions through our combined Corporate and Capital Markets capabilities to meet the expectations of our customers.

We will continue to strengthen our Small Business offer through a streamlined application process to achieve turnaround for new loan requests within 48 hours. We will enhance our Corporate employee reward and recognition programmes to ensure that we continue to recognise the outstanding contributions made by our employees.

Our focus will be on understanding customer needs. Through technology, innovation and a focused employee skills development programme, we will continue to improve our service level to our customers, create greater opportunities for higher business volumes, higher market shares and continued growth and profitability.

We aim to deliver value for our customer!

International Banking


Jan-Arne Farstad

Executive Director–International Banking

International Wealth Management arrives

The year 2005 was marked by notable achievements across the entire spectrum of our International Business:

Business Growth

International deposits grew by nearly 10% and amounted to $3.222 billion at year-end, whilst the international loan book registered a 35% net increase and reached $135 million. The deposit business grew in all our five International Banking Centres with Turks & Caicos and Cayman Islands leading the way. The growth in the loan book was mainly attributable to the success of our International Mortgage products, which was also well spread in geographical terms with Barbados, The Bahamas and Turks & Caicos Islands showing the highest growth rates.

Announced Acquisition

On November 23, 2005 we announced our intention to acquire ABN AMRO's international banking and asset management business in Curaçao, Netherlands Antilles, subject to regulatory approvals. This transaction will create one of the Region's leading providers of International Banking Services – the business is already the largest International banking operation in Curaçao with assets of about $1 billion and assets under administration of more than $600 million. This business provides a wide range of wealth management and banking services to international private and corporate clients and to the trust and fund services industry. The Curaçao organisation is particularly recognised for its competence in wealth management, asset management and cash management. The Curaçao business will be run as a sixth International Banking Centre in addition to our existing ones in The Bahamas, the Cayman Islands, Barbados, the British Virgin Islands and the Turks & Caicos Islands.

Product Enhancements

November also marked the introduction of our automated straight-through processing capability for international payments, which is compatible with our improved Internet Banking Services and particularly suitable for our international private and corporate clientele. We believe this represents one of the best international payment solutions available anywhere and we intend to market this product with vigour. The introduction of automated international payment processing will allow us to enhance our cash management offering even further in coming months with capabilities for notional pooling/zero balance accounts, concentration accounts, overnight investment products—all tied in with our Internet offering. Our Curaçao acquisition will also allow us to provide improved cash management and asset management products and services to our clients elsewhere.

Industry Specialisation

In an increasingly complex and fast-paced world, we recognise the importance of specialised product offerings and staff dedicated to distinct industry segments. We are, therefore, dedicating specialist staff to industry segments such as captive insurers, fund managers, trading companies, etc., in order to service these segments better. The International Mortgage area is already being led by a "product champion" across all Caribbean countries and "product champions" will be introduced similarly for captive insurers, fund managers, trading companies, etc, shortly. The "product champions" will work closely with their geographically-based colleagues in our six International Banking Centres.

Service Quality

We monitor our service levels carefully, both through our daily contact with clients and through independent client surveys. In the latter category, we are pleased to note that clients report improved service satisfaction with our products, services and staff. Such improvements result in higher client loyalty, which is what we ultimately strive for. We wish to thank those of our clients who participated in the independent client surveys – your feedback is invaluable.

Rebranding

As our stated intent last year, we have focused this past year on migrating our International Banking business towards a broader wealth management business model. With our acquisition in Curaçao, the moment to rebrand has arrived. Therefore, going forward, we will refer to our business segment as FirstCaribbean International Wealth Management, which is both a better reflection of where we now are and of where we are headed. In the past year, we have shown ourselves capable of growing our wealth management business both organically as well as through acquisition and it is our intent to continue to grow by both means in the future. For our clients, this will bring better advice through personal relationship management with value-adding products and services.

Human Resources

Peter Hall

Executive Director–Human Resources and Chief Administrative Officer

Human Resources

Living Our Brand

This financial year FirstCaribbean International Bank Limited continued to focus on building our organisational capability. The continuing success of our business is directly linked to the quality of our leadership, the quality of our teams and the overall motivation and commitment of our people. At FirstCaribbean, we are learning that success comes from integrating the high-quality frameworks and initiatives that deliver excellent leadership and high performance.

The tools, basic training and focus on resourcing excellence, have combined in the last year to buttress even further the bench strength of our Bank's leadership. Our experience is also telling us that we are beginning to deliver an Employee brand that is aligned with our larger goal of "Employer of Choice" in the region. The signals for this are plain to see in our internal employee opinion survey, which continues to rate our employee satisfaction higher than our peer group in the region. Equally, the response to employment opportunities in our business is very positive.

We have fulfilled our mandate and promise this year to formally celebrate the "FirstPartnership" with all the Trade Unions we work with in the region. This is an important relationship for our Bank and we are continuing to enrich this with a mutual commitment to measuring the principles which we agreed upon for this year. This continues to be a living partnership that is providing experience and learning for all parties concerned, inclusive of the wider business and union community. FirstCaribbean does not take this lightly and, again, publicly acknowledges all the Unions in our Partnership that have worked with us, not only to bring us to the point of formal signing, but in working through, on a day-to-day basis, the many communication and consultation requirements of our Members and the Bank.

In this financial year, we worked hard to manage the people costs in the Bank. This is a very significant task since we are committed to our Employer of Choice vision and equally committed to ensuring that our costs get to a competitive cost to income ratio of 50%. We have some way to go on this and continued focus on this area will be necessary to reach our targets.

A very significant development for us this year has been the development and connections made with our relaunched Brand Promise "Get There. Together" and our internal employee brand. This was shared and tested with all of our employees in the latter part of this year with very positive results. This initiative will combine with the Learning and Development agenda to make FirstCaribbean the most successful bank in the region in delivering a differentiated and superior customer experience.

Our strategy allowed us to welcome Trinidad & Tobago into the FirstCaribbean family and has opened new doors to business and a wealth of talent that resides in that market. This will be an ongoing feature of FirstCaribbean as we continue to grow.

We at FirstCaribbean are truly learning how to build "One Team, One Bank." While it may be early in this journey, we are unearthing as we go an energy and commitment from our people that will not only drive business results but will lead us closer to our Mission of First for Employees, First for Customers, resulting in First for Shareholders.

Our Human Resources Leadership Team of Dr Kerry Higgs, Vivian Hinds, Jacqueline Floro-Forde, Geoffrey King, Marco Nozicka, Neil Brennan and Debbie Kellett have again delivered an outstanding agenda. We thank them and wish them continued success.

Marketing

Francis Lewis

Executive Director–Marketing & Product Development

Marketing

Success through teamwork

2005 has been a very successful year. Our Marketing Teams have contributed significantly to this achievement. Performance such as this is only possible due to the multiple, consistent efforts of many professionals.

Corporate & Internal Communications

The Corporate and Internal Communications team has delivered an outstanding 2005 performance, meeting the set publicity targets. Of significant note has been the development of our PR Network, in which we have a PR Contractor/Resource in each of our 16 operating countries. This network is a first for any pan-regional organisation and its positive impact has been appreciated by our Country Heads. Exposure for the Bank through the print and electronic media is up sharply, with positive impressions outstripping negative articles by more than 20 to 1. This team also continues to give strong support to the various banking segments through campaign support and event management. One of its major achievements for the year has been the management of the Sponsorship and Community Relations programme through the FirstCaribbean Foundation. The Bank's flagship programme, Unsung Heroes, was launched in all 16 countries this year, and once again attracted a panel of eminent Caribbean persons, chaired by Sir Shridath Ramphal, to judge the programme. Its Social Annual Report received an award from the International Association of Business Communicators' Caribbean chapter.

Internal Communications performance has also been strong. At present, we use over two dozen "Communications Vehicles" to reach and engage with our staff and managers. More importantly, the recent Internal Communications staff survey confirmed the impact this work has had; over 81% of our staff spend time reading our monthly in-house magazine, Caribbean Pride, and over 95% of staff regularly use the intranet, which was created by this team. Other Internal Communications vehicles also scored highly with staff. The Web Comms. team has performed very well and has received special commendations for their work on the e-channels project.

Research, Product Development, Pricing & Channel Management

This team has established rigorous, effective systems for product, pricing and channel management, in which we undertake periodic product reviews to optimise value delivered and profitability. They also carry out new product development to anticipate customer needs and their innovation brings great products to market. Our Pricing function works with our business and country heads to manage interest rates, tariffs and fees to optimise customer value and profit, and reinforce our competitiveness and positioning. Our Channel Managers continually refine ways for our customers to engage with us and for us to serve them conveniently, cost-effectively and well.

The Research, Product, Pricing and Channel team has delivered a strong 2005 performance. They delivered an aggressive research agenda. Customer satisfaction is important to us. In this regard, we undertake a range of continuous customer surveys, mystery shopping and benchmarking surveys of both our operations and our competitors'. We track customer satisfaction, market share and economic forecasting deeply. The team's Product & Pricing Reviews, aimed at enhancing margins and minimising revenue leakage, have exceeded targets.

