CIBC FirstCaribbean International Bank

FOR WHAT MATTERS.

Annual Report 2013

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CIBC FirstCaribbean International Bank

FOR WHAT MATTERS.

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Corporate Profile

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

CIBC FirstCaribbean International Bank is a relationship bank offering a full range of market-leading financial services through our Wholesale Banking, Retail & Business Banking and Wealth Management segments. We are located in seventeen (17) countries around the Caribbean, providing the banking services that matter to our customers through approximately 3,400 employees, in one hundred and two (102) branches, banking centres and offices. We are one of the largest regionally-listed financial services institutions in the English and Dutch speaking Caribbean, with over US$11.4 billion in assets and market capitalization of US$1.8 billion. The face of banking is changing throughout the world and CIBC FirstCaribbean intends to lead these changes with the expertise, integrity and knowledge of banking that almost 250 years of combined experience in the Caribbean brings.

Vision

To be the leading financial services provider in the region, building enduring client relationships through trusted advice and superior service.

Mission

We live our values of Trust, Teamwork and Accountability, deliver superior performance and service, and generate sustainable benefits for all our stakeholders.

Achieving our Vision means delivering on the things that matter to our key stakeholders. To do this, we have commitments to each of our stakeholder audiences:

- Clients - To help our clients achieve what matters to them
- Employees - To create an environment where all employees can excel
- Communities - To make a real difference in our communities
- Shareholders - To generate strong total returns for our shareholders

Succeeding will mean living by our values – Trust, Teamwork, Accountability – and creating value for all who invest in CIBC FirstCaribbean.

Values - Trust, Teamwork, Accountability

Values define the character of both individuals and organizations. At CIBC FirstCaribbean, they shape our everyday decisions.

- Trust - Acting with integrity, honesty and transparency in our relationships with others
- Teamwork - Working collaboratively with others within our Strategic Business Unit (SBU) and across SBUs to achieve CIBC FirstCaribbean's common goals
- Accountability - Accepting overall responsibility for our behaviour, decisions and outcomes in all relationships with colleagues, with clients, with the community and with shareholders

Strategic Priorities

- Cultivating deeper relationships with our clients across our business
- Focusing on value for our clients through understanding their needs
- Competing in businesses where we can leverage our expertise to add differentiated value
- Pursuing risk-controlled growth in the region
- Continuously investing in our client base, people, and infrastructure

2013 Highlights

First for Clients

Ever mindful that a key contributor to our business success rests in the advocacy of our clients, in 2013 the Retail & Business Banking segment was steadfast in its mission to deepen customer relationships in order to be the leading financial services provider in the region.

Responding to our customers' needs by:

- Adopting a renewed cross sell approach to place more products and services in the hands of our customers
- Enhancing the customer experience – building the engagement of our customers and making an indelible mark through continued improvements to our service delivery
- Updating and refreshing our network branches and Instant Teller® machines.

Offering viable solutions in support of regional enterprise:

- Catering to the achievement of their personal and professional financial goals by offering businesses new products such as Medical Professional's Edge
- Strengthening business partnerships by providing exclusive financial solutions for employees in the Corporate sector through Bank@Work

Delivering cutting edge products & services:

- Introduction of the Home Equity Line of Credit – helping our customers achieve their personal goals
- Introduction of the Biz Line Credit Card to boost business capability

Reaching new markets and clients:

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

First for Employees

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

Employee Initiatives:

- Completed the alignment of CIBC FirstCaribbean policies and launched the first regional Employee Appreciation Day
- Continued our focus on product-centric training for improved sales capacity across the workforce
- As part of a strategic initiative to improve service quality and business success, launched a customized cross-sell program for the Retail business designed to embed the sales culture and trained 769 employees in customer service excellence – further positive outcomes expected in fiscal 2014 as roll-out continues

The 2013 E-Voice survey:

- Employee commitment figures remained steady over last year's with improvements in areas of communication, colleagues, tools and resources continuing to be high

Increasing visibility of senior leaders:

- Countries across the region continue to convene town-hall meetings to improve access to and communication with senior leaders

First for Communities

The social programmes undertaken by the CIBC FirstCaribbean International Comtrust Foundation have proven that the Bank continues to make a difference in the lives of the people it serves. In 2013, this continued to be evident from the support the communities received whether financial or through the volunteerism of staff.

Our Corporate Social Responsibility partnerships have been maintained through:

- Continued focus on supporting education at all levels across the region
- Recognition that the good health of our citizens matters to us and the viability of our communities lies in finding a cure for diseases that threaten their livelihoods – giving rise to the Bank's Walk for the Cure initiative to champion the fight against cancer - the walk raised over US $100,000 to support the fight against cancer

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

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

Protecting the environment and securing our future:

- Partnering with environmental group Seacology to protect the mangrove coastline that provides critical habitat for marine life in Grenada and other initiatives
- Support of "green" initiatives across the region

Actively participating in worthwhile causes to develop our communities:

- Maintaining our community relations initiatives including the Adopt-a-Cause programme and other worthwhile ventures

First for Shareholders

- Maintained our capital strength, with Total Capital ratio at 24% well above regulatory minimum requirements
- Maintained our dividend payment level throughout this protracted economic downturn.

2013 Highlights

Financial Highlights

US $ millions, except per share amounts, as at or for the year ended October 31		2013	2012	2011	2010	2009
Common share information						
Per share (US cents)	- basic (loss)/earnings	**(1.7)**	4.4	4.6	10.1	11.2
	- dividends	**3.0**	3.0	4.5	6.0	6.0
Share price (US cents)	- closing	**114**	135	142	138	134
Shares outstanding (thousands)	- end of the period	**1,577,095**	1,577,095	1,577,095	1,525,177	1,525,177
Market capitalisation		**1,798**	2,129	2,239	2,105	2,044
Value measures						
Dividend yield (dividends per share/share price)		**2.6%**	2.2%	3.2%	4.3%	4.5%
Dividend payout ratio (dividends/net income)		**n/m**	68.4%	97.8%	58.3%	53.6%
Financial results						
Total revenue		**530**	543	507	563	568
Loan loss impairment		**151**	120	87	73	43
Operating expenses		**403**	348	338	317	320
Net (loss)/income		**(27)**	72	74	157	175
Financial measures						
Efficiency ratio (operating expenses/total revenue)		**76.0%**	64.1%	66.7%	56.3%	56.3%
Return on equity (net income/average equity)		**(1.7%)**	4.4%	4.6%	10.2%	12.3%
Net interest margin (net interest income/average total assets)		**3.3%**	3.5%	3.6%	3.9%	4.0%
Statement of Financial Position information						
Loans and advances to customers		**6,329**	6,832	6,616	6,576	6,905
Total assets		**11,439**	11,500	11,228	9,766	10,503
Deposits & other borrowed funds		**9,623**	9,641	9,415	7,988	8,696
Debt securities in issue		**30**	31	31	31	125
Total equity		**1,554**	1,651	1,619	1,573	1,519
Statement of Financial Position quality measures						
Common equity to risk weighted assets		**27%**	27%	27%	27%	25%
Risk weighted assets		**5,668**	5,845	6,097	5,856	6,124
Tier I capital ratio		**23%**	23%	21%	21%	19%
Tier I and II capital ratio		**24%**	24%	22%	22%	22%
Other information						
Employees (#)		**3,427**	3,439	3,410	3,465	3,479

* n/m - Not Meaningful

Chief Executive Officer's Letter

Rik Parkhill
Chief Executive Officer

For the fiscal year ended October 31, 2013 the Bank generated $529.9 million in revenue and maintained strong capital levels with a Total Capital Ratio of 24%, which is well in excess of regulatory requirements. Our capital levels provide us with the strength to endure challenging times as well as to invest in the future.

Results were affected by several items of note including $37.6 million ($35.5 million after-tax) of restructuring related expenses and an increase in the collective allowance for loan losses of $25.0 million ($21.6 million after-tax). This resulted in a reported net loss for the year of $27.5 million. Excluding these items, the Bank generated $29.6 million of net income for the year compared with $71.9 million in the prior year.

Many of the economies in which we operate rely heavily on tourism and foreign direct investments. The overhang from the economic crisis continues to impede growth and by extension has negatively affected our results. Loan loss provisions this quarter were higher than normal and include an increase in the collective allowance. The Bank is focused on pursuing risk-controlled growth and has taken considerable steps during the year toward the goal of becoming a lower risk bank.

Revenue for the year declined by 2% to $529.9 million, while core operating expenses increased 5% to $365.4 million. Loan loss impairment expenses rose 26% to $151.4 million. With the persistent year-over-year increases in operating expenses amid declining revenues, exacerbated by many governments in markets we serve increasing taxes to address fiscal imbalances, the Bank took the difficult decision to restructure the organization to align it with the market realities of this new era. The restructuring required a charge of $37.6 million and brought total operating expenses for the year to $402.9 million. This action is intended to put the Bank on a trajectory path to return to profitability.

The Bank remains committed to our strategic priorities: cultivating deeper relationships with our clients across our business, focusing on value for our clients through understanding their needs, competing in businesses where we can leverage our expertise to add differentiated value, pursuing risk-controlled growth in the region, and continuously investing in our client base, people, and infrastructure.

This year we made significant extensions to our product portfolio that have been well received. Customer response to our Rewards for Credit Cards has been tremendous, and we continue to expand the benefits of the program. To allow clients to conveniently leverage value in their homes we launched the Home Equity Line of Credit (HELOC). For our Business Clients we launched the Biz Line credit card, the first revolving credit card for businesses in the region. And, we developed a tailor-made package for medical professionals—Medical Professional's Edge

In addition, the credit adjudication systems and process improvements we embarked on last year are almost completed. Pilots are underway and full deployment promises to further improve service quality. We firmly believe that service excellence is the hallmark of cultivating deeper client relationships. Account opening times have been reduced substantially with the introduction of simpler forms and streamlined processes. These enhancements should translate into an overall improved customer experience.

To grow, countries must have a strong infrastructure, and the countries we serve have ongoing infrastructure needs. CIBC has deep industry expertise in infrastructure arranging and financing. That's why this year the Bank leveraged the strength of its parent to host a regional infrastructure conference in Nassau, Bahamas. The conference was well attended by key players and stakeholders and we plan to make it a fixture.

Investments in products, systems and processes cannot deliver return without commensurate investment in our people. Accordingly, the Bank invested heavily in staff training in branch, online and in classroom settings. Focus areas were customer service, risk management, credit systems, credit management and leadership. Of particular note, this year we partnered with the Canadian Securities Institute (CSI) to deliver Small Business Accreditation for our Business Bankers.

Chief Executive Officer's Letter

CIBC FirstCaribbean takes its corporate social responsibility seriously, and despite the challenging economic climate we maintained our community giving. This year we retired Unsung Heroes and embarked on a new partnership with the Sickkids-Caribbean Initiative under the auspices of the University of the West Indies (UWI) by contributing US$1 million. As the Nursing Training Partner, the Bank will support training of specialist nurses to care for children with cancer and blood diseases.

Adopt-a-cause, our employee driven program, continues to have broad impact in our communities. I am particularly proud of the support for Walk for the Cure. This year employee participation across the region generated in excess of US$100,000 for breast cancer support – more than 3 times the US$30,000 raised last year. The Bank also renewed commitment to the development of youth business in the Caribbean by continuing support for the Caribbean Group of Youth Business Trusts in the firm belief that entrepreneurship is the foundation of economic growth.

We announced a final dividend for the year of $0.015 per share, bringing the total dividend to $0.030 for the year. Our dividend remains unchanged and reinforces our view that the future continues to be promising for our franchise and our commitment to the Caribbean region is resolute.

For the second consecutive year our parent and majority shareholder, CIBC, has been ranked as the strongest bank in Canada and North America and third-strongest in the world by Bloomberg Markets. We are proud to be part of the CIBC group of companies.