Product development support for campaigns has been excellent, as evidenced by the multiple successful campaigns of the last year. Channel Management Performance has been very good, notably Jamaica's channel conversion and the development of our signature "e-channels", Internet and Telephone Banking.

Marketing Operations & Brand Development

This team has delivered an excellent 2005 performance. Working with our internal clients, they have created and launched multiple campaigns to support sales and business development in the Retail, Credit Card, Corporate, Capital Markets and International Banking segments. They have worked at a break-neck pace, typically rolling out one or two campaigns or major initiatives per month. Particularly impressive has been the adaptation and customisation of advertising and promotions to each of our major markets and to smoothly dovetail simultaneous campaigns. This team has conceived and implemented market-leading integrated communication campaigns that visibly and innovatively support our selling efforts. They have consistently achieved a Communications Effectiveness Index in excess of 70% – a powerful accomplishment.

Of particular note in 2005 has been the deepening of the FirstCaribbean Brand. The team has conceptualised, designed, tested and implemented a new Brand Promise and a new "look and feel" by creating entirely new suites of brand advertising for branch, press, radio and, for the first time, TV and outdoor media. This new Brand Campaign was launched in August and initial tracking research is most heartening – it appears we have a winner! This FirstCaribbean brand is now fully established in the region and this team has achieved a very respectable Brand Health Index in excess of 70%, after only three years.

Juan Corral

Chief Operations Officer

Operations and Technology

At the heart of our delivery capabilities

During this year, we have enthusiastically dedicated our energy to organise, plan and execute a renewed set of capabilities that are consistent with our unique single integrated technology platform and that allow for material improvements in processing efficiency, productivity, control and customer service.

Accountability and Ownership

Organising our team in a manner that allows for seamless delivery of products, while also operating in full compliance with each country's laws and regulations, has been our primary objective. We did this at the same time that we were increasing our product offering by adding very relevant technology features and functions in a continuous improvement change programme that places FirstCaribbean at the forefront of innovation.

In Operations, we function with three Regional Processing Centres (RPCs) and 13 Local Processing Centres (LPCs) in 16 countries. We have aligned each RPC with the LPCs that are geographically and legally associated with it and established end-to-end accountability and ownership for processes. This has resulted in material improvements in the quality of processing. Our Technology structure operates primarily out of the three largest hubs (Barbados, The Bahamas and Jamaica) where we keep the best resources to serve our network, maximising our ability to run the platforms and execute a diverse set of enhancements to products and systems.

Trust and Control

We are cognisant of the fact that our customers expect that we exercise care, diligence and control of the transactions that are required from us. Making sure that each member of our staff is adequately trained and coached about controlling banking transactions in every phase of our processes has been one of our most relevant goals in the period. This is one thing that our customers will value as they are giving us one of their most precious assets: their trust!

Our processes are designed for utilisation of manual and automated controls in each product as well as rigorous disciplines in the protection of our customer information and the utilisation of world-class security for customer data and transaction execution.

Daily Efficiency and Productivity in Banking

We are striving to ensure that every transaction is processed with flawless execution, with emphasis in completeness, timeliness, accuracy and speed. This is a long journey but we will be relentlessly pursuing the highest quality in the delivery of our services and we have the backing of our entire team in doing this.

Technology Delivery

During this fiscal period we have been able to deliver to the business a set of enhancements in our platforms that have provided new capabilities in the areas of compliance, regulatory reporting, business continuity, payments, information security, encryption, new Automated Banking Machines and many others.

By the time this report is published, all of our customers will be able to utilise our new E-Payments platform within our Internet Banking offer. This has been a major undertaking and one that will allow all of our customers to pay their credit cards, transfer money to another FirstCaribbean customer in their home country, pay their utility bills online and, most importantly, send and receive international transfers in all currencies with straight-through processing efficiency, which means that the process is automated in its entirety, except for those countries where there are exchange controls – in which case there is a single manual intervention to obtain the necessary approvals.

And we will deliver this for all our 16 countries at the same time!


Richard Pantcheff

Chief Risk Officer

Risk Report

Improved Risk Management

Further to the substantial refocusing of our Risk Management function in 2004, the Bank has concentrated still further on developing and deepening its Risk and Control capabilities in 2005. In particular, we have delivered substantive improvements in the tools and methodologies employed by the Bank in controlling its risks, whilst at the same time deepening the focus of risk governance in the organisation. The purpose of these changes has been to establish the risk tolerances of the organisation, provide a means of identifying current and emerging risks, and to make risk management effective within the daily life of all of our staff.

At the same time as delivering these improvements to the infrastructure of our risk management, our teams in Credit, Receivables Management, Portfolio Management, Market Risk, Operational Risk, and Compliance have been delivering increasing value to the organisation as critical enablers of driving growth in our loan portfolios, whilst simultaneously minimising the risk of loss.

With all of the Risk Management teams reporting to one Chief Risk Officer since June 2005, it has also been possible to derive greater synergies between the various risk teams and promote an enterprise-wide approach to managing existing and emerging risks.

Enhanced Recovery Solutions

The results of the activities in 2005 have been very good. Our loan portfolios continue to grow and loan quality has not deteriorated. Our recovery of impaired and non-performing portfolios has improved still further on the excellent results of 2004. We took the opportunity to integrate all impaired loan management and recovery into one team (Receivables Management), which has created synergy and enhanced recovery rates.

At the same time, we reorganised the governance of Risk Management within the Bank, creating a Risk Committee for each of the Strategic Business Units, chaired by the respective Managing Director. Representatives from the risk teams now meet monthly with the senior leadership of the business unit in order to identify risks in the business and propose and/or track remediation. Through this process, 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 in turn is leading to the development of an enterprise-wide risk reporting database, which enables risks to be identified in a transparent and rational way, thus facilitating speedy recognition and resolution. It also greatly enhances the ability of the organisation to set and monitor its risk tolerance and allow these to play their proper role in determining and delivering the strategy of the Bank.

New Business; Better Performance

We have greatly welcomed the opportunity afforded to us in 2005 to develop our lending portfolio in Trinidad & Tobago and also to support the increasingly successful penetration of the Capital Markets team in their chosen markets. Unlike 2004, our portfolios this year have, thankfully, not been unduly affected by hurricanes and we have therefore not been required to extend the moratorium on loan and interest repayments, which was necessary in 2004 as a result of Hurricane Ivan.

Goal-Setting for Higher Standards

Our focus for 2006 will be continuing to support the growth strategies of our business, so that sustainable revenue streams and diverse portfolios prevail. In 2005, we were able to support all the major business lines of the Bank in their quest for quality growth, as well as in internal reorganisation and refocus, in the case of Corporate Banking and Retail Banking.

Our strategic risk focus in 2006 now turns to enhancing our loan portfolio management capabilities, as well as increasing our focus on Basel II, as we embed the improved Risk Management policies, tools, and methodologies throughout our entire organisation. Our goal is to achieve this whilst, at all times, supporting the growth of a quality lending portfolio and management of operational, market, and compliance risks to a high standard.

Financial Statements 2005

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December 16, 2005

AUDITORS' REPORT

To the Shareholders of
FirstCaribbean International Bank Limited

We have audited the accompanying consolidated balance sheet of **FirstCaribbean International Bank Limited** ("the Company") as of October 31, 2005 and the related consolidated statements of income, changes in shareholders' equity and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of October 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers

Chartered Accountants

Consolidated Balance Sheet

As of October 31, 2005
(expressed in thousands of United States dollars)

	Notes	2005 $	2004 $
Assets			
Cash and balances with central banks	3	**409,696**	330,867
Loans and advances to banks	4	**2,490,343**	2,673,327
Derivative financial instruments	12	**11,290**	—
Trading securities	5	**668,899**	276,519
Other assets	6	**188,813**	69,943
Taxation recoverable		**12,198**	6,663
Investment securities	7	**646,594**	827,476
Loans and advances to customers	8	**4,630,998**	3,958,080
Property, plant and equipment	9	**148,956**	153,441
Deferred tax assets	22	**7,004**	6,029
Retirement benefit assets	10	**47,607**	45,100
Intangible assets	11	**305,535**	301,275
Total assets		**9,567,933**	8,648,720
Liabilities			
Derivative financial instruments	12	**4,350**	3,702
Customer deposits	13	**7,729,395**	7,359,646
Other borrowed funds	14	**42,348**	—
Other liabilities	15	**421,487**	30,120
Taxation payable		**8,649**	5,665
Deferred tax liabilities	22	**4,094**	2,901
Debt securities in issue	16	**199,532**	—
Retirement benefit obligations	10	**24,077**	21,150
Total liabilities		**8,433,932**	7,423,184
Minority interest	17	**21,334**	18,433
Shareholders' equity			
Share capital and reserves	18	**736,601**	1,011,724
Retained earnings		**376,066**	195,379
		1,112,667	1,207,103
Total shareholders' equity and liabilities		**9,567,933**	8,648,720

Approved by the Board of Directors on December 16, 2005

Michael Mansoor
Chairman

John Riviere
Chief Financial Officer

Charles Pink
Chief Executive Officer

Consolidated Statement of Changes in Shareholders' Equity

For the year ended October 31, 2005
(expressed in thousands of United States dollars)

	Notes	Share capital $	Reserves $	Retained earnings $	Total $
Balance at October 31, 2003		1,323,269	(374,229)	162,418	1,111,458
Net income for the year		—	—	88,542	88,542
Dividends		—	—	(41,188)	(41,188)
Repurchase of non-voting Class A shares		(25,920)	—	—	(25,920)
Transfer to reserves	18	—	14,393	(14,393)	—
Foreign currency translation differences	18	—	(974)	—	(974)
Net change in available-for-sale investment securities	18	—	78,887	—	78,887
Net change in cash flow hedges	18	—	(3,702)	—	(3,702)
Balance at October 31, 2004		1,297,349	(285,625)	195,379	1,207,103
Net income for the year		—	—	257,935	257,935
Dividends		—	—	(56,003)	(56,003)
Redemption of preference shares	18	(180,000)	—	—	(180,000)
Transfer to reserves	18	—	21,245	(21,245)	—
Foreign currency translation differences	18	—	(2,066)	—	(2,066)
Net change in available-for-sale investment securities	18	—	(113,654)	—	(113,654)
Net change in cash flow hedges	18	—	(648)	—	(648)
Balance at October 31, 2005		1,117,349	(380,748)	376,066	1,112,667

Consolidated Statement of Income

For the year ended October 31, 2005
(expressed in thousands of United States dollars)

	Notes	2005 $	2004 $
Interest income		**479,415**	400,167
Interest expense		**168,664**	126,816
Net interest income	19	**310,751**	273,351
Operating income	20	**235,817**	112,039
		546,568	385,390
Operating expenses	21	**262,172**	261,706
Loan loss expenses	8	**7,308**	14,889
		269,480	276,595
Income before taxation and minority interest		**277,088**	108,795
Taxation	22	**13,973**	16,926
Income before minority interest		**263,115**	91,869
Minority interest	17	**5,180**	3,327
Net income for the year		**257,935**	88,542
Earnings per share in cents	23		
— basic		**16.9**	5.8
— diluted		**16.9**	5.2

Consolidated Statement of Cash Flows

For the year ended October 31, 2005
(expressed in thousands of United States dollars)

	2005 $	2004 $
Cash flows from operating activities		
Income before taxation and minority interest	**277,088**	108,795
Provision for credit losses	**7,308**	14,889
Depreciation	**18,325**	15,048
Net gains on sale of property, plant and equipment	**(7,161)**	(3,491)
Net gains on sale and redemption of investment securities	**(118,636)**	(720)
Interest income earned on investment securities	**(61,827)**	(46,213)
Interest expense incurred on borrowed funds and debt securities	**10,996**	—
Dividend income	**(3)**	—
Cash flows from operating profits before changes in operating assets and liabilities	**126,090**	88,308
Changes in operating assets and liabilities:		
— net decrease in loans and advances to banks	**561,427**	116,171
— net increase in trading securities	**(392,380)**	(103,549)
— net increase in loans and advances to customers	**(660,974)**	(388,517)
— net increase in other assets	**(132,380)**	(4,633)
— net increase in customer deposits	**355,580**	81,542
— net increase/(decrease) in other liabilities	**399,488**	(124,950)
Corporate taxes paid	**(16,525)**	(8,254)
Net cash from/(used in) operating activities	**240,326**	(343,882)
Cash flows from investing activities		
Purchases of property, plant and equipment	**(31,979)**	(40,107)
Proceeds from sale of property, plant and equipment	**25,464**	12,307
Decrease in investment securities, net of purchases	**228,471**	42,649
Interest income received on investment securities	**61,770**	37,133
Dividend income	**3**	—
Acquisition of subsidiary, net of cash acquired	**(4,977)**	—
Net cash from investing activities	**278,752**	51,982
Cash flows from financing activities		
Proceeds from borrowed funds and debt securities, net of repayments	**193,689**	—
Interest paid on borrowed funds and debt securities	**(7,639)**	—
Dividends paid	**(54,790)**	(43,117)
Repayments on related party loans	**(11,000)**	(11,000)
Repurchase of non-voting Class A shares	**—**	(25,920)
Redemption of preference shares	**(180,000)**	—
Net cash used in financing activities	**(59,740)**	(80,037)
Net increase/(decrease) in cash and cash equivalents for the year	**459,338**	(371,937)
Cash and cash equivalents acquired as a result of an acquisition	**4,701**	—
Effect of exchange rate changes on cash and cash equivalents	**(2,066)**	(974)
Cash and cash equivalents, beginning of year	**1,540,694**	1,913,605
Cash and cash equivalents, end of year (note 3)	**2,002,667**	1,540,694

1. General information

FirstCaribbean International Bank Limited and its subsidiaries ("the Group") are registered under the relevant financial and corporate legislations of 16 countries in the Caribbean to carry on banking and other related activities. The major shareholders of the Company are jointly Canadian Imperial Bank of Commerce ("CIBC"), a Company incorporated in Canada, and Barclays Bank PLC, a Company incorporated in England. The Group's parent company is FirstCaribbean International Bank Limited ("the Bank") which is a company incorporated and domiciled in Barbados at Warrens, St. Michael. At October 31, 2005 the Group had 3,370 employees (2004 – 3,391).

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

2. Summary of significant accounting policies

2.1 Basis of presentation

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) under the historical cost convention as modified by the revaluation of available-for-sale investment securities, financial assets and financial liabilities held for trading and all derivative contracts.

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

2.2 Consolidation

Subsidiary undertakings, which are those companies in which the Group 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. Where necessary, the accounting policies used by subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

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 income statement (Note 2 (2.12)).

2. Summary of significant accounting policies (continued)

2.3 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.

2.4 Foreign currency translation

Functional and presentation currency

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.

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 translation reserve in equity.

Group companies

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

i) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet.
ii) Income and expenses for each income statement 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
iii) 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 shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

2. Summary of significant accounting policies (continued)

2.5 Derivative financial instruments and hedge accounting

Derivatives are initially recognised in the balance sheet at cost and subsequently re-measured at their fair value. 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 a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either: (1) hedges of the fair value of recognised assets or liabilities (fair value hedge); or (2) 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 is documented showing 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.

(1) 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 income statement, 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. The adjustment to the carrying amount of a hedged equity security remains in retained earnings until the disposal of the equity security.

(2) 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 income statement.

Amounts accumulated in equity are recycled to the income statement 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 income statement. 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 income statement.

2. Summary of significant accounting policies (continued)

2.6 Interest income and expense

Interest income and expense are recognised in the income statement 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 rate of interest used to discount the future cash flows for the purpose of measuring impairment loss.

2.7 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. Commissions 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, usually on a time-apportionate basis. Asset management fees related to investment funds are recognised ratably 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.

2.8 Financial assets

The group classifies its financial assets into the following four categories:

i) Trading securities
ii) Loans and receivables
iii) Held-to-maturity investments
iv) Available-for-sale investments

Management determines the classification of its investments at initial recognition.

i) Trading securities
A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. 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. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable.

2. **Summary of significant accounting policies** (continued)

2.8 Financial assets (continued)

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.

iv) Available-for-sale investments
Available-for-sale investments 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 held to maturity, available for sale and trading that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recognised at trade date, which is the date that the Group commits to purchase or sell the asset. 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. 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 and trading financial assets 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. Third party expenses associated with loans and receivables, such as legal fees, incurred in securing a loan are expensed as incurred. Unrealised gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognised in equity. When the securities are disposed of or impaired, the related accumulated fair value adjustments are included in the income statement as gains and losses from investment securities. Interest earned whilst holding trading securities is reported as interest income.

The fair value of quoted investments in active markets are based on current bid prices. Unquoted equity instruments for which fair values cannot be measured reliably are recognised at cost less impairment.

Interest earned whilst holding investment securities is reported as interest income. Dividends are recorded on the accrual basis and included in income. Interest calculated using the effective interest yield method is recognised in the income statement.

2.9 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.

2. Summary of significant accounting policies (continued)

2.10 Sale and repurchase agreements

Securities sold subject to linked repurchase agreements ("repos") are retained in the financial statements as investment securities and the counter party liability is included in amounts due to other banks under other liabilities. 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.

2.11 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;
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 current 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 income statement. If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited to the provision for credit losses in the income statement.

2. Summary of significant accounting policies (continued)

2.11 Impairment of financial assets (continued)

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.

2.12 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) Computer software development costs
Costs associated with developing and maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include software development, employee costs and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are amortised using the straight-line method over their useful lives (not exceeding five years).