I want to take this opportunity to express sincere gratitude to Michael Mansoor who retired as the Bank's Executive Chairman and Chairman of the Bank's charitable foundation at the end of this Fiscal Year. Mike made a tremendous contribution to the growth and development of the CIBC FirstCaribbean, and in the process, earned the respect of all the Bank's stakeholders. I would also like to place on record our appreciation to our regulators, our customers and staff for their support and loyalty during the year.

Rik Parkhill
Chief Executive Officer

Board of Directors

Sitting left – right:
Paula Rajkumarsingh, Michael Mansoor, Douglas 'Rik' Parkhill, G. Diane Stewart, Sir Fred Gollop

Standing left – right:
Brian Clarke (Corporate Secretary), Sir Allan Fields, David Ritch, Kevin Glass Richard Nesbitt

Missing:
Christina Kramer and Brian O'Donnell

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

*The mandate of the **Audit Committee** is to approve governance and internal policies. The committee is also required to review the effectiveness of internal controls, the annual audit plan, interim and audited financial statements and oversees the Internal Audit. The Committee is also mandated to approve the external and internal auditors, their annual plan and report as well as manage all aspects of the relationship with the External Auditors. The Committee acts as the nominating committee. The committee reviews legal, compliance and regulatory risk. The committee's composition meets the independence and skill requirements of the Group's Governance Manual.*

Our corporate governance guidelines are available on our website at www.cibcfcib.com.

Senior Executive Team and Advisors

Front – sitting (left to right):
Ella Hoyos, Managing Director, Human Resources; Michael Mansoor, LLD, Retired Chairman; Douglas "Rik" Parkhill, Chief Executive Officer; Donna Graham, Managing Director, Governance & Controls; Patricia Rowe-Seale, Chief Auditor (Ag).

Second Row (left to right):
Ben Gillooly, Chief Executive Officer, CIBC Bank and Trust Company (Cayman) Ltd; Mark St. Hill, Managing Director, Retail and Business Banking; Mark Young, Managing Director, Wealth Management; David Whitcroft, Group Treasurer; Geoff Scott, Chief Risk Officer; Jude Pinto, Managing Director, Technology, Operations & Corporate Services.

Back Row (left to right):
Daniel Farmer, Managing Director, Wholesale Banking; Trevor Torzsas, Managing Director, Customer Relationship Management and Strategy; Brian Clarke, General Counsel & Corporate Secretary; Donna Wellington, Managing Director, Barbados; Brian Lee, Chief Financial Officer.

Missing:
Colette Delaney, Chief Administrative Officer; Debbie Kellett, Executive Consultant-Special Initiatives; Duane Hinkson, Managing Director, Trinidad; Marie Rodland-Allen, Managing Director, Bahamas; Mark McIntyre, Managing Director & Country Head, Cayman Islands; Nigel Holness, Managing Director & Senior Coverage Officer, Jamaica and Pim Van Der Burg, Managing Director, Curacao.

ADVISORS

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

Registrar and Transfer Agent:
Barbados Central Securities Depository Inc.

Auditors:
Ernst & Young

Bankers:
FirstCaribbean International Bank (Barbados) Limited

Section 2

Retail & Business Banking

The economic contraction across the Caribbean economies continued to be a main feature of the financial landscape in 2013. Against this backdrop and during these difficult times when our customers need a bank to be a true financial partner, the Bank's strategic priorities during the year focused on the delivery of innovative products and services, improved client experience, convenience, access and cultivating deeper "value added" relationships to meet the needs of our clients.

Our 1,500 Retail & Business Banking employees have played a critical role in the delivery of our strategic priorities and we continue to make significant investments in our employees to serve our customers better and provided a strong foundation to further grow our business across the Region.

Innovative Products & Services

During the year, the Bank delivered to our customers and the market in general, a range of cutting edge products and services. At the core of the development of these products and services is meeting the needs of our customers by providing access, convenience, strong client experience and value. The products and services included:

International Visa Debit Card

This allows customers to use local and International Automated Business Machines (ABMs) with the Visa logo, make point-of-sale purchases and shop online just as with an International VISA credit card. The key difference is that the customer's savings or chequing account is debited. The card is available in Classic and Platinum.

Biz Line Credit Card

This specifically caters to our Business Banking and Wholesale Banking Clients and serves a dual purpose – the option for clients to settle their balance in full or pay 10% of the outstanding balance on a monthly basis while giving them Rewards for qualifying purchases.

Other features include travel accident insurance, auto rental insurance, worldwide travel assistance, emergency cash and card replacement, access to the Visa International Service Centre and the ability to view card activity online as well as pay on line.

Home Equity Line of Credit (HELOC)

HELOC provides our residential mortgage and land loan clients, who are eligible for equity financing, with a safety net in case of emergencies - a form of revolving credit where they provide residential property as collateral. These clients may utilize this product to expand their homes or simply fund large personal or ad hoc expenses more cheaply than an overdraft or credit card, through a secured credit facility.

One of the more outstanding features of this product is that as the outstanding balance is paid down, more of the limit becomes available for further use without repeat credit assessments.

HELOC allows customers to have flexible draw and repayment schedules and the account can be accessed via Internet Banking to track the balance and transfer funds.

Medical Professional's Edge

Earlier this year, we successfully completed a regional launch of the Medical Professional's Edge campaign to salaried and self-employed medical professionals to offer them financial wellness with a full platinum suite to meet both their personal and professional needs. This group of clients includes dentists, physicians, optometrists, podiatrists, pharmacists and psychiatrists. Feedback on this product continues to be heartening.

Pre-approved US$10,000 Lending Campaign

During the year we offered existing land and mortgage customers, with good payment history, a pre-approved US$10,000 loan. The take up has been overwhelming and meeting the needs of our clients.

Rewards Program - Credit Cards

At the beginning of Fiscal 2013, we revamped the Rewards Program originally piloted in 2007, and offered it to all of our Visa Classic and Gold cardholders in 15 markets. Clients who registered for Rewards cards before December 31, 2012 earned 500 bonus points. Also, as a special introductory incentive we offered two points for each US $1 spent (or the local equivalent) – until December 31, 2012.

From January 1, 2013, rewards cardholders earn one point for every US $1 spent (or the local equivalent). Cardholders can also earn bonus points at local participating merchants.

Retail & Business Banking

Clients are able to redeem their accumulated points:

- For cash back toward their credit card balance
- To purchase a wide range of merchandise at choice international online retailers
- Coming very soon Visa Gold cardholders will be able to redeem their rewards for travel benefits, such as flights, hotel bookings and vacations

Rewards clients may sign up on the rewards website, www.cibcfcibrewards.com, in order to track and redeem their points.

Investing in Client Experience and Deepening Client Relationships

The Bank continues to articulate a clear client focus across all banking channels - Branch Network, ABMs, Internet, Telephone and Mobile Banking. This thrust has extended to alternative banking solutions that also provide long term economic value. These include our Bank@Work and Pound the Pavement activities, which continue to bring banking products and services directly to our clients.

Committed to our mission to be the leading financial services provider in the region, building enduring client relationships through trusted advice and superior service we have undertaken some Branch improvements to better serve our customers.

In Barbados, we are making headway to open our new model flagship branch at Warrens in December 2013 which will be designed with customer needs as our first priority. At Sunset Crest, we listened to our customers and improved the layout of the banking hall based on much appreciated customer feedback.

Regionally, we sought to "Pound The Pavement" and got into the community to share knowledge of the products and services and their benefits with our customers and potential customers. This outreach was also conducted with Bank@Work where our Relationship Managers stepped-up their client relationship offer to more conveniently cater to our existing Corporate Clients and their employees by heading to their organizations to offer additional benefits.

Finally, we have also optimized the branch complement of Customer Service Representatives to reduce waiting times in branch lines and are completing work on reducing the number of forms required to be completed by customers during the account Opening Process to one (1) form allowing clients to access all major products and services.

Our People

Employee engagement and training remain critical components of our plans to improve our overall customer experience. CIBC FirstCaribbean's investment in developing our talent pool continues to reap rewards. During the year nine (9) retail leaders from seven (7) countries were seconded to head office rotations to broaden their understanding of the business. These have paid good dividends in the short term and reinforced our commitment to promoting diversity in the work environment. This diversity has seen the appointment of three (3) females in top retail positions throughout the region.

Mrs. Stephanie Burke – Country Head, Northern EC Islands
Mrs. Giselle Farrington – Retail Director, Bahamas
Mrs. Michelle Whitelaw – Retail Director, Barbados

In 2013, we introduced a new coaching framework for our branch management teams along with essential branch product knowledge class room training which was piloted in Barbados. These modules are building blocks to ensure we deliver on our Bank's vision.

During the year we worked closely with the Canadian Securities Institute (CSI) to be first to market in the Region with the Small Business Accreditation – a programme specifically tailored for our own Business Bankers - another step towards setting us further apart from our industry peers to give us a competitive advantage.

Finally, we again salute our 1500 retail employees on the frontlines who continue to drive the pride in the brand and touching the communities we serve. Your efforts are appreciated!

Wholesale Banking

Segment Renamed

During the year we incorporated the Client Solutions Group headed by Martin Peichl and the Structuring & Distribution Group led by Irene Markus into the Corporate and Investment Banking Segment. To consolidate these positions, we changed the name of the segment to Wholesale Banking. The renaming of our segment now more closely aligns us with the naming architecture in use at our parent company, CIBC.

The Client Solutions Group assists our clients with their hedging and now foreign exchange needs and the team has been strengthened during this past year. The Structuring & Distribution Group assists our Corporate & Investment Banking team with the structuring, syndication and execution of our transactions allowing our front line teams to focus more on our Clients' needs. To further bolster our efforts in pursuit of our strategic objectives, we also appointed Berisford Grey to head our Corporate & Investment Banking Group.

Economic Outlook

The economic challenges in the region continued during fiscal 2013 with some green shoots emerging in Trinidad, Dutch Caribbean and parts of the Northern Caribbean. Several governments have pursued debt restructuring initiatives in order to put their fiscal house in order and many are implementing fiscal measures which will impact growth in the near term. Against this backdrop which has resulted in a weak business climate, credit demand remains soft. In Wholesale Banking we have aligned our strategic initiatives recognizing some of the market vulnerabilities but with a focus on the areas or countries that provide opportunities for growth. Additionally, and most importantly, we are ensuring that at the very core of each initiative the customer is top of mind and this must continue to be our number one focus.

Client Relationships and Products

As we continue to deepen our client relationships, focus continues to be on our suite of non-credit products including transaction banking services, E-channels and Internet and our deposit products. We wish to ensure that we are always delivering a full suite of products to meet our customers' needs.

Market awareness for more Private Public Partnerships (P3) given the fiscal constraints of many of the Governments in the region is allowing us to leverage our global expertise in this area. We recently held a conference in Nassau to discuss the various opportunities as well as some areas that need to be addressed in this space. This will continue to be one of our main areas of focus along with Energy including Renewable, Utility, Information Technology/Communication and Manufacturing. We are confident that we are best positioned to execute transactions successfully in these industries based on historic deal activity, a strong client base and best in class expertise. We will continue to work with our International Banking Partners and our parent bank, CIBC, to bring focus to these key target industries, especially infrastructure. We expect that these sectors will be critical to helping the region return to sustainable growth.

Client Experience

Another key component in providing excellent value to our client is our focus on client experience. During 2013, we have significantly removed operational and administrative activities away from the front-line personnel to ensure Corporate Managers and Client Service Officers allocate more time to work with, interact and provide solutions to clients. We have streamlined, strengthened and overall improved our credit adjudication processes which should further positively affect our customer experience especially with the creation of the Structuring & Distribution Group and further integration of the Corporate and Investment Banking units.