2.13 Property, plant and equipment

Land and buildings comprise mainly branches and offices. All property, plant and equipment is 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 income statement 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	2 1/2%
– Leasehold improvements	10% or over the life of the lease
– Equipment, furniture and vehicles	20 – 50%

2. **Summary of significant accounting policies** (continued)

2.13 Property, plant and equipment (continued)

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, plant and equipment are determined by reference to its carrying amount and are taken into account in determining net income.

2.14 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.

2.15 Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise balances with less than 90 days maturity from the date of acquisition including cash balances, non-restricted deposits with Central Banks which excludes mandatory reserve deposits, treasury bills and other money market placements.

2.16 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.

2.17 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.

2. Summary of significant accounting policies (continued)

2.17 Retirement benefit obligations (continued)

i) Pension obligations (continued)
The asset recognised in the balance sheet in respect of defined benefit pension plans is the fair value of plan assets minus the present value of the defined benefit obligation at the balance sheet date, 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 has 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 income statement 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.

2. Summary of significant accounting policies (continued)

2.18 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, plant and equipment, 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 income statement together with the deferred gain or loss.

2.19 Borrowings

Borrowings are recognised initially at "cost", being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently stated at amortised cost and any difference between net proceeds and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest yield method.

2.20 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, except as disclosed in Note 26.

2.21 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.

2.22 Comparatives

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

(expressed in thousands of United States dollars)

3. Cash and balances with central banks

	2005 $	2004 $
Cash	**144,076**	91,864
Deposits with central banks — interest bearing	**127,514**	131,926
Deposits with central banks — non-interest bearing	**138,106**	107,077
Cash and balances with central banks	**409,696**	330,867
Less: Mandatory reserve deposits with central banks	**(189,561)**	(157,253)
Included in cash and cash equivalents as per below	**220,135**	173,614

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 resources to arrive at cash and cash equivalents.

Cash and cash equivalents

	2005 $	2004 $
Cash and balances with central banks as per above	**220,135**	173,614
Loans and advances to banks (note 4)	**1,782,532**	1,367,080
	2,002,667	1,540,694

4. Loans and advances to banks

	2005 $	2004 $
Included in cash and cash equivalents (note 3)	**1,782,532**	1,367,080
Greater than 90 days maturity from date of acquisition	**707,811**	1,306,247
	2,490,343	2,673,327

Included in loans and advances to banks are deposit placements with CIBC and Barclays Bank PLC entities of $2,023,632 (2004 — $2,220,575). The effective yield on these amounts during the year was 2.5% (2004 — 1.8%) per annum.

(expressed in thousands of United States dollars)

5. Trading securities

	2005 $	2004 $
Government bonds	**1,964**	62,089
Corporate bonds	**142,431**	106,090
Asset-backed securities	**520,219**	103,601
Other debt securities	**906**	1,515
	665,520	273,295
Add: Accrued interest receivable	**3,379**	3,224
	668,899	276,519

The effective yield on trading securities during the year was 5.6% (2004 — 3.4%) per annum

6. Other assets

	2005 $	2004 $
Due from brokers for unsettled trades	**91,130**	—
Amounts due from related parties	**2,514**	4,303
Prepayments and deferred items	**6,398**	11,412
Other accounts receivable	**88,771**	54,228
	188,813	69,943

The amounts due from related parties are due from CIBC and Barclays Bank PLC entities and are interest-free with no fixed terms of repayment.

(expressed in thousands of United States dollars)

7. Investment securities

	2005 $	2004 $
Originated debt		
Issued or guaranteed by Governments		
— Treasury bills	**158,349**	193,592
— Debt securities	**378,171**	358,093
Total originated debt	**536,520**	551,685
Securities available for sale		
Equity securities		
— quoted	—	194,737
— unquoted	**1,080**	1,139
Debt securities	**36,155**	30,053
Total securities available for sale	**37,235**	225,929
Securities held to maturity		
Issued or guaranteed by Governments		
— Treasury bills	**12,071**	5,140
— Debt securities	**51,631**	35,642
Total securities held-to-maturity	**63,702**	40,782
	637,457	818,396
Add: Accrued interest receivable	**9,137**	9,080
	646,594	827,476

The effective yield during the year on debt securities and treasury bills was 4.6% (2004 — 5.2%). The Group has a regulatory reserve requirement to maintain a percentage of deposit liabilities in cash or in the form of Government securities. At October 31, 2005 the reserve requirement amounted to $334,047 (2004 — $256,358) of which $189,561 (2004 — $157,253) is included within cash and balances with central banks (note 3).

Held-to-maturity debt securities in the amount of $15,140 are held as security for investment certificates issued by the Group (note 14).

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

	Orginated debt $	Securities available-for-sale $	Securities held-to-maturity $	Total $
Balance, beginning of year	551,685	225,929	40,782	818,396
Additions	648,045	25,310	106,630	779,985
Disposals (sale and redemption)	(673,071)	(208,995)	(83,710)	(965,776)
Gains from changes in fair value	—	4,852	—	4,852
Balance, end of year	526,659	47,096	63,702	637,457

(expressed in thousands of United States dollars)

8. Loans and advances to customers

	2005 $	2004 $
Mortgages	**1,763,911**	1,547,273
Personal loans	**675,295**	617,495
Business loans	**2,267,495**	1,894,162
	4,706,701	4,058,930
Add: Accrued interest receivable	**27,861**	24,194
Less: Provisions for impairment	**(103,564)**	(125,044)
	4,630,998	3,958,080

Performing loans include an amount of $3,348 held as security for investment certificates issued by the Group (note 14).

Movement in provisions for impairment is as follows:

	2005 $	2004 $
Balance, beginning of year	**125,044**	112,895
Doubtful debts expense	**11,840**	8,850
Movement in inherent risk provisions	**(6,636)**	4,319
Recoveries of bad and doubtful debts	**2,104**	1,720
Bad debts written off	**(28,788)**	(2,740)
Balance, end of year	**103,564**	125,044

The average interest yield during the year on loans and advances was 8.6% (2004 — 7.9%). Impaired loans amounted to $245,043 as at October 31, 2005 (2004 — $260,171) and interest earned on impaired loans amounted to $1,874 (2004 — $3,827) included in interest income.

Loans and advances to customers include finance lease receivables:

	2005 $	2004 $
No later than 1 year	**4,725**	1,803
Later than 1 year and no later than 5 years	**9,699**	2,705
Later than 5 years	**1,151**	116
Gross investment in finance leases	**15,575**	4,624
Unearned future finance income on finance leases	**(2,544)**	(432)
Net investment in finance leases	**13,031**	4,192

(expressed in thousands of United States dollars)

9. Property, plant and equipment

	Land and buildings $	Equipment, furniture and vehicles $	Leasehold improvements $	Total 2005 $
Cost				
Balance, beginning of year	96,981	106,469	35,092	238,542
Purchases	5,364	20,714	6,065	32,143
Disposals	(14,189)	(6,682)	(989)	(21,860)
Transfers	2,956	14,177	(17,133)	—
Assets written off	(16)	—	(71)	(87)
Balance, end of year	91,096	134,678	22,964	248,738
Accumulated depreciation				
Balance, beginning of year	18,264	52,787	14,050	85,101
Depreciation	2,426	14,556	1,343	18,325
Disposals	(1,834)	(1,487)	(236)	(3,557)
Transfers	305	4,893	(5,198)	—
Assets written off	(16)	—	(71)	(87)
Balance, end of year	19,145	70,749	9,888	99,782
Net book value, end of year	71,951	63,929	13,076	148,956

	Land and buildings $	Equipment, furniture and vehicles $	Leasehold improvements $	Total 2004 $
Cost				
Balance, beginning of year	93,170	78,897	38,043	210,110
Purchases	9,617	30,285	205	40,107
Disposals	(5,806)	(2,592)	(3,151)	(11,549)
Assets written off	—	(121)	(5)	(126)
Balance, end of year	96,981	106,469	35,092	238,542
Accumulated depreciation				
Balance, beginning of year	17,357	41,857	13,698	72,912
Depreciation	2,775	11,334	939	15,048
Disposals	(1,868)	(283)	(582)	(2,733)
Assets written off	—	(121)	(5)	(126)
Balance, end of year	18,264	52,787	14,050	85,101
Net book value, end of year	78,717	53,682	21,042	153,441

Additions to equipment, furniture and vehicles include $12,522 (2004 — $22,735) 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.

(expressed in thousands of United States dollars)

10. Retirement benefit 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	
	2005	**2004**	**2005**	**2004**
	$	**$**	**$**	**$**
Fair value of plan assets	**230,550**	192,000	**—**	—
Present value of funded obligations	**(148,730)**	(151,150)	**(15,200)**	(25,432)
	81,820	40,850	**(15,200)**	(25,432)
Unrecognised actuarial (losses)/gains	**(34,650)**	4,240	**(8,440)**	4,292
Net asset/(liability)	**47,170**	45,090	**(23,640)**	(21,140)

The amounts recognised on the balance sheet are as follows:

	Defined benefit pension plans		Post retirement medical benefits	
	2005	**2004**	**2005**	**2004**
	$	**$**	**$**	**$**
Retirement benefit assets	**47,607**	45,100	**—**	—
Retirement benefit obligations	**(437)**	(10)	**(23,640)**	(21,140)
Net asset/(liability)	**47,170**	45,090	**(23,640)**	(21,140)

The pension plan assets include the Company's ordinary shares with a fair value of $1,363 (2004 — $900).

(expressed in thousands of United States dollars)

10. Retirement benefit obligations (continued)

The amounts recognised in the income statement are as follows:

	Defined benefit pension plans		Post retirement medical benefits	
	2005	**2004**	**2005**	**2004**
	$	**$**	**$**	**$**
Current service costs	**7,850**	9,290	**1,000**	1,407
Interest cost	**10,960**	11,550	**1,500**	1,602
Expected return on plan assets	**(20,310)**	(19,350)	**—**	—
Net actuarial (gain)/loss recognised during the year	**(800)**	—	**180**	—
Total amount included in staff costs	**(2,300)**	1,490	**2,680**	3,009
Actual return on plan assets	**15,800**	(5,659)	**—**	—

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

	Defined benefit pension plans		Post retirement medical benefits	
	2005	**2004**	**2005**	**2004**
	$	**$**	**$**	**$**
Balance, beginning of year	**45,090**	44,007	**(21,140)**	(18,600)
Charge for the year	**2,300**	(1,490)	**(2,680)**	(3,009)
Contributions paid	**—**	2,720	**—**	—
Employer premiums for existing retirees	**—**	—	**130**	469
Foreign exchange translation (loss)/gain	**(220)**	(147)	**50**	—
Balance, end of year	**47,170**	45,090	**(23,640)**	(21,140)

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

	Defined benefit pension plans	
	2005	**2004**
Discount rate	**7.0 – 12.0%**	7.0 – 12.5%
Expected return on plan assets	**8.5 – 13.5%**	8.5 – 13.0%
Future salary increases	**5.0 – 10.0%**	5.5 – 10.0%
Future pension increases	**0.0 – 4.0%**	0.0 – 4.5%

	Post retirement medical benefits	
	2005	**2004**
Discount rate	**7.0 – 12.0%**	7.0 – 12.5%
Premium escalation rate	**5.0 – 10.0%**	6.0 – 11.5%
Existing retiree age	**60 – 65**	68 – 69

(expressed in thousands of United States dollars)

10. Retirement benefit obligations (continued)

a) FirstCaribbean International Bank (Jamaica) Limited Retirement Plan

The last actuarial valuation was conducted as at October 31, 2003 and revealed a fund surplus of $5,800.

b) 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.

c) 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.

11. Intangible assets

	2005 $	2004 $
Goodwill		
Net book amount, beginning of year	**301,275**	301,275
Acquisition of a subsidiary (note 33)	**4,260**	—
Net book amount, end of year	**305,535**	301,275

12. Derivative financial instruments

October 31, 2005	Contract / notional amount	Fair Values Assets	Fair Values Liabilities
(1) Derivatives held for trading			
— Interest rate swaps	181,700	6,757	—
(2) Derivatives held for hedging			
(a) Derivatives designated as fair value hedges — Interest rate swaps	251,418	4,533	—
(b) Derivatives designated as cash flow hedges — Interest rate swaps	500,000	—	(4,350)
		11,290	(4,350)

(expressed in thousands of United States dollars)

12. Derivative financial instruments (continued)

October 31, 2004	Contract / notional amount	Fair Values Assets	Fair Values Liabilities
Derivatives held for hedging			
Derivatives designated as cash flow hedges — Interest rate swaps	500,000	—	(3,702)
		—	(3,702)

13. Customer deposits

	Payable on demand $	Payable after notice $	Payable at a fixed date $	2005 Total $	2004 Total $
Individuals	439,350	1,219,698	1,430,490	**3,089,538**	3,214,730
Business and Governments	2,107,174	201,244	2,142,648	**4,451,066**	4,057,895
Banks	29,287	—	130,191	**159,478**	65,011
	2,575,811	1,420,942	3,703,329	**7,700,082**	7,337,636
Add: Interest payable	4,007	901	24,405	**29,313**	22,010
	2,579,818	1,421,843	3,727,734	**7,729,395**	7,359,646

Included in deposits with banks are deposits from CIBC and Barclays Bank PLC entities of $27,556 (2004 — $15,848).

The effective rate of interest on deposits during the year was 2.1% (2004 — 1.3 %) per annum.

14. Other borrowed funds

	2005 $	2004 $
Secured borrowings	**18,488**	—
Unsecured borrowings	**21,762**	—
	40,250	—
Add: Interest payable	**2,098**	—
	42,348	—

Investment certificates issued by the Group amounting to $18,488 are secured by debt securities referred to in Note 7 and certain loans referred to in Note 8. The effective rate of interest on these borrowings during the year was 10%.

(expressed in thousands of United States dollars)

15. Other liabilities

	2005 $	2004 $
Accounts payable and accruals	**106,923**	989
Due to brokers for unsettled trades	**161,915**	—
Trading securities sold short	**91,875**	—
Bank overdrafts	**39,738**	—
Restructuring provision (note 24)	**718**	6,131
Dividends payable	**3,491**	—
Amounts due to related parties	**16,827**	23,000
	421,487	30,120

The amounts due to related parties refer to balances due to CIBC and Barclays Bank PLC entities. These balances include $17,000 (2004 — $17,000), which carries interest at 1 year Libor plus 0.75%, repayable in 2005 and $Nil (2004 — $11,000), which carries interest at 3 month Libor plus 0.75%, repayable in 2006. The remaining amount, which is due from related parties of $Nil (2004 — due to related parties of $5,000), is interest free with no fixed terms of repayment.

16. Debt securities in issue

	2005 $	2004 $
USD$200 million guaranteed subordinated floating rate notes due 2015 (net of transaction costs)	**198,273**	—
Add: Interest payable	**1,259**	—
	199,532	—

In 2005, the Group issued floating-rate notes with a face value of $200,000. 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 0.70% during the first 5 years. The average effective interest rate during 2005 was 4.02%. The notes are payable at the option of the Bank in 2010. The notes are guaranteed on a subordinated basis by the Parent and two fellow subsidiary companies. The notes are listed on the Luxembourg exchange.

17. Minority interest

	2005 $	2004 $
Balance, beginning of year	**18,433**	17,035
Share of net income from subsidiaries	**5,180**	3,327
Dividends declared	**(2,279)**	(1,929)
Balance, end of year	**21,334**	18,433

(expressed in thousands of United States dollars)

18. Share capital and reserves

	2005 $	2004 $
Share capital		
Common shares	**1,117,349**	1,117,349
Preference shares	**—**	180,000
Total share capital	**1,117,349**	1,297,349
Reserves		
General banking reserve	**24,467**	27,514
Statutory reserve	**66,473**	45,228
Revaluation reserve – available-for-sale investment securities	**5,286**	115,893
Hedging reserve – cash flow hedges	**(4,350)**	(3,702)
Translation reserve	**(8,996)**	(6,930)
Reverse acquisition reserve	**(463,628)**	(463,628)
Total reserves	**(380,748)**	(285,625)
Total share capital and reserves	**736,601**	1,011,724

The movements in share capital were as follows:

	Number of shares	$
Common shares voting, beginning and end of year	1,525,176,762	1,117,349
Preferred shares, beginning of year	180,000,000	180,000
Shares repurchased and cancelled	(180,000,000)	(180,000)
Preferred shares, end of year	—	—
October 31, 2005		1,117,349
October 31, 2004		1,297,349

a) Common Shares

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.

b) Preference Shares

The Company repurchased and cancelled all of its Preference Shares in March, 2005 at a cost of one dollar ($1.00) per share.

(expressed in thousands of United States dollars)

18. Share capital and reserves (continued)

The movements in reserves were as follows:

General banking reserve	**2005 $**	**2004 $**
Balance, beginning of year	**27,514**	20,423
Reclassification from revaluation reserves	**(3,047)**	—
Transfers from retained earnings	**—**	7,091
Balance, end of year	**24,467**	27,514

The general banking reserve represents transfers from retained earnings to meet qualifying capital requirements under local legislation. These reserves are not distributable.

Statutory reserve	**2005 $**	**2004 $**
Balance, beginning of year	**45,228**	37,926
Transfers from retained earnings	**21,245**	7,302
Balance, end of year	**66,473**	45,228

The statutory reserve represents accumulated transfers from net income in accordance with local legislation.