Outlook

Our financial results in fiscal 2013 reflect the realities of the economic environment previously highlighted. As we approach 2014, we are more positive in Wholesale Banking given our various growth initiatives, strong and experienced team now fully in place and that we have completed the majority of our internal credit initiatives to strengthen our control and governance framework.

We take this opportunity to thank our clients and key stakeholders for their support and trust over the year and look forward to serving you in 2014.

Wealth Management

In Wealth Management we are in business to help customers achieve what matters to them.

The economic environment during the last year has continued to provide challenges and opportunities for our Wealth Management business during 2013. With market volatility, the move toward full disclosure, fully transparent information exchange agreements and ethical debates around what is the fiduciary role of directors to navigate between what is morally right and legally possible – 2013 has been an interesting year. Throughout, we have maintained our stance of being available for clients with what matters to them.

In Wealth Management at CIBC FirstCaribbean we are proud of our long history of serving wealth clients. We have a tradition of focus on the component sectors. CIBC FirstCaribbean has a strong International Banking business based in six (6) key centres renowned globally for their excellence in providing international products and services.

Our business is built around a platform of core relationships with Key Business Introducers (KBI) in each market, who is an international business services provider in their own right whether it being in providing accounting, legal, trust administration, insurance management, fund management or corporate formation and administration services to name just a few. Our approach has been to gain an intimate understanding of the needs of these firms to ensure we directly address these needs.

These relationships are complemented by direct relationships with wealthy individuals and families particularly those who had real estate (typically 2nd or vacation homes in the Caribbean) which lead to the development of our market leading International Mortgage product. We also support these families with their banking and investment needs where they have other wealth held offshore.

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

We offer a strong discretionary asset management product based on research and models from CIBC Global Asset Management (CGAM) which can be tailored to fit the investment risk profile of most High Net Worth Individuals (HNWI).

We have linkages to key Latin American Markets where a network of strong relationships with KBI and major corporations who trade internationally and direct relationships with wealthy families provides new area of capability and growth to the CIBC FirstCaribbean group.

From our parent, CIBC, we have brought greater product capability in the Wealth Segment with one example being the leveraging of the strong Axiom Mutual Funds capability in Canada to manufacture a Caribbean based version of these funds suitable for international investors who have funds and wealth managed throughout the Caribbean.

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

Despite the significant increase in global compliance such as Foreign Account Tax Compliance Act (FATCA) and the increasing use of Family Offices, the trust business in Bahamas has particularly had a strong financial year and the funds and trust businesses in Cayman have also grown. Continued leverage of KBI has fostered deeper relations and referrals and continuity of staff providing bespoke service to all generations of clients whilst understanding their needs allows us to differentiate us from our peers. Introducing Private Wealth Management through the Caribbean will only enhance our overall service offering.

During 2012, we made the decision to combine all parts of the group that handle international and domestic HNWI clients under the Wealth Management group. This brings International Banking (including International Corporate and International Personal Banking), Investment Management, Private Wealth Management and CIBC Bank & Trust capabilities together to give focus and management attention in one place and to enable us to service all clients in one business unit.

We have enhanced our risk and control framework which was a key enabler for the development of our strategy and our plans to work with key stakeholders to grow our business.

We continue to invest for growth in the Wealth Management sector as an area for renewed growth for CIBC FirstCaribbean. We have many exciting developments to come including:

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

Section 3

Our Employees

CIBC FirstCaribbean continues to employ approaches and that will build a talent pool that distinguishes us from the competition in quality, output and efficiency as we seek to support the bank's strategy and business initiatives.

2012 Players of the Series, chosen as the Bank's top achievers, visit the Bank's regional headquarters.

In support of the Bank's vision to be the leading financial services provider in the region, building enduring client relationships through trusted advice and superior service; we continue to strive to attract, develop and retain high quality talent across the region. This continues to be a challenge in an environment where all financial institutions are competing for the same talent and where Caribbean nationals continue to aspire to careers overseas. CIBC FirstCaribbean continues to employ approaches and that will build a talent pool that distinguishes us from the competition in quality, output and efficiency as we seek to support the Bank's strategy and business initiatives. In 2013, this was evident in the areas of Recruitment, Training, Industrial Relations, Executive Development, Graduate Recruitment and Tuition assistance.

Recruitment

The Bank has a rigorous Recruitment Policy that spans the seventeen (17) territories and is geared at attracting and recruiting at the highest level in the market. This is supported by a structured job evaluation and role creation process that ensures that the right candidates are placed in the right jobs. In 2013, HR personnel participated in a Recruitment and Selection program to refresh skills and embed recruiting standards across the business.

Training

The Learning and Development Unit continues to support the business through the development and delivery of technical training programs to embed technical skills and roll out new systems and processes in all areas across the business. 2013 focus areas were Loans Maintenance, Credit Cards, Banking Operations, Wealth Management and entry level training for front line staff.

In 2013, we continued to cement the delivery of leadership and people management training through the CIBC driven "People Manager Essentials" Programme. This is a leadership skills development program which covers managing performance, managing communication and managing for success. To date, we have trained over four hundred (400) managers and we continue to receive very positive feedback from participants. To support this endeavor, we launched an online People Manager Resource Center, which provides learning material from the program and both participants and their managers can access and utilize the material.

Back in 2011, we launched a Customer Service Training program designed for all employees to reinforce service standards and behaviours. To date we have trained seventeen hundred (1700) employees, seven hundred and sixty-nine (769) in 2013 and this will continue as we work assiduously to support the Banks

service strategy. As the Bank moves towards building an active and productive sales culture, 2013 saw the launch of a Selling Skills program designed for Retail and Corporate employees. The programme covers a 5-step cross sell process and will continue to be rolled out in 2014.

Industrial Relations: Partnership Principles

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

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

The Partnership Agreement is still to this day regarded as a huge milestone in the landscape of Caribbean trade unions and employee relations. Two (2) other Trade unions have since joined the Partnership bringing to twelve (12) the number of active union partners. Over the last ten (10) years, our Partnership Principles have remained a guiding force in the relationships we enjoy with our union partners as we continue to engage each other and to work together in the interest of our key stakeholder, our employees.

Executive Leadership Training

The Bank is committed to developing its leaders to meet the regional and global challenges of the business. To this end, our parent company CIBC has entered a partnership with Robert Ulrich, author of the ground breaking book, Leadership Code, which details five rules to lead by. A programme has been developed and the Senior Executive Team in CIBC FirstCaribbean all participated in this program in 2013 . The course is now a requirement for all executives. This training programme is further supported by regional and overseas assignments.

The Bank also has a structured career and succession planning programme at the executive level to ensure that business leaders are being identified and developed to manage existing roles and to fill future roles.

Graduate Recruitment Programme

The purpose of this programme is to attract high potential graduates from the region's top universities to CIBC FirstCaribbean's business in order to create a pool of future leaders and invest in the skills, knowledge and experience of our people. In doing so, we seek to strengthen our overall capability and develop a competitive edge in the banking sector.

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

Tuition Assistance Programme (TAP)

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

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

The programmes highlighted above along with our reward and recognition programmes and a professional, supportive, and fair working environment, together all explain why the Bank continues to maintain high employee satisfaction results, good retention ratios and a high performing talent pool. We will continue to innovate and engage with our employees in our quest to remain an employer of choice.

Our Communities

Our Communities

In 2013, the charitable work of the CIBC FirstCaribbean Community Trust continued in recognition of the growing need among regional communities for private sector partnership and funding. Our work across the Caribbean focused on renewed support for existing programmes through our Memoranda of Understanding (MOU) and community outreach programmes, where need for further tangible support continued to be expressed. Again, with the collective support of 3400 employees, the Bank solidified its commitment to rally behind its communities, helping them firmly along the path of growth.

Anitra George from the twin island of Antigua and Barbuda receiving her scholarship award from Mr. Mark St. Hill, Managing Director, Retail & Business Banking, CIBC FirstCaribbean.

University of the West Indies (UWI) MOU

Having signed its first MOU with the UWI at the Bank's inception, CIBC FirstCaribbean and the UWI continue to share an enduring bond which has, at its centre, the desire to unlock the region's future through the nurturing of academic excellence. 2013 continued to witness the forging of a steady relationship to the benefit of this region's young academics. There is little doubt that, as a result, a healthy research environment exists along with a commitment to pursue academic excellence and the fostering of an entrepreneurial culture among the Caribbean's brightest minds.

Research Grants

The year-long research of five academics across disciplines in each of the UWI's three campuses was made public in 2013. The research was made possible after an injection of US$ 75,540 to fund academic inquiry for this period. The findings of the research will also be accessible to faculties and students.

Topics included: Monetary Policy to Promote Economic Diversification in a Small Petroleum Dependent Economy; Joining the Second Revolution: From Micro-credit to Micro-financial Services in the Caribbean; Modeling the Potential Macro-Economic Impact of Mobile Financial Services in Delivering Path/ Pension Payments in Jamaica, among others.

Scholarships

CIBC FirstCaribbean offers fifteen (15) scholarships annually to undergraduate and graduate students. The Bank is keen to assist the UWI in ensuring that its graduates in banking, financial services and related areas are well-rounded individuals who are capable of taking their places as leaders in the Caribbean community.

Anitra George, who is pursuing a double major French and Spanish at Cave Hill, is one of fifteen (15) scholarship winners who received US$2,500 each to assist with expenses toward their studies. The

awardees were congratulated on their impressive academic achievements during the annual awards ceremony held in their honour in April.

Supporting Student Entrepreneurial Empowerment Development (SEED)

Support and investment in entrepreneurship among young people throughout the region, continues to be a central focus.

CIBC FirstCaribbean and the UWI annually host a business plan competition coordinated by the UWI's SEED programme.

First place in 2013 went to *Freedom 5*, a clothing company focusing on wholesome and stylish apparel and accessories. The company was able to showcase its talent at a major manufacturing exposition during the year.

Christine Roberts was second with *Chrisy's Care*, a day care and pre-school for children with special needs, ranging in age from six (6) weeks to five (5) years old. She said the facility, which will work alongside other entities such as counselors, would demonstrate how children with special needs can be integrated into society.

Cube and Advanced Software Engineering Solutions tied for third position.

Akeem Bourne of the group Freedom 5 a clothing company, who placed first in the UWI bank sponsored SEED Competition receiving the group award from Mr. Mark St. Hill, Director Retail & Business Banking, CIBC FirstCaribbean.

Walk for the Cure

Building on the 17 years during which its parent company, CIBC, has been at the forefront of supporting research to find a cure for cancer through its title sponsorship of the Canadian Breast Cancer Foundation's CIBC Run for the Cure, CIBC FirstCaribbean organized this year's event in the Caribbean on October 6, as an activity for its staff, their friends and family.

In 2012, the first hosting of the event coincided with the company's 10th anniversary. This year the Bank's 17 member network hosted similar walk and run events, and in some cases, partnered with organizations across the region supporting those affected by cancer.

CIBC FirstCaribbean supports all efforts to raise the public's awareness of all types of cancer and in the lead up to the event, focused its efforts on fundraising to donate to organizations and causes that are championing awareness in the fight against cancer. Over US$100,000 was raised for the cause.

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

The Junior Achievement (JA) programme launched the JA Company programme, its major initiative for 2013. JA and CIBC FirstCaribbean delivered programmes in 12 countries in the Caribbean where both organizations have local offices. The launch of the JA Company programme allows the organisation to measure its impact on the youth population.

JA Company programme encompasses business, entrepreneurship and economics curriculum for students in the last years of high school. It emphasizes business content, while providing a strong focus on social studies, mathematics, reading and writing skills.

The Bank's alliance with the CYBT also continued during 2013 with the signing of another three-year accord. Under the agreement, US$300,000 in funding will be provided to advance the CYBT's programmes across the region.

Regional Unsung Hero 2012 Gerda Gosepa of Curacao receives her award from Ella Hoyos, Managing Director, HR, CIBC FirstCaribbean.

Regional Unsung Hero Awardee 2012, Bonti Liverpool of Dominica (left) happily accepts his award from Ella Hoyos, Managing Director, HR, CIBC FirstCaribbean.

Unsung Heroes

Seventy-year-old Gerda Gosepa topped the list of 17 regional finalists after a panel of judges met in October to make the final selections. This is the second consecutive year that Curacao has produced the region's top Unsung Hero.

Gosepa is a volunteer and leader at Funashon Mangusá, a foundation for the advancement of the residents of Flip, a low-income village in Banda Bou, located in the rural western area of Curacao. She is also a long time women's activist, social worker and peer educator.

Also chosen for special honour were 83 year-old Edward Williams from St. Vincent, a community worker and care-giver and Bonti Liverpool, 60, from Dominica, a reformed drug addict who through his own efforts rehabilitated himself and has dedicated his life to saving others.

Dawn Smith (left) collects Regional Unsung Hero Awardee 2012 Edward Williams' award on his behalf from Ella Hoyos, Managing Director, HR, CIBC FirstCaribbean.

Section 4

Management's Discussion and Analysis

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

Overview

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

The business segments and geographic operating companies are supported by the Administration segment which includes Finance, Human Resources, Risk, Technology, Operations & Corporate Services, Treasury, and other support units. Highlights and commentary on business segments can be found in the 2013 Highlights Section of this Annual Report.

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

Nature of the business

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

Objectives and strategies

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

Resources, risks and relationships

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

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

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

Review of results, performance measures and indicators

Review of the Consolidated Statement of (Loss)/Income

Highlights

$millions except per share amounts, as at or for the year ended October 31	2013	2012
Total revenue	**530**	543
Net (loss)/income	**(27)**	72
Net (loss)/income attributable to the equity holders of the parent	**(27)**	69
Total assets	**11,439**	11,500
Basic (loss) earnings per share (cents)	**(1.7)**	4.4
Dividend per share	**3.0**	3.0
Closing share price per share (cents)	**114**	135
Return on equity	**(1.7)%**	4.4%
Efficiency ratio	**76.0%**	64.1%
Tier I capital ratio	**23%**	23%
Total capital ratio	**24%**	24%

During 2013 the Group approved and announced a plan to restructure its operations with the aim of enhancing its long term competitiveness through reductions in costs, duplication and complexity in the years ahead. The plan will achieve operational efficiencies and annual savings. The plan is estimated to cost $37.6 million before taxes and has been included in operating expenses for this year.

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

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

2013

- $55 million increase in operating expenses which includes $37.6 million related to restructuring expenses
- $31 million increase in loan loss impairment reflecting further deterioration of collateral and updates to key assumptions
- $24 million decrease in net interest income largely due to sustained downward pressure on loan volumes and margins in key markets
- $11 million increase in operating income driven by foreign exchange and securities gains

2012

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

Total revenue is down year on year by $13 million, due to lower net interest income of $24 million partially offset by increased operating income of $11 million.

Total expenses increased year over year by $86 million due to increased operating expenses of $55 million and increase loan loss impairment of $31 million.

Net interest income and margin

$millions for the year ended October 31	2013	2012
Average total assets	**11,470**	11,364
Net interest income	**373**	397
Net interest margin	**3.3%**	3.5%

Net interest income decreased year on year by $24 million (6%) largely caused by lower loan volumes and margins partially offset by lower deposit funding costs.

Operating income

$millions for the year ended October 31	2013	2012
Net fee & commission income	**102**	99
Foreign exchange earnings	**44**	41
Net gains	**5**	2
Other	**6**	4
	157	146

Operating income increased year on year by $11 million (7%) primarily due to higher gains from sale of available-for-sale securities, higher income from Fiduciary & Investment Management fees and Foreign exchange gains.

Operating expenses

$millions for the year ended October 31	2013	2012
Remuneration and benefits		
Wages and Salaries	**181**	153
Benefits	**50**	44
	231	197
Property & equipment expenses	**47**	44
Depreciation	**23**	20
Business taxes	**32**	23
Professional fees	**12**	10
Communications	**10**	10
Other	**48**	44
	403	348

Operating expenses increased year on year by $55 million (16%) primarily due to restructuring expenses of $37.6 million and increased business taxes of $9 million. The costs of restructuring include severance benefits, curtailment gains and losses on retirement benefit and obligations and accelerated depreciation. The restructuring costs were the main driver of the increase to remuneration and benefits, property & equipment expenses and depreciation. The increase to Business tax is caused by tax assessments and increased value added taxes on services to non-residents. Other expenses increased largely due to an increase in Non-credit losses.

Loan loss impairment

$millions for the year ended October 31	2013	2012
Individual impairment		
Mortgages	**58**	28
Personal	**12**	18
Business & Sovereign	**60**	68
	130	114
Collective impairment charge	**21**	6
	151	120

Loan loss impairment increased by $31 million (26%) year on year. The specific allowances increased by $16 million as a result of declining collateral values, new non-performing loans and assumption updates. The collective allowance increased by $15 million due to assumption updates reflecting the continued strained economic conditions in the region.

The ratio of loan loss impairment to gross loans was 2.3% compared with 1.7% at the end of 2012. However non-performing loans to gross loans declined to 12.1% at the end of 2013 compared to 12.4% at the end of 2012.

Income tax expense

$millions for the year ended October 31	2013	2012
Income tax expense	**3**	2
Net (loss)/income before taxes	**(25)**	74
Effective tax rate	**(12.2)%**	3.2%

Income tax expense increased slightly year on year despite losses in the current year. The increase in taxes is largely due to the write off of deferred tax assets and expenses incurred which are not deductible for tax purposes. Additionally a higher portion of the expenses incurred in the current year was incurred in low tax jurisdictions. The combined impact of the above has been a move in the effective tax rate from 3.2% to (12.2)%.

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

$ millions for the year ended October 31	2013	2012
Net (loss)/income for the year	**(28)**	72
Other comprehensive (losses)/income		
Net (losses)/gains on available-for-sale investment securities	**(6)**	14
Exchange differences on translation of foreign operations	**(14)**	(5)
Other Comprehensive (loss)/income	**(20)**	9
Total comprehensive (loss)/income	**(48)**	81

Other comprehensive income declined year on year as a result of net losses from investment securities compared with gains in the prior year, due primarily to sales in the current year.

The Group conducts business in two jurisdictions (Jamaica and Trinidad) that have functional currencies that float against the United States (US) dollar. The Jamaica dollar continued to weaken by 15% year on year, while the Trinidad dollar remained relatively stable. This has continued to result in higher exchange differences of $14 million in the current year compared with losses of $5 million in the prior year.

Review of the Consolidated Statement of Financial Position

$ millions for the year ended October 31	2013	2012
Assets		
Cash & balances with banks	**2,312**	2,381
Investment securities	**2,214**	1,704
Financial assets at FV through profit or loss	-	15
Loans and advances:		
Mortgages	**2,356**	2,476
Personal	**584**	590
Business & Sovereign	**3,658**	3,979
Other	**25**	31
Provision for impairment (net of recoveries and write offs)	**(294)**	(244)
	6,329	6,832
Other assets	**584**	568
	11,439	11,500

Liabilities & shareholders' equity		
Customer deposits		
Individuals	**5,005**	5,022
Business & Sovereign	**4,568**	4,487
Banks	**16**	100
Interest Payable	**18**	16
	9,607	9,625
Other borrowed funds	**16**	16
Debt securities in issue	**30**	31
Financial liabilities at FV through profit or loss	**-**	15
Other liabilities	**232**	162
Non-controlling interest	**27**	30
Equity attributable to equity holders of the parent	**1,527**	1,621
	11,439	11,500

Total assets decreased by $61 million (1%) primarily due to decreased loans and advances mitigated by increased Investment securities. Loans and advances decreased by $503 million (7%), while Investment securities increased by $510 million (30%).

Total liabilities remained flat increasing marginally by $35 million (0.3%). Customer deposits remained flat despite the fall in loans and advances.

Equity attributable to equity holders of the parent has decreased year on year by $94 million (6%) due mainly to net loss for the year of $27 million, other comprehensive losses of $20 million and dividends of $47 million.

Our capital strength protects our depositors and creditors from risks inherent in our business, allows us to absorb unexpected losses and enables us to take advantage of attractive business opportunities. The Group continues to maintain strong capital ratios of Tier I and Tier I & II of 23% and 24% respectively at the end of 2013, well in excess of regulatory requirements.

Business Segment Overview

Management monitors the operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessments. Segment performance is evaluated based on economic profits, which for the total of all segments is equal to net income before taxes reflected on the consolidated financial statements. Economic profits include funds transfer pricing, management allocations, and charges for the segments' use of capital.

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

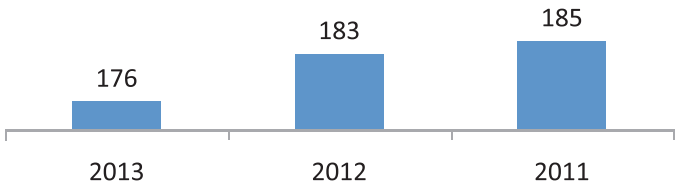
Transactions between the business segments are on normal commercial terms and conditions.

Retail & Business Banking

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

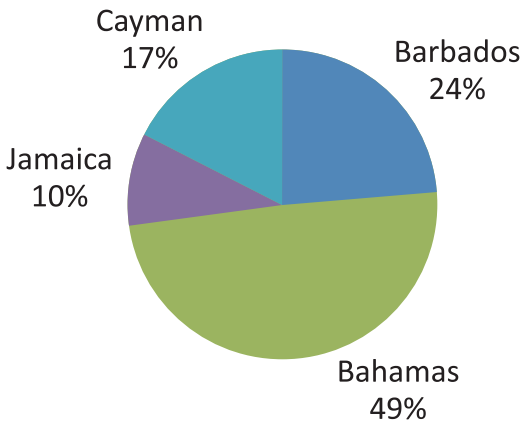
External revenues declined year on year by $7 million or 4% due to lower lending volumes and rates affected by high levels of new non-performing loans, as we continue to feel the impact of the sluggish regional economies along with interest income adjustments on impaired loans. These were partially offset by increased revenue from our Cards and Insurance products driven by higher volumes and improved claims experience respectively.

External Revenues $'MM



The distribution of external revenues by operating company is depicted in the following table.

External Revenues



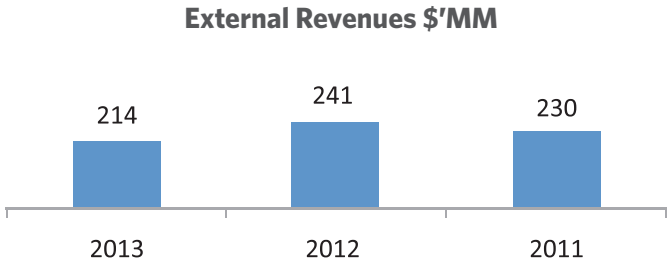
Segment results decreased year on year by $65 million as a result of higher than historical loan loss impairment, affected by declining collateral values and new non-performing loans; the decline in external revenues and restructuring related expenses.

Wholesale Banking

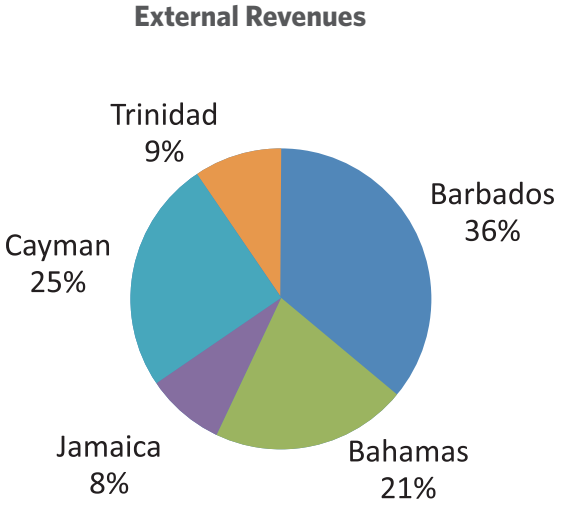
Corporate Banking provides a full range of corporate and commercial banking services to large and mid-size corporate businesses, governments, financial institutions, international trading companies and private wealth vehicles throughout the Caribbean.