Revaluation reserve — available-for-sale investment securities	**2005 $**	**2004 $**
Balance, beginning of year	**115,893**	37,006
Reclassification to general reserves	**3,047**	—
Net gains from changes in fair value of available-for-sale investment securities	**4,852**	79,607
Net gains transferred to income statement on disposal of available-for-sale investment securities	**(118,506)**	(720)
Balance, end of year	**5,286**	115,893

Hedging reserves — cash flow hedges	**2005 $**	**2004 $**
Balance, beginning of year	**(3,702)**	—
Net gains from changes in fair value	**(648)**	(3,702)
Balance, end of year	**(4,350)**	(3,702)

(expressed in thousands of United States dollars)

18. Share capital and reserves (continued)

	2005 $	2004 $
Translation reserve		
Balance, beginning of year	**(6,930)**	(5,956)
Currency translation difference arising during the year	**(2,066)**	(974)
Balance, end of year	**(8,996)**	(6,930)

	2005 $	2004 $
Reverse acquisition reserve		
Reverse acquisition reserve, beginning and end of year	**(463,628)**	(463,628)

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 comprised 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.

19. Net interest income

	2005 $	2004 $
Interest income		
Cash and short term funds	**71,372**	58,305
Investment securities	**61,827**	46,213
Loans and advances	**341,232**	295,479
Reverse repos and other	**4,984**	170
	479,415	400,167
Interest expense		
Banks and customers	**157,668**	126,816
Debt securities in issue	**5,519**	—
Other borrowed funds	**5,477**	—
	168,664	126,816
	310,751	273,351

Interest income on cash and short term funds includes income earned from CIBC and Barclays Bank PLC entities on deposit placements (note 4).

(expressed in thousands of United States dollars)

20. Operating income

	2005 $	2004 $
Gross fee and commission income	**56,783**	50,016
Dividend income — available-for-sale securities	**3**	—
Net trading income — foreign exchange transaction gains less losses	**45,536**	42,187
— translation gains less losses	**(647)**	—
— interest rate instruments	**(6,084)**	—
Gains less losses from investment securities	**118,636**	720
Other operating income	**21,590**	19,116
	235,817	112,039

Analysis of gross fee and commission income:

	2005 $	2004 $
Credit related fees and commissions	**18,004**	17,031
Corporate finance fees	**14**	13
Portfolio and other management fees	**472**	—
Asset management and related fees	**59**	—
Other fees	**38,234**	32,972
	56,783	50,016

21. Operating expenses

	2005 $	2004 $
Staff costs	**139,956**	133,224
Property, plant and equipment expenses	**32,074**	36,085
Profit on sale of property, plant and equipment	**(7,161)**	(3,491)
Depreciation (note 9)	**18,325**	15,048
Restructuring (credit)/charge (note 24)	**(3,078)**	16
Other operating expenses	**82,056**	80,824
	262,172	261,706

(expressed in thousands of United States dollars)

21. Operating expenses (continued)

Analysis of staff costs:

	2005 $	2004 $
Wages and salaries	**126,829**	120,508
Pension costs:		
— defined contribution plans	**1,278**	732
— defined benefit plans	**(2,300)**	1,490
Other post retirement benefits	**2,680**	3,009
Other staff related costs	**11,469**	7,485
	139,956	133,224

22. Taxation

	2005 $	2004 $
Taxation charge for the year:		
Current tax	**14,033**	14,774
Deferred tax	**(60)**	2,152
	13,973	16,926

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

	2005 $	2004 $
Income before taxation	**277,088**	108,795
Tax calculated at the statutory tax rate of 30% (2004 — 33%)	**83,126**	35,903
Effect of different tax rates in other countries	**(28,546)**	(29,689)
Effect of change in tax rate	**(60)**	1,426
Effect of deferred tax asset/liability at future tax rate	**529**	–
Effect of income not subject to tax	**(56,450)**	(8,651)
Effect of income subject to tax at 12.5%	**(2,154)**	(1,392)
Effect of income subject to tax at 15%	**(1,791)**	(1,100)
Effect of withholding taxes	**92**	76
Effect of allowances	**(34)**	(80)
Prior year tax reassessments	**(20)**	190
Reversal of restructuring provisions	**696**	–
Under provision of prior year corporation tax liability	**2,042**	202
Over provision of prior year deferred tax liability	**(176)**	(849)
Over provision of current year tax liability	**257**	–
Over provision of current year deferred tax liability	**27**	–
Movement in deferred tax asset not recognised	**14,768**	17,238
Effect of expenses not deductible for tax purposes	**1,667**	3,652
	13,973	16,926

(expressed in thousands of United States dollars)

22. Taxation (continued)

Movement in deferred tax account for the year:

	2005 $	2004 $
Deferred tax position, beginning of year	**3,128**	5,280
From subsidiaries acquired	**(278)**	—
Deferred tax credit/(charge) for the year	**60**	(2,152)
Deferred tax position, end of year	**2,910**	3,128
Represented by:		
Deferred tax assets	**7,004**	6,029
Deferred tax liabilities	**(4,094)**	(2,901)
	2,910	3,128

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

	2005 $	2004 $
Deferred tax asset		
Accelerated tax depreciation	(400)	(207)
Pension and other post retirement benefit assets	(1,395)	428
Loan loss provisions	352	381
Other provisions	114	563
Tax losses carried forward	8,333	4,864
	7,004	6,029
Deferred tax liabilities		
Accelerated tax depreciation	(1,046)	(984)
Pension and other post retirement benefit assets	(3,487)	(2,566)
Loan loss provisions	457	359
Other provisions	(42)	290
Tax losses carried forward	24	–
	(4,094)	(2,901)

The deferred tax comprises of tax losses of $33,332 (2004 — $19,457), which will expire between 2008 and 2014.

The Group has tax losses of $157,118 (2004 — $125,587) for which no deferred tax assets have been recognised due to uncertainty of their recoverability. These losses will expire between 2006 and 2014.

(expressed in thousands of United States dollars)

23. Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of Common and Non-Voting Class A shares in issue during the year.

	2005 $	2004 $
Net income attributable to shareholders	**257,935**	88,542
Weighted average number of Common and Non-Voting Class A shares in issue (thousands)	**1,525,176**	1,527,189
Basic earnings per share (expressed in cents per share)	**16.9**	5.8

For the diluted earnings per share, the weighted average number of Common and Non-Voting Class A Shares in issue during the year is adjusted to assume conversion of all dilutive potential shares. The Preference Shares were the only dilutive potential shares as at October 31, 2004 and were assumed to have been converted into Common Shares.

	2005 $	2004 $
Net income attributable to shareholders	**257,935**	88,542
Weighted average number of Common and Non-Voting Class A shares in issue (thousands)	**1,525,176**	1,527,189
Adjustments for:		
Assumed conversion of Preference Shares (thousands)	—	171,000
Weighted average number of Common and Non-Voting Class A shares for diluted earnings per share (thousands)	**1,525,176**	1,698,189
Diluted earnings per share (expressed in cents per share)	**16.9**	5.2

(expressed in thousands of United States dollars)

24. Restructuring provision

	2005 $	2004 $
Balance, beginning of year	**6,131**	20,954
(Credited)/ charged to income statement during the year (note 21)	**(3,078)**	16
Utilised during the year	**(2,335)**	(14,839)
Balance, end of year	**718**	6,131

25. Share based payments

Stock option plan

The predecessor organisation, CIBC West Indies, had a stock option plan. Under the rules of the Plan, options to purchase Common Shares in the Company may be granted to employees that entitle the employee to purchase one Common Share of the Company at the market price (strike price) of the shares on the date of granting the options. The options vest over a four-year period and the maximum period within which an option may be exercised is ten years. In February 1999, 1,050,000 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. No further options have been granted from this plan.

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.

26. Dividends

As at October 31, 2005 the Directors recommended a final common share dividend, which is not reflected in these financial statements, of two point two five cents ($0.0225) per common share (2004 — $0.0125), bringing the total dividend payout for 2005 to four point two five cents ($0.0425) per common share (2004 — $0.0250).

It was resolved to declare a final dividend on preference shares on March 11, 2005 for the period October 31, 2004 to March 14, 2005, the redemption date, for which an accrual of $3,491 is included within other liabilities as dividends payable. In 2004, the Company paid an interim dividend of $3,780 on preference shares calculated at six month Libor plus 2.65% per annum and a final dividend of $3,780 was declared for the period May 1 to October 31, 2004, which was not reflected in the financial statements as at October 31, 2004.

27. Related party transactions and balances

Interest and other income includes $63,645 (2004 — $43,708) and interest expense $1,183 (2004 —$2,535) earned from deposit placements and charged on deposit liabilities and swap arrangements by CIBC and Barclays Bank PLC entities. In the normal course of business, the Group receives banking and support services from related parties, for which $366 (2004 — $533) was charged during the year.

Under agreement with Barclays Bank PLC, the Company receives an annual payment from Barclays Bank PLC of $10,000 (2004 — $10,000) effective January 1, 2002, as an incentive for the Company to retain its deposit placements with Barclays Capital. This payment is included in operating income for the period. Other transactions and balances with related parties are disclosed separately in the individual notes.

(expressed in thousands of United States dollars)

28. Contingent liabilities and commitments

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

	2005 $	2004 $
Letters of credit	**84,945**	52,632
Loan commitments	**790,469**	689,641
Guarantees and indemnities	**116,056**	91,462
	991,470	833,735

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.