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

External revenues declined by $27 million or 11% year on year mainly due to reduced volumes and rates on productive loans. Productive loan volumes have been affected by significant early repayment of facilities as clients chose to use surplus cash to retire debts in the face of depressed investment opportunities. Additionally, the segment has been affected by reduced interest recovered from impaired loans and lower service related fees due to reduced volumes. These were partially offset by lower deposit funding costs caused by lower deposit rates.



The distribution of external revenues by operating company is depicted in the following table.



Segment results decreased year on year by $22 million as a result of reduced external revenues and restructuring related expenses partially offset by increased revenue from other segments driven mainly by securities gains.

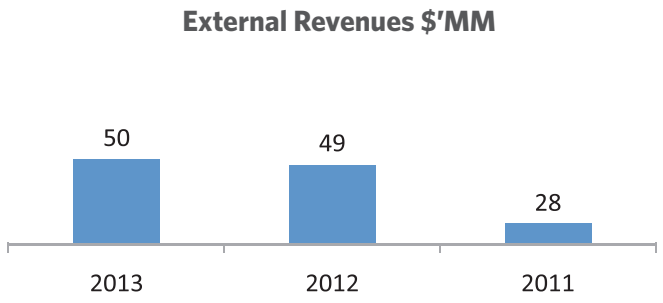
Wealth Management

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

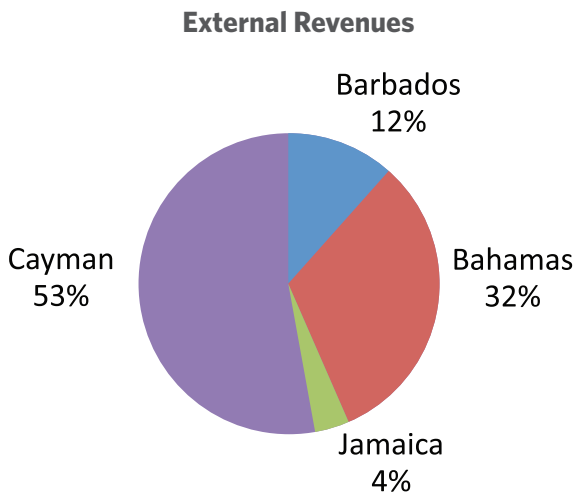
Wealth Management clients are provided investment advice and traditional banking services through a relationship management offer.

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

External revenues increased by $1 million year on year or 2% due to higher service revenues driven by income from Fiduciary & Investment Management Fees along with reduced cost of deposit funding. These were partially offset by reduced loan earnings as volumes remain depressed given the low demand in the second-home market – a key driver for this segment's International Mortgage product.



The distribution of external revenues by operating company is depicted in the following table.



Segment results decreased year on year by $12 million primarily due to higher than historical loan loss impairment expense, pension expenses and restructuring related expenses offset by increased external revenues and revenues from other segments.

Administration

The Administration segment includes Finance, HR, Risk, Technology Operations and Corporate Services, Treasury, and other units, which support the business segments. The revenues and expenses of the functional groups are generally allocated to the business segments. The administration segment retains earnings on excess capital and the offset to capital charges allocated to the business segments.

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

Risk Management Approach

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

The Group's approach to risk management is based on sound banking principles and a robust governance structure. Risk is managed within tolerance levels established by our management committees and approved by the Board of Directors and its committees (the Board). This is achieved through a comprehensive framework of measurement, monitoring and control policies, procedures and processes. Further information on credit, market and liquidity risks within the Group can be found in note 34 of the consolidated financial statements.

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

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

A robust control and governance structure is embedded within each strategic business unit. Representatives from Risk Management interact with the senior leadership of each strategic business unit in order to identify and manage risks in the respective businesses. This approach is supported by comprehensive enterprise-wide reporting.

Credit Risk

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

Credit risk is managed and controlled on the basis of established credit processes and policies operating within a framework of delegated authorities. In addition to approving the Group's key credit policies and setting credit risk appetites and tolerances, the Risk and Conduct Review Committee of the Board also delegates credit approval limits to the Credit Committee of the Group. The Credit Committee is chaired by the Chief Risk Officer

who also delegates lending authority to individual members of the Credit Risk Management department and also to some front line lenders. There is appropriate segregation of duties between customer facing functions responsible for originating and managing exposures, the Credit Risk Management function responsible for credit adjudication and oversight, and the Operations function responsible for disbursing loans and safekeeping of security.

Credit grading, scoring and monitoring systems facilitate the early identification and management of deterioration in loan quality. Delinquent facilities are subject to separate and additional oversight by specialised loan restructuring teams. Classification is automated and operates strictly in line with regulatory and accounting standards. Credit provisions are independently calculated in accordance with International Financial Reporting Standards (IFRS) for statutory reporting and in accordance with the Financial Institutions Act to meet regulatory requirements by the central risk and financial controls team.

Market Risk

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

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

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

Compliance Risk

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

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

Operational Risk

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

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

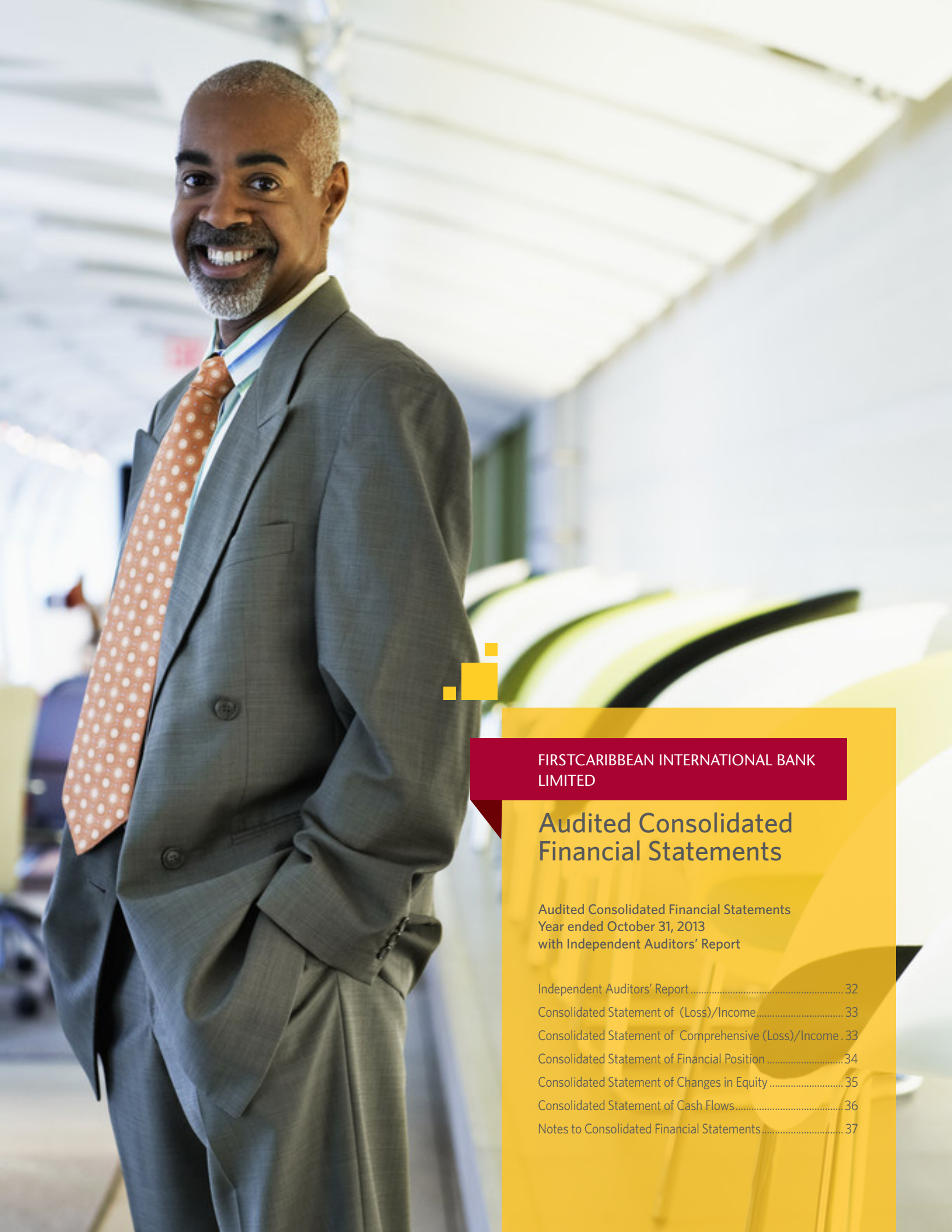
The Group's operational risk management framework includes ongoing monitoring through self-assessment of control deficiencies and weaknesses, and the tracking of incidents and loss events to ensure that, once identified, control deficiencies are communicated and remedied in a timely fashion across the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

Liquidity Risk

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

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

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



FIRSTCARIBBEAN INTERNATIONAL BANK LIMITED

Audited Consolidated Financial Statements

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

ERNST & YOUNG

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of FirstCaribbean International Bank Limited

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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

Ernst & Young

CHARTERED ACCOUNTANTS
Barbados
December 13, 2013

CIBC FirstCaribbean International Bank

Consolidated Statement of (Loss)/Income

For the year ended October 31
(Expressed in thousands of United States dollars, except as noted)

	Notes		2013		2012
Interest and similar income		$	**466,266**	$	499,434
Interest and similar expense			**93,078**		102,612
Net interest income	3		**373,188**		396,822
Operating income	4		**156,664**		146,095
			529,852		542,917
Operating expenses	5		**402,953**		347,960
Loan loss impairment	16		**151,399**		119,967
Amortisation of intangible assets	20		**-**		717
			554,352		468,644
(Loss)/Income before taxation			**(24,500)**		74,273
Income tax expense	6		**2,993**		2,404
Net (loss)/income for the year		$	**(27,493)**	$	71,869
Net (loss)/income for the year attributable to:					
Equity holders of the parent		$	**(26,751)**	$	69,161
Non-controlling interests			**(742)**		2,708
		$	**(27,493)**	$	71,869
Basic (loss)/earnings per share attributable to the equity holders of the parent for the year (expressed in cents per share)	7		**(1.7)**		4.4

Consolidated Statement of Comprehensive (Loss)/Income

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

	Notes		2013		2012
Net (loss)/income for the year		$	**(27,493)**	$	71,869
Other comprehensive (losses)/income, net of tax:					
Net gains/(losses) on available-for-sale investment securities,			**(5,939)**		14,395
Net exchange losses on translation of foreign operations,			**(14,267)**		(5,165)
Total other comprehensive (losses)/income for the year,	8, 9		**(20,206)**		9,230
Comprehensive (loss)/income for the year		$	**(47,699)**	$	81,099
Comprehensive (loss)/income for the year attributable to:					
Equity holders of the parent		$	**(47,002)**	$	78,131
Non-controlling interests			**(697)**		2,968
		$	**(47,699)**	$	81,099

The accompanying notes are an integral part of the financial statements

CIBC FirstCaribbean International Bank

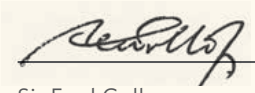
Consolidated Statement of Financial Position

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

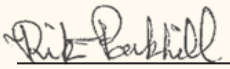
	Notes	2013	2012
Assets			
Cash and balances with Central Banks	10	$ 727,059	$ 720,933
Due from banks	11	1,584,479	1,660,115
Derivative financial instruments	12	3,239	2,708
Financial assets at fair value through profit or loss	13	-	14,855
Other assets	14	33,876	17,884
Taxation recoverable		26,294	22,429
Investment securities	15	2,214,085	1,703,598
Loans and advances to customers	16	6,329,247	6,831,697
Property and equipment	17	127,040	133,597
Deferred tax assets	18	14,819	13,922
Retirement benefit assets	19	44,069	43,355
Intangible assets	20	334,907	334,907
Total assets		$ 11,439,114	$ 11,500,000
Liabilities			
Derivative financial instruments	12	$ 50,061	$ 73,936
Customer deposits	21	9,606,533	9,624,605
Financial liabilities at fair value through profit or loss	13	-	14,855
Other borrowed funds	22	16,388	16,419
Other liabilities	23	148,381	69,610
Taxation payable		1,956	1,089
Deferred tax liabilities	18	1,771	957
Debt securities in issue	24	30,461	30,610
Retirement benefit obligations	19	28,983	17,404
Total liabilities		9,884,534	9,849,485
Equity attributable to equity holders of the parent			
Issued capital	25	1,193,149	1,193,149
Reserves	26	(229,606)	(210,621)
Retained earnings		563,871	638,343
		1,527,414	1,620,871
Non-controlling interests		27,166	29,644
Total equity		1,554,580	1,650,515
Total liabilities and equity		$ 11,439,114	$ 11,500,000

The accompanying notes are an integral part of the financial statements

Approved by the Board of Directors on December 13, 2013



Sir Fred Gollop
Director



Rik Parkhill
Chief Executive Officer

CIBC FirstCaribbean International Bank

Consolidated Statement of Changes in Equity

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

	Notes	Attributable to equity holders of the parent				
		Issued capital	Reserves	Retained earnings	Non-controlling interests	Total equity
Balance at October 31, 2011		$ 1,193,149	$ (231,879)	$ 626,845	$ 30,675	$ 1,618,790
Comprehensive income for the year, net of tax		-	8,970	69,161	2,968	81,099
Transfer to reserves	26	-	11,201	(11,201)	-	-
Purchase of non-controlling interest in subsidiary		-	1,087	244	(2,503)	(1,172)
Equity dividends	27	-	-	(46,706)	-	(46,706)
Dividends of subsidiaries		-	-	-	(1,496)	(1,496)
Balance at October 31, 2012		1,193,149	(210,621)	638,343	29,644	1,650,515
Comprehensive losses for the year, net of tax		-	(20,251)	(26,751)	(697)	(47,699)
Transfer to reserves	26	-	1,010	(1,010)	-	-
Purchase of non-controlling interest in subsidiary			256	(5)	(285)	(34)
Equity dividends	27	-	-	(46,706)	-	(46,706)
Dividends of subsidiaries		-	-	-	(1,496)	(1,496)
Balance at October 31, 2013		**$ 1,193,149**	**$ (229,606)**	**$ 563,871**	**$ 27,166**	**$ 1,554,580**

The accompanying notes are an integral part of the financial statements

CIBC FirstCaribbean International Bank

Consolidated Statement of Cash Flows

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

	2013	2012
Cash flows from operating activities		
(Loss)/Income before taxation	$ (24,500)	$ 74,273
Loan loss impairment	151,399	119,967
Depreciation of property and equipment	22,760	20,101
Amortisation of intangible assets	-	717
Net losses on impairment and disposals of property and equipment	2,794	107
Net gains on disposals and redemption of investment securities	(11,653)	(1,686)
Net hedging gains	(461)	(5,646)
Interest income earned on investment securities	(73,809)	(71,029)
Interest expense incurred on other borrowed funds and debt securities	3,199	4,555
Net cash flows from operating income before changes in operating assets and liabilities	69,729	141,359
Changes in operating assets and liabilities:		
- net decrease in due from banks	110,830	459,795
- net decrease /(increase) in loans and advances to customer	336,434	(325,622)
- net decrease in financial assets at fair value through profit or loss	14,855	12,464
- net (increase)/decrease in other assets	(17,237)	5,446
- net (decrease)/increase in customer deposits	(18,072)	225,778
- net decrease in financial liabilities at fair value through profit or loss	(14,855)	(12,464)
- net increase in other liabilities	89,256	23,439
Income taxes paid	(7,642)	(11,582)
Net cash from operating activities	563,298	518,613
Cash flows from investing activities		
Purchases of property and equipment	(19,014)	(23,305)
Proceeds from disposals of property and equipment	17	756
Purchases of investment securities	(1,715,324)	(1,727,448)
Proceeds from disposals and redemption of investment securities	1,202,553	1,763,186
Interest income received on investment securities	75,672	70,634
Purchase of non-controlling interest in subsidiary	(34)	(1,172)
Net cash (used in)/from investing activities	(456,130)	82,651
Cash flows from financing activities		
Net (repayment)/proceeds on other borrowed funds and debt securities	(219)	59
Interest expense paid on other borrowed funds and debt securities	(3,160)	(4,672)
Dividends paid to equity holders of the parent	(46,706)	(46,706)
Dividends paid to non-controlling interests	(1,496)	(1,496)
Net cash used in financing activities	(51,581)	(52,815)
Net increase in cash and cash equivalents for the year	55,587	548,449
Effect of exchange rate changes on cash and cash equivalents	(14,267)	(5,165)
Cash and cash equivalents, beginning of year	1,895,864	1,352,580
Cash and cash equivalents, end of year (note 10)	$ 1,937,184	$ 1,895,864

The accompanying notes are an integral part of the financial statements

1. General Information

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

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

2. Accounting Policies

2.1 Basis of presentation

These consolidated financial statements have been prepared on a historical cost basis, except for available-for-sale investment securities, financial assets and liabilities at fair value through profit or loss and derivative financial instruments, which have all been measured at fair value. The carrying value of recognised assets that are hedged items in fair value hedges, and otherwise carried at amortised cost, are adjusted to record changes in fair value attributable to the risks that are being hedged. The consolidated financial statements are presented in United States dollars, and all values are rounded to the nearest thousand except where otherwise indicated.

Statement of compliance

The consolidated financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries as at October 31, 2013 (the "reporting date"). The financial statements of the subsidiaries are prepared for the same reporting year as the Bank, using consistent accounting policies.

Subsidiaries

All subsidiaries, which are those companies in which the Bank directly or indirectly holds the majority of the voting rights and where it determines their financial and business policies and is able to exercise control over them in order to benefit from their activities, have been fully consolidated. The principal subsidiaries of the Bank are disclosed in note 35.

All inter-company transactions, balances and unrealised surpluses and deficits on transactions and balances have been eliminated. Subsidiaries are consolidated from the date on which the effective control is transferred to the Bank. Control is achieved where the Bank has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of income from the date of acquisition or up to the date of disposal.

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

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

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

Transactions with non-controlling interests

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

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

Transactions with jointly controlled entities

IFRS 3 Business Combinations does not apply to a business

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

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

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

2.2 Significant accounting judgements and estimates

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

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

Fair value of financial instruments

Certain financial instruments are recorded at fair value using valuation techniques in which current market transactions or observable market data are not available. Their fair value is determined using a valuation model that has been tested against prices of or inputs to actual market transactions and using the Group's best estimates of the most appropriate model assumptions. Models are adjusted to reflect the spread for bid and ask prices to reflect costs to close out positions, counterparty credit and liquidity spread and limitations in the model.

Impairment losses on loans and advances

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

Loans and advances that have been assessed individually and found not to be impaired and all individually insignificant loans and advances are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether provisions should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident.

The collective assessment takes account of data from the loan portfolio such as credit quality, levels of arrears, credit utilisation, loan to collateral ratios, concentrations of risks and economic data, country risk and the performance of different individual groups.

Retirement benefit obligations

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

Income taxes

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

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

Impairment of available-for-sale investments

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

Intangible assets

The Group's financial statements include goodwill and customer-related intangible assets arising from acquisitions. In accordance with IAS 36, goodwill is reviewed for impairment annually using the "value in use" method. This requires the use of estimates for determination of future cash flows expected to arise from each cash-generating unit and an appropriate discount rate to calculate present value. Management also makes judgements at each reporting date to determine whether intangible assets are impaired or not.

2.3 Adoption of new accounting policies

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

The Bank has adopted IAS 1 Presentation of items of other comprehensive income – amendments to IAS 1 which was required for annual periods beginning after July 1, 2012. Adoption of this revised standard did not have any effect on the financial performance or position of the Group.

2.4 Summary of significant accounting policies

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

Foreign currency translation

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

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

Transactions and balances

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

Group companies

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

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

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

Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments such as forward currency contracts and interest rate swaps to manage its foreign currency risks and interest rate risks, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives are taken directly to the statement of income, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment (except for foreign currency risk)
- Cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated

with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

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

Hedges which meet the Group's strict criteria for hedge accounting are accounted for as follows:

- *Fair value hedge*

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

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

- *Cash flow hedge*

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

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

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

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

Interest income and expense

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

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

Fee and commission income

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

Customer loyalty programmes

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

Financial instruments

The Group recognises financial instruments on its consolidated Statement of Financial Position when it becomes a party to the contractual provisions of the instrument and classifies its financial assets into the following categories:

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

Management determines the classification of its investments at initial recognition.

Financial liabilities, other than derivatives and financial liabilities at fair value through the profit or loss, are measured at amortised cost. Derivatives and financial liabilities at fair value through the profit or loss are measured at fair value. Interest expense is recognised on an accrual basis using the effective interest method.

Financial assets and liabilities at fair value through profit or loss

This category comprises financial assets or liabilities held for trading. A financial asset or liability is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management.

Management may designate a financial asset or liability at fair value through profit or loss upon initial recognition when the following criteria are met, and designation is determined on an instrument by instrument basis:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis; or
- The assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The financial instrument contains one or more embedded derivatives which significantly modify the cash flows that otherwise would be required by the contract.

Loans and receivables

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

Available-for-sale financial assets

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

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

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

Available-for-sale financial assets and financial assets or liabilities at fair value through profit or loss are subsequently re-measured at fair value based on quoted bid prices or amounts derived from cash flow models. Loans and receivables are carried at amortised cost using the effective interest method, less any provisions for impairment. Unrealised gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognised in other comprehensive income. When the securities are disposed of or impaired, the related accumulated fair value adjustments are included in the statement of income as gains and losses from investment securities.

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

All gains and losses from disposals and/or changes in the fair value of financial assets and liabilities at fair value through profit or loss and derivatives held for trading are included in operating income as net trading gains or losses. All gains and losses from disposals of investment securities available-for-sale are included in operating income as net investment securities gains or losses. Where certain financial assets are hedged and there is ineffectiveness, this is included in operating income as net hedging gains or losses. Dividends are recorded on the accrual basis when declared and are included in investment securities interest and similar income.

During the normal course of business, financial assets carried at amortised cost may be restructured with the mutual agreement of the Group and the counterparty. When this occurs for reasons other than those which could be considered indicators of impairment (see 'Impairment of assets') the group assesses whether the restructured or renegotiated financial asset is significantly different from the original one by comparing the present value of the restructured cash flows discounted at the original instruments interest rate. If the restructured terms are significantly different, the group derecognises the original financial asset and recognises a new one at fair value, with any difference recognised in the statement of income.

Offsetting financial instruments

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

Sale and repurchase agreements

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

Impairment of financial assets

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

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the Group granting to a borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;
- it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
  - adverse changes in the payment status of borrowers in the group; or
  - national or local economic conditions that correlate with default on the assets in the group.

If there is objective evidence that an impairment loss on loans and advances carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the carrying amount and the recoverable amount, being the estimated present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate.

In certain instances, the terms of advances to customers are restructured or renegotiated. These facilities are subject to the impairment review noted above, and where there is objective evidence of impairment, the amount of any impairment loss is measured as the difference between the carrying value of the facility and the present value of estimated future cash flows based on the renegotiated terms and conditions discounted at the original effective interest rate before restructuring.