29. Future rental commitments under operating leases

As at October 31, 2005 the Group held leases on buildings for extended periods. The future rental commitments under these leases were as follows:

	2005 $	2004 $
Not later than 1 year	**7,445**	6,572
Later than 1 year and less than 5 years	**20,885**	20,249
Later than 5 years	**4,321**	5,892
	32,651	32,713

30. Fiduciary activities

The Group provides custody and trustee discretionary investment management services to third parties. Those assets that are held in a fiduciary capacity are not included in these financial statements. At the balance sheet date, the Group had investment assets under administration on behalf of third parties amounting to $564,325 (2004 — $523,279).

31. Business segments

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

Retail banking is organised along five product lines: Premier Banking (dedicated relationship management), Home Finance (mortgages), Consumer Finance, Credit Cards and Asset Management & Insurance.

Corporate Banking comprises three distinct customer sub-segments: Corporate Business, Commercial Business and Business Banking. Corporate Banking offers deposit and investment products, borrowing and cash management products, merchant card services and trade finance.

International Banking is organised into four segments: International Personal, International Premier, International Mortgages and International Corporate. The Personal Banking segment specialises in currency accounts, deposit accounts, U.S. dollar credit cards and international mutual funds. The Premier Banking segment offers each client a personal relationship manager in addition to all of the products and services offered by the Personal Banking segment. The International Mortgage group provides funding in U.S. dollars, Euros or Sterling to non-residents of the Caribbean seeking to purchase second homes in the Caribbean for personal use or as an investment. The International Corporate Banking segment specialises in providing banking services to businesses and professional intermediaries who use international financial centres.

The Capital Markets segment provides issuers and investors with access to larger pools of capital and greater investment opportunities. It acts for and on behalf of large business and sovereign clients who seek both equity and debt capital instruments and facilitates the expansion of the existing secondary market capabilities in the region.

The Treasury Group manages the interest rate, foreign exchange and liquidity risk of the Group. 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 disclosed in operating income. Interest charged for these funds is based on the Group's cost of capital. 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 borrowings.

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

Due to unavailability of data, there are no 2004 comparatives for the business segment reporting.

(expressed in thousands of United States dollars)

31. Business segments (continued)

October 31, 2005	Retail Banking $	Corporate Banking $	Int'l Banking $	Capital Markets $	Treasury $	Other $	Eliminations $	Group $
External revenues	242,926	198,174	19,390	4,816	238,815	11,111	—	715,232
Revenues from other segments	67,156	6,810	103,039	63	(147,339)	6,234	(35,963)	—
Total revenues	310,082	204,984	122,429	4,879	91,476	17,345	(35,963)	715,232
Segment result	19,975	43,124	47,919	1,382	85,062	79,626	—	277,088
Unallocated costs								(5,180)
Operating profit								271,908
Taxation								(13,973)
Net income for the year								257,935
Segment assets	2,327,264	2,844,385	1,733,810	16,001	2,956,952	(293,258)	(341,958)	9,243,196
Unallocated assets								324,737
Total assets								9,567,933
Segment liabilities	2,990,012	2,189,220	3,236,445	905	276,844	54,226	(326,463)	8,421,189
Unallocated liabilities								12,743
Total liabilities								8,433,932
Other segment items								
Capital expenditure	13,426	281	676	24	—	17,736	—	32,143

Capital expenditure comprises additions to property, plant and equipment (note 9) and goodwill (note 11) including additions resulting from acquisitions through business combinations.

Geographical segments are set out in Note 32 (c).

32. 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 counter party 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.

Loans and advances to banks include $2,023,632 (2004 — $2,220,575) placed with CIBC and Barclays Bank PLC entities.

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.

32. Financial risk management (continued)

B. Credit risk (continued)

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.

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

The following note incorporates IAS 32 credit risk disclosures, IAS 30 geographical concentrations of assets, liabilities and off-balance sheet items disclosures and a public enterprise's IAS 14 secondary segment disclosures.

(expressed in thousands of United States dollars)

32. Financial risk management (continued)

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

	Total assets $	Total liabilities $	Credit commitments $	Revenues $	Capital expenditure $
October 31, 2005					
Barbados	1,396,559	1,405,106	133,360	214,815	8,878
Bahamas	3,062,151	2,525,132	371,124	203,511	8,423
Cayman	2,702,388	2,256,047	232,326	93,281	3,508
Eastern Caribbean	923,375	791,858	59,639	78,223	6,290
Turks & Caicos Islands	447,991	405,290	37,537	23,706	745
British Virgin Islands	340,594	526,279	24,433	20,922	641
Jamaica	377,280	322,763	87,471	50,714	781
Other	317,595	201,457	45,580	30,060	2,877
	9,567,933	8,433,932	991,470	715,232	32,143
October 31, 2004					
Barbados	1,538,369	1,319,596	191,456	101,926	9,018
Bahamas	2,895,225	2,403,224	202,577	177,727	10,963
Cayman	1,965,343	1,662,065	166,668	65,663	1,312
Eastern Caribbean	913,831	810,248	106,154	73,481	8,982
British Virgin Islands	504,232	494,759	48,780	16,061	1,065
Turks & Caicos Islands	367,655	337,667	69,794	13,141	2,443
Jamaica	326,978	285,511	20,744	47,736	3,501
Other	137,087	110,114	27,562	16,471	2,823
	8,648,720	7,423,184	833,735	512,206	40,107

Although the Group is managed based on the five business segments, they operate in seven main geographical areas. The Group's exposure to credit risk is concentrated in these areas.

Barbados is the home country of the parent bank, which is also the main operating company. The areas of operation include all primary business segments.

Capital expenditure is shown by geographical area in which the property, plant and equipment are located.

(expressed in thousands of United States dollars)

32. Financial risk management (continued)

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

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

	2005 $	**2005 %**	**2004 $**	**2004 %**
Barbados	**639,007**	**14**	561,740	14
Bahamas	**1,819,464**	**39**	1,540,373	39
Cayman	**818,780**	**18**	705,731	18
Eastern Caribbean	**631,014**	**14**	577,325	15
Jamaica	**217,903**	**5**	139,929	4
British Virgin Islands	**157,712**	**3**	174,073	4
Turks & Caicos Islands	**152,928**	**3**	138,808	3
Other	**194,190**	**4**	120,101	3
	4,630,998	**100**	3,958,080	100

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.

(expressed in thousands of United States dollars)

32. Financial risk management (continued)

D. Currency risk (continued)

Concentrations of assets, liabilities and credit commitments:

October 31, 2005	EC $	BDS $	CAY $	BAH $	US $	JA $	Other $	Total $
Assets								
Cash and balances with central banks	67,389	86,954	3,607	98,346	48,686	40,351	64,363	409,696
Loans and advances to banks	(28,512)	4,952	—	1,254	1,984,690	(144)	528,103	2,490,343
Derivative financial instruments	—	—	—	—	11,290	—	—	11,290
Trading securities	—	—	—	—	668,899	—	—	668,899
Other assets	98,637	19,780	(3,430)	12,183	80,143	354	(18,854)	188,813
Taxation recoverable	4,930	6,932	—	—	10	326	—	12,198
Investment securities	34,946	235,601	—	133,627	153,691	21,694	67,035	646,594
Loans and advances to customers	577,736	563,977	361,326	1,270,367	1,619,244	143,308	95,040	4,630,998
Property, plant and equipment	25,441	50,466	18,041	24,770	18,079	5,954	6,205	148,956
Deferred tax assets	425	6,566	—	—	—	13	—	7,004
Retirement benefit assets	7,077	12,307	—	11,788	4,489	10,149	1,797	47,607
Intangible assets	—	305,535	—	—	—	—	—	305,535
Total assets	788,069	1,293,070	379,544	1,552,335	4,589,221	222,005	743,689	9,567,933
Liabilities								
Derivative financial instruments	—	—	—	—	4,350	—	—	4,350
Customer deposits	660,730	1,060,795	221,350	1,284,982	3,693,736	168,495	639,307	7,729,395
Other borrowed funds	—	—	—	—	12,574	—	29,774	42,348
Other liabilities	(4,501)	74,979	5,297	(7,090)	357,020	5,552	(9,770)	421,487
Taxation payable	2,738	2,236	—	—	556	292	2,827	8,649
Deferred tax liabilities	969	171	—	—	115	2,838	1	4,094
Debt securities in issue	—	—	—	—	199,532	—	—	199,532
Retirement benefit obligations	2,131	4,915	—	10,310	4,050	2,222	449	24,077
Total liabilities	662,067	1,143,096	226,647	1,288,202	4,271,933	179,399	662,588	8,433,932
Net on balance sheet position	126,002	149,974	152,897	264,133	317,288	42,606	81,101	1,134,001
Credit commitments	21,739	101,852	5,234	218,758	569,060	37,147	37,680	991,470

(expressed in thousands of United States dollars)

32. Financial risk management (continued)

D. Currency risk (continued)

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

	EC $	BDS $	CAY $	BAH $	US $	JA $	Other $	Total $
October 31, 2004								
Total assets	769,080	1,246,582	346,625	1,501,456	3,738,610	201,546	844,821	8,648,720
Total liabilities	674,813	1,076,518	250,609	1,255,640	3,435,835	171,968	557,801	7,423,184
Net on balance sheet position	**94,267**	**170,064**	**96,016**	**245,816**	**302,775**	**29,578**	**287,020**	**1,225,536**
Credit commitments	**105,166**	**173,338**	**36,539**	**113,083**	**342,366**	**25,965**	**37,278**	**833,735**

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.