Loans are written off, in whole or in part, against the related allowance for credit losses upon settlement (realisation) of collateral or in advance of settlement (no realisation) where the determination of the recoverable value is completed and there is no realistic prospect of recovery above the recoverable value. Any subsequent recoveries are credited to the statement of income. If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited to the statement of income. In circumstances where Central Bank guidelines and regulatory rules require provisions in excess of those calculated under IFRS, the difference is disclosed as an appropriation of retained earnings and is included in a non-distributable general banking reserve.

Intangible assets

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

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

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the net identifiable assets of the acquired subsidiary undertaking at the date of acquisition and is reported in the statement of financial position as an intangible asset. Goodwill is tested annually for impairment at the third quarter and carried at cost less accumulated impairment losses. Goodwill is allocated to the lowest levels for which there are separately identifiable cash flows (cash-generating units) for the purpose of impairment testing. An impairment loss is recognised for the amount by which the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Customer-related intangible assets

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

Property and equipment

All property and equipment are stated at historical cost less accumulated depreciation, with the exception of land which is not depreciated. Historical cost includes expenditures that are directly attributable to the acquisition of the items. Land and buildings comprise mainly branches and offices. Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of income during the financial period in which they are incurred.

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

The annual rates used are:

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

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

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

Leases

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

Financial guarantees

Financial guarantees are financial contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts issued by the Group are treated as contingent liabilities and not recognised in the statement of financial position until a payment under the guarantee has been made, at which time the payment is treated as a loan and advance to customers.

Cash and cash equivalents

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

Provisions

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

Retirement benefit obligations

Pension obligations

The Group operates a number of pension plans, the assets of which are generally held in separate trustee-administered funds. The pension plans are generally funded by payments from the relevant Group companies, taking account of the recommendations of independent qualified actuaries. The Group has both defined benefit plans and defined contribution plans. A defined benefit plan is a pension plan that defines an amount of pension benefit to be provided, usually as a function of one or more factors such as age, years of service or compensation. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The asset or liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting date minus the fair value of plan assets, together with adjustments for unrecognised actuarial gains/losses and past service cost. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by the estimated future cash outflows using interest rates of government securities, which have terms to maturity approximating the terms of the related liability. Most of the pension plans are final salary plans and the charge for such pension plans, representing the net periodic pension cost less employee contributions, is included in staff costs.

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

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

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

Other post-retirement obligations

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

Deferred tax

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

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

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

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

Borrowings

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

Share capital

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

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

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

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

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

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

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

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

2.5 Future changes in accounting policies

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

- IAS 19 Employee benefits (revised)
- IFRS 7 Financial instruments: disclosures (amendment) Offsetting Financial Assets and Financial Liabilities
- IFRS 9 Financial instruments part 1: classification and measurement
- IFRS 10 Consolidated financial statements
- IFRS 11 Joint arrangements
- IFRS 12 Disclosure of interests in other entities
- IFRS 13 Fair value measurement

IAS 19 "Employee Benefits" – In June 2011, the IASB published an amended version of IAS 19. The amendments require the following: (i) recognition of actuarial gains and losses in OCI in the period in which they arise, (ii) recognition of interest income on plan assets in net income, which is to be calculated using the same rate as that used to discount the defined benefit obligation, and (iii) recognition of all past service costs (gains) in net income in the period in which they arise. Retrospective application of the amendments will result in a pre-tax decrease of approximately $26.2 million in shareholder's equity (a combination of OCI and retained earnings) as at November 1, 2011 (after-tax decrease of $25.8 million) due to the recognition in equity of pre-tax unamortized actuarial losses and pre-tax unamortized past service gains as at October 31, 2011. Retrospective application will also result in a decrease in our defined benefit and post-retirement medical benefits expense of approximately $5.1 million for the year ended October 31, 2012 (after-tax decrease of approximately $5.0 million) and a decrease of approximately $5.8 million for the year ended October 31, 2013 (after-tax decrease of approximately $5.6 million). In addition, the remeasurement of the funded status of

our post-employment defined benefit plans and post-retirement medical plans through OCI will result in a decrease in OCI of approximately $4.6 million for the year ended October 31, 2012 (after-tax decrease of approximately $4.9 million) and a decrease in OCI of approximately $1.7 million for the year ended October 31, 2013 (after-tax increase of approximately $2.4 million). The cumulative impact of the above will result in a pre-tax decrease of approximately $21.4 million in shareholder's equity as at October 31, 2013 (after-tax decrease of $22.5 million).

The amendments to IFRS 7 require an entity to disclose information about rights of set-off and related arrangements (e.g., collateral agreements).

IFRS 9 was issued in November 2009 and replaces those parts of IAS 39 relating to the classification and measurement of financial assets.

IFRS 10 includes a new definition of control, which is used to determine which entities are consolidated.

IFRS 11 describes the accounting for joint arrangements with joint control; proportionate consolidation is not permitted for joint ventures (as newly defined).

IFRS 12 includes all of the disclosure requirements for subsidiaries, joint arrangements, associates, and structured entities.

IFRS 13 provides a single source of guidance under IFRS for all fair value measurements.

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

3. Net interest income

	2013	2012
Interest and similar income		
Cash, balances with Central Banks and due from banks	$ 2,431	$ 4,683
Investment securities	73,809	71,029
Loans and advances to customers	390,026	423,722
	466,266	499,434
Interest and similar expense		
Customer deposits	78,050	86,796
Debt securities in issue	1,327	2,451
Borrowed funds and other	13,701	13,365
	93,078	102,612
	$ 373,188	$ 396,822

4. Operating income

	2013	2012
Net fee and commission income	$ 102,375	$ 99,191
Foreign exchange commissions	38,509	42,143
Foreign exchange revaluation net (losses)	5,941	(1,622)
Net trading losses	(6,620)	(5,061)
Net investment securities gains	11,653	1,686
Net hedging gains	461	5,646
Other operating income	4,345	4,112
	$ 156,664	$ 146,095

Net trading losses have arisen from either disposals and/or changes in the fair value on trading securities and derivatives held for trading which include failed hedges.

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

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

Analysis of net fee and commission income:

	2013	2012
Underwriting	$ 3,123	$ 3,694
Deposit services	41,344	39,933
Credit services	7,480	8,605
Card services	21,160	20,038
Fiduciary & investment management	26,639	24,762
Other	2,629	2,159
	$ 102,375	$ 99,191

5. Operating expenses

	2013	2012
Staff costs	$ 230,956	$ 196,900
Property and equipment expenses	46,802	43,798
Depreciation (note 17)	22,760	20,101
Other operating expenses	102,435	87,161
	$ 402,953	$ 347,960

Analysis of staff costs:

	2013	2012
Wages and salaries	$ 154,164	$ 153,189
Pension costs - defined contribution plans (note 19)	3,861	4,572
Pension costs - defined benefit plans (note 19)	4,977	6,398
Post retirement medical benefits charge (note 19)	13,148	2,892
Other share and cash-based benefits	1,354	1,389
Severance including staff related restructuring costs (note 23)	26,662	1,918
Risk benefits	8,601	8,736
Other staff related costs	18,189	17,806
	$ 230,956	$ 196,900

Analysis of other operating expenses:

	2013	2012
Business taxes	$ 31,670	$ 22,509
Professional fees	11,769	10,267
Advertising and marketing	5,988	6,722
Business development and travel	3,443	3,698
Communications	9,782	9,778
Net losses on impairment and sale of property and equipment	2,794	107
Consumer related expenses	7,840	6,882
Non-credit losses	4,849	430
Outside services	5,172	5,359
Other	19,128	21,409
	$ 102,435	$ 87,161

6. Income tax expense

	2013	2012
The components of income tax expense for the year are:		
Current tax charge	$ 4,599	$ 4,743
Deferred tax (credit)/charge	(1,651)	860
Prior year tax charge/(credit)	45	(3,199)
	$ 2,993	$ 2,404

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

	2013	2012
(Loss)/income before taxation	$ (24,500)	$ 74,273
Tax calculated at the statutory tax rate of 25%	$ (6,125)	$ 18,568
Effect of different tax rates in other countries	(9,467)	(28,781)
Effect of income not subject to tax	(26,129)	(14,239)
Effect of income subject to tax at 12.5%	1,902	1,030
(Over)/under provision of prior year deferred tax liability	(466)	281
Under/(over) provision of current year corporation tax liability	3,896	(3,001)
Movement in deferred tax asset not recognised	32,490	19,550
Effect of expenses not deductible for tax purposes	6,892	8,996
	$ 2,993	$ 2,404

7. Earnings per share

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

Basic earnings per share

	2013	2012
Net (loss)/income attributable to equity holders of the parent	$ (26,751)	$ 69,161
Weighted average number of common shares (thousands)	1,577,095	1,577,095
Basic (loss)/earnings per share (expressed in cents per share)	(1.7)	4.4

There are no potentially dilutive instruments

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

	2013	2012
Available-for-sale investment securities, net of tax:		
Net gains arising during the year	$ 5,714	$ 16,081
Reclassification adjustments for gains included in the statement of income	(11,653)	(1,686)
	(5,939)	14,395
Attributable to:		
Equity holders of the parent	(6,094)	14,070
Non-controlling interests	155	325
	(5,939)	14,395
Net exchange losses on translation of foreign operations, net of tax		
Attributable to:		
Equity holders of the parent	(14,157)	(5,100)
Non-controlling interests	(110)	(65)
	(14,267)	(5,165)
Other comprehensive (losses)/income for the year, net of tax	$ (20,206)	$ 9,230

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

	2013	2012
Available-for-sale investment securities, net of tax		
Before Tax	$ (4,371)	$ 14,953
Tax	(1,568)	(558)
After Tax	(5,939)	14,395
Net exchange losses on translation of foreign operations, net of tax		
Before and after tax	(14,267)	(5,165)
Other comprehensive (losses)/income for the year, net of tax	$ (20,206)	$ 9,230

10. Cash and balances with Central Banks

	2013	2012
Cash	$ 91,359	$ 92,155
Deposits with Central Banks - interest bearing	43,070	77,301
Deposits with Central Banks - non-interest bearing	592,630	551,477
Cash and balances with Central Banks	727,059	720,933
Less: Mandatory reserve deposits with Central Bank	(292,023)	(301,295)
Included in cash and cash equivalents as per below	$ 435,036	$ 419,638

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

Cash and cash equivalents

	2013	2012
Cash and balances with Central Banks as per above	$ 435,036	$ 419,638
Due from banks (note 11)	1,502,148	1,476,226
	$ 1,937,184	$ 1,895,864

11. Due from banks

	2013	2012
Included in cash and cash equivalents (note 10)	$ 1,502,148	$ 1,476,226
Greater than 90 days maturity from date of acquisition	82,331	183,889
	$ 1,584,479	$ 1,660,115

The average effective yield on these amounts during the year was 0.2% (2012 – 0.3%).

12. Derivative financial instruments

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

2013	Notional amount	Assets	Liabilities
Interest rate swaps	$ 512,019	$ 1,884	$ 49,236
Foreign exchange forwards	225,987	1,284	754
Interest rate options	165,279	71	71
		$ 3,239	$ 50,061

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

The Group has positions in the following types of derivatives:

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

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

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

Derivative financial instruments held or issued for hedging purposes

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

During the year, the Group recognised gains on effective hedges of $461 (2012 - $5,646) due to gains/(losses) on hedging instruments of $22,781 (2012 - $9,322), and (losses)/gains on hedged items attributable to the hedged risk of ($22,320) (2012 - $14,968). These gains are included within operating income as net hedging gains.

In 2013 and 2012, the Group recognised no gains or losses as a result of failed hedges which are included within operating income as part of net trading gains as these derivatives are classified as trading derivatives upon failure.