(expressed in thousands of United States dollars)

32. Financial risk management (continued)

F. Liquidity risk (continued)

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.

	0-3 months $	3-12 months $	1-5 years $	Over 5 years $	Total $
October 31, 2005					
Assets					
Cash and balances with central banks	409,696	—	—	—	409,696
Loans and advances to banks	1,782,532	507,311	200,500	—	2,490,343
Derivative financial instruments	11,290	—	—	—	11,290
Trading securities	668,899	—	—	—	668,899
Other assets	41,893	6,751	137,554	2,615	188,813
Taxation recoverable	5,492	6,706	—	—	12,198
Investment securities	127,531	96,895	153,021	269,147	646,594
Loans and advances to customers	792,635	498,593	1,310,654	2,029,116	4,630,998
Property, plant and equipment	—	—	6,092	142,864	148,956
Deferred tax assets	—	—	6,806	198	7,004
Retirement benefit assets	—	—	—	47,607	47,607
Intangible assets	—	—	—	305,535	305,535
Total assets	3,839,968	1,116,256	1,814,627	2,797,082	9,567,933
Liabilities					
Derivative financial instruments	4,350	—	—	—	4,350
Customer deposits	6,438,231	802,922	165,856	322,386	7,729,395
Other borrowed funds	2,098	20,093	20,157	—	42,348
Other liabilities	204,069	49,896	—	167,522	421,487
Taxation payable	5,211	3,438	—	—	8,649
Deferred tax liabilities	160	354	30	3,550	4,094
Debt securities in issue	—	—	—	199,532	199,532
Retirement benefit obligations	—	—	—	24,077	24,077
Total liabilities	6,654,119	876,703	186,043	717,067	8,433,932
Net on balance sheet position	**(2,814,151)**	**239,553**	**1,628,584**	**2,080,015**	**1,134,001**
Credit commitments	**486,034**	**479,822**	**2,425**	**23,189**	**991,470**

(expressed in thousands of United States dollars)

32. Financial risk management (continued)

F. Liquidity risk (continued)

October 31, 2004	0-3 months $	3-12 months $	1-5 years $	Over 5 years $	Total $
Total assets	3,345,913	1,363,338	1,409,964	2,529,505	8,648,720
Total liabilities	5,774,464	812,652	79,004	757,064	7,423,184
Net on balance sheet position	**(2,428,551)**	**550,686**	**1,330,960**	**1,772,441**	**1,225,536**
Credit commitments	**481,669**	**321,335**	**21,890**	**8,841**	**833,735**

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 as at October 31, 2005. Bid prices are used to estimate fair value of assets, whereas offer prices are applied for liabilities.

	Carrying value $	Fair value $
Financial assets		
Loans and advances to customers	4,630,998	4,619,216
Investment securities	646,594	637,802
Financial liabilities		
Customer deposits and other borrowed funds	7,771,743	7,770,565

32. Financial risk management (continued)

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

Loans and advances to banks

Loans and advances to banks include inter-bank placements and items in the course of collection. The fair value of floating rate placements and overnight deposits is their carrying amount. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money market interest rates for debts with similar credit risk and remaining maturity. Their carrying values approximate their fair values.

Loans and advances to customers and originated debt

The estimated fair value of loans and advances and originated debt investment securities 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.

Investment securities — held to maturity

Investment securities include only interest bearing assets held to maturity, as available-for-sale securities are measured at fair value. Fair value for held-to-maturity assets 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.

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 where available, and where not available is based on a current yield curve appropriate for the remaining term to maturity.

(expressed in thousands of United States dollars)

33. Acquisitions

On December 31, 2004, the Group acquired 100% of the share capital of a small merchant bank in Trinidad called The Mercantile Banking & Financial Corporation Limited. The acquired bank contributed operating profit of $2,151 to the Group for the period January 1, 2005 to October 31, 2005.

The details of the fair value of the assets and liabilities acquired and goodwill arising are as follows:

	$
Cash and cash equivalents	4,701
Loans and advances to customers	19,252
Investment securities	42,550
Other assets	1,264
Fixed assets	164
Customer deposits and other borrowed funds	(59,004)
Other liabilities	(3,509)
Goodwill (note 11)	4,260
Total purchase consideration paid (discharged by cash)	9,678
Cost of acquisition	9,678
Less: Cash and cash equivalents in subsidiary acquired	(4,701)
Cash outflow on acquisition	4,977

34. Post balance sheet event

On November 23, 2005, the Company through its Cayman subsidiary entered into an agreement, subject to certain conditions precedent, with ABN AMRO Asset Management Holding N.V., a limited liability company incorporated in the Netherlands, to acquire 100% of the voting shares of ABN AMRO Bank Curacao N.V. and its subsidiary ABN AMRO Asset Management (Curacao) N.V. (jointly referred to hereinafter as "ABN AMRO Curacao"). ABN AMRO Curacao's main business activities are the provision of fiduciary services to its clients. The acquisition date is anticipated to be January 31, 2006.

The purchase price shall be an amount of US$ 70 million plus or minus an asset protection adjustment (based on the balance of average entrusted funds balances at closing), plus a deferred asset retention payment (based on the balance of average entrusted funds balances at the first anniversary of the closing), plus additional bonus payments based on the after tax profits of ABN AMRO Curacao in the ten month period ending October 31, 2006 and the twelve month period ending October 31, 2007.

Disclosure of the net assets of ABN AMRO Curaçao is not practicable as audited financial statements are not available.

35. Principal subsidiary undertakings

Name	Country of incorporation
FirstCaribbean International Bank Limited	Barbados
FirstCaribbean International Bank (Offshore) Limited	Barbados
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 (Barbados) Limited	Barbados
FirstCaribbean International Trust and Merchant Bank (Barbados) Limited	Barbados
FirstCaribbean International Finance Corporation (Leeward & Windward) Limited	St. Lucia
FirstCaribbean International Land Holdings (Barbados) Limited	Barbados
FirstCaribbean International Bank (Jamaica) Limited (94.6%)	Jamaica
FirstCaribbean International Securities Limited	Jamaica
FirstCaribbean International Building Society Limited	Jamaica
FirstCaribbean International Bank (Cayman) Limited	Cayman Islands
FirstCaribbean International Finance Corporation (Cayman) Limited	Cayman Islands
FirstCaribbean International Finance Corporation (Netherlands Antilles) Limited	Netherlands Antilles
FirstCaribbean International (Cayman) Nominees Company Limited	Cayman Islands
FirstCaribbean International Banking & Financial Corporation Limited	Trinidad

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:**
   Twelfth Annual Meeting of the Shareholders of the Company to be held at the Poinsettia Room, Sherbourne Conference Centre, Two Mile Hill, St. Michael, Barbados on Thursday, March 23, 2006 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 to 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	**Name and Title**	**Signature**
January 31, 2006	Ella N. Hoyos Corporate Secretary FirstCaribbean International Bank Limited	

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, March 23, 2006.

Dated this ___________day of _________________________2006.

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
Resolution 1 To approve the adoption of the audited consolidated financial statements and balance sheet of the Company for the year November 1, 2004 to October 31, 2005.		
Resolution 2 To approve the election of the following persons as a Director for the term hereinafter set forth: (i) Renier Lemmens for a period of one year. (ii) Jacobo Gonzalez-Robatto for a period of one year. To re-elect the following persons as Directors: (iii) John Eaton for a period of three years. (iv) Charles Pink for a period of three years. (v) Sir Allan Fields for a period of three years.		
Resolution 3 To approve the reappointment of PricewaterhouseCoopers as auditors, and to authorise the Directors to fix their remuneration.		

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 Capital Markets Department, Rendezvous, Christ Church at least 48 hours before the time appointed for holding the Meeting or adjourned Meeting.

FIRSTCARIBBEAN INTERNATIONAL BANK LIMITED ANNUAL REPORT 2005

Anguilla

Antigua & Barbuda

The Bahamas

Barbados

Belize

British Virgin Islands

The Cayman Islands

Dominica

Grenada & Carriacou

Jamaica

The Netherlands Antilles

St. Kitts & Nevis

St. Lucia

St. Vincent & the Grenadines

Trinidad & Tobago

Turks & Caicos Islands

www.firstcaribbeanbank.com

FIRSTCARIBBEAN INTERNATIONAL BANK