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

The Group had a financial asset which was classified under IAS 39 Financial Instruments as held at fair value through profit or loss. This asset was funded by an offsetting liability also designated as held at fair value through profit or loss. The fair value of these financial instruments was based on the fair value of a basket of equity securities, and the equal and offsetting changes in fair value plus the Group's return on the transaction was recognised within operating income. The financial asset matured at the end of 2013.

14. Other assets

	2013	2012
Prepayments and deferred items	$ 10,115	$ 9,381
Other accounts receivables	23,761	8,503
	$ 33,876	$ 17,884

15. Investment securities

	2013	2012
Available-for-sale		
Equity securities – unquoted	$ 903	$ 698
Government debt securities	1,536,534	1,330,990
Other debt securities	654,662	348,061
	2,192,099	1,679,749
Add: Interest receivable	21,986	23,849
	$ 2,214,085	$ 1,703,598

The average effective yield during the year on debt securities and treasury bills was 3.9% (2012 - 4.2%). The Group has a regulatory reserve requirement to maintain a percentage of deposit liabilities in cash or in the form of Government securities. At October 31, 2013 the reserve requirement amounted to $427,152 (2012 - $432,711) of which $292,023 (2012 - $301,295) is included within cash and balances with Central Banks (note 10).

Available-for-sale securities in the amount of $14,617 (2012 - 14,689) were pledged as security for investment note certificates issued by the Group (note 22).

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

	2013	2012
Balance, beginning of year	$ 1,679,749	$ 1,693,425
Additions (purchases, changes in fair value and foreign exchange)	1,714,903	1,749,510
Disposals (sales and redemptions)	(1,202,553)	(1,763,186)
Balance, end of year	$ $2,192,099	$ 1,679,749

16. Loans and advances to customers

	Mortgages	Personal Loans	Business & Sovereign	2013
Performing loans	$ 2,012,066	$ 505,460	$ 3,284,085	$ 5,801,611
Impaired loans	343,929	78,745	374,355	797,029
Gross loans	2,355,995	584,205	3,658,440	6,598,640
Less: provisions for impairment	(92,159)	(40,034)	(161,374)	(293,567)
	$ 2,263,836	$ 544,171	$ 3,497,066	6,305,073
Add: Interest receivable				56,180
Less: Unearned fee income				(32,006)
				$ 6,329,247

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

Movement in provisions for impairment is as follows:

	Mortgages	Personal Loans	Business & Sovereign	2013
Balance, beginning of year	$ 59,349	$ 39,694	$ 145,231	$ 244,274
Individual impairment	57,821	11,705	60,646	130,172
Collective impairment	2,564	(2,118)	20,781	21,227
Recoveries and write offs	(14,023)	(6,146)	(56,879)	(77,048)
Interest accrued on impaired loans	(13,552)	(3,101)	(8,405)	(25,058)
Balance, end of year	$ 92,159	$ 40,034	$ 161,374	$ 293,567

Movement in provisions for impairment is as follows:

	Mortgages	Personal Loans	Business & Sovereign	2012
Balance, beginning of year	$ 46,079	$ 31,413	$ 140,472	$ 217,964
Individual impairment	28,220	17,532	68,470	114,222
Collective impairment	1,542	2,365	1,838	5,745
Recoveries and write offs	(8,576)	(9,652)	(58,204)	(76,432)
Interest accrued on impaired loans	(7,916)	(1,964)	(7,345)	(17,225)
Balance, end of year	$ 59,349	$ 39,694	$ 145,231	$ 244,274

Ageing analysis of past due but not impaired loans:

	Mortgages	Personal Loans	Business & Sovereign	2013
Less than 30 days	$ 76,706	$ 8,607	$ 45,949	$ 131,262
31 – 60 days	67,637	9,322	51,819	128,778
61- 89 days	30,060	7,785	9,230	47,075
	$ 174,403	$ 25,714	$ 106,998	$ 307,115

Ageing analysis of past due but not impaired loans:

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

The average interest yield during the year on loans and advances was 6.4% (2012 – 6.6%). Impaired loans as at October 31, 2013 amounted to $797,029 (2012 - $873,812) and interest taken to income on impaired loans during the year amounted to $2,844 (2012 – $6,107).

Loans and advances to customers include finance lease receivables:

	2013	2012
No later than 1 year	$ 5,121	$ 5,847
Later than 1 year and no later than 5 years	19,028	15,917
Gross investment in finance leases	24,149	21,764
Unearned finance income on finance leases	(3,140)	(2,934)
Net investment in finance leases	$ 21,009	$ 18,830

17. Property and equipment

	Land and buildings	Equipment, furniture and vehicles	Leasehold improvements	2013
Cost				
Balance, beginning of year	$ 102,373	$ 222,872	$ 31,713	$ 356,958
Purchases	679	9,313	9,022	19,014
Disposals	-	(3)	(3,738)	(3,741)
Net transfers/write-offs (*)	824	161	(3,994)	(3,009)
Balance, end of year	103,876	232,343	33,003	369,222
Accumulated depreciation				
Balance, beginning of year	33,331	169,608	20,422	223,361
Depreciation	2,466	14,781	5,513	22,760
Disposals	(38)	(1)	(1,822)	(1,861)
Net transfers/write-offs (*)	(24)	(194)	(1,860)	(2,078)
Balance, end of year	35,735	184,194	22,253	242,182
Net book value, end of year	$ 68,141	$ 48,149	$ 10,750	$ 127,040

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

Included as part of equipment, furniture and vehicles is an amount for $16,594 (2012 - $15,130) relating to systems development costs and work in progress which is incomplete, not yet in operation and on which no depreciation has been charged.

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

18. Deferred tax assets/(liabilities)

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

	2013	2012
Net deferred tax position, beginning of year	**$ 12,965**	$ 14,383
Deferred tax credit/(charge) to statement of (loss)/income for the year	**1,651**	(860)
Deferred tax charge to other comprehensive (losses)/income for the year	**(1,568)**	(558)
Net deferred tax position, end of year	**$ 13,048**	$ 12,965

Represented by:

	2013	2012
Deferred tax assets	**$ 14,819**	$ 13,922
Deferred tax liabilities	**(1,771)**	(957)
Net deferred tax position, end of year	**$ 13,048**	$ 12,965

The components of the net deferred tax position are:

	2013	2012
Accelerated tax depreciation	**$ 870**	$ 431
Loan loss provisions	**5,812**	2,151
Other provisions	**1,940**	2,533
Tax losses carried forward	**11,322**	13,632
Pension and other post-retirement benefit assets	**(6,282)**	(6,736)
Changes in fair value of available-for-sale investment securities in other comprehensive (losses)/income	**(614)**	954
	$ 13,048	$ 12,965

The deferred tax assets include assets established on tax losses carried forward of $11,296 (2012 - $50,103), of which $6,388 (2012- $41,817) will expire over the next nine years.

The Group has tax losses of $679,335 (2012 - $618,954) for which no deferred tax assets have been recognized due to uncertainty of their recoverability. These losses will expire over the next nine years.

19. Retirement benefit assets and obligations

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

The total expense relating to the contributory plans charged for the year was $3,861 (2012 - $4,572), which represents contributions to defined contribution plans by the Group at rates specified in the rules of the plan. Refer to note 5.

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

	Defined benefit pension plans		Post-retirement medical benefits	
	2013	2012	**2013**	2012
Fair value of the plan assets	**$ 317,755**	$ 292,016	**$ -**	$ -
Present value of the obligations	**(282,232)**	(262,202)	**(42,078)**	(29,707)
	35,523	29,814	**(42,078)**	(29,707)
Unrecognised actuarial losses	**8,546**	13,541	**13,095**	12,303
Net retirement benefit assets/(obligations)	**$ 44,069**	$ 43,355	**$ (28,983)**	$ (17,404)

The pension plan assets include the Bank's common shares with a fair value of $1,287 (2012 - $1,281).

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

	2013	2012
Opening fair value of plan assets	**$ 292,016**	$ 281,661
Expected return	**19,700**	20,416
Contributions by employer	**7,752**	7,883
Benefits paid	**(7,499)**	(6,862)
Foreign exchange translation (losses)/gains	**(4,664)**	(1,663)
Assets transferred out	**(549)**	(625)
Actuarial gains/(losses)	**10,999**	(8,794)
Closing fair value of plan assets	**$ 317,755**	$ 292,016

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

	2013	2012
Opening obligations	**$ (262,202)**	$ (253,892)
Interest costs	**(18,082)**	(17,412)
Current service costs	**(8,209)**	(8,448)
Benefits paid	**7,499**	6,862
Foreign exchange translation gains/(losses)	**3,563**	1,248
Actuarial (losses)/gains on obligations	**(7,180)**	9,440
Curtailment gain	**2,379**	-
Closing obligations	**$ (282,232)**	$ (262,202)

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

	2013	2012
Opening obligations	**$ (29,707)**	$ (26,655)
Interest costs	**(1,534)**	(1,449)
Current service costs	**(515)**	(838)
Curtailment	**(5,629)**	6,181
Vested past service costs	**(555)**	(1,247)
Benefits paid	**922**	1,295
Foreign exchange translation gains	**653**	48
Actuarial losses on obligations	**(5,713)**	(7,042)
Closing obligations	**$ (42,078)**	$ (29,707)

The Bank expects to contribute $6,250 (2012 - $9,097) to its defined benefit pension plan in the following year.

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

	Defined benefit pension plans		Post-retirement medical benefits	
	2013	2012	2013	2012
Current service costs	**$ 8,209**	$ 8,448	**$ 515**	$ 838
Interest costs	**18,082**	17,412	**1,534**	1,449
Expected return on plan assets	**(19,700)**	(20,416)	**-**	-
Net actuarial gains recognised during the year	**765**	954	**4,915**	2,209
Curtailment (gains)/losses	**(2,379)**	-	**5,629**	(2,851)
Vested past service costs	**-**	-	**555**	1,247
Total amount included in staff costs (note 5)	**$ 4,977**	$ 6,398	**$ 13,148**	$ 2,892
Actual return on plan assets	**$ 30,260**	$ 11,502	**$ -**	$ -

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

	Defined benefit pension plans		Post-retirement medical benefits	
	2013	2012	2013	2012
Balance, beginning of year	**$ 43,355**	$ 43,122	**$ (17,404)**	$ (15,829)
Charge for the year	**(4,977)**	(6,398)	**(13,148)**	(2,892)
Contributions by employer	**7,752**	7,883	**-**	-
Benefits paid	**-**	-	**922**	1,295
Foreign exchange (losses) translation gains	**(1,512)**	(627)	**647**	22
Transfer of assets	**(549)**	(625)	**-**	-
Balance, end of year	**$ 44,069**	$ 43,355	**$ (28,983)**	$ (17,404)

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

	Main Plan		Bahamas Plan		Jamaica Plan		Bahamas Trust Plan	
	2013	2012	2013	2012	2013	2012	2013	2012
Equity instruments	**55%**	50%	**62%**	56%	**9%**	11%	**50%**	46%
Debt instruments	**44**	48	**38**	43	**46**	51	**30**	35
Property	**-**	-	**-**	**-**	**22**	23	**-**	-
Other assets	**1**	2	**-**	1	**23**	15	**20**	19

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

	Defined benefit pension plans	
	2013	2012
Discount rate	**5.0 - 1 0.0%**	5.0 – 10.0%
Expected return on plan assets	**5.0 - 10.75%**	6.12 – 10.75%
Future salary increases	**4.0 - 8.0%**	5.0 – 8.0%
Future pension increases	**0.0 – 6.0%**	0.0 – 6.0%

	Post-retirement medical benefits	
	2013	2012
Discount rate	**5.0 - 10.0%**	4.0 – 10.0%
Premium escalation rate	**5.0 - 6.0%**	4.0 – 6.0%
Existing retiree age	**60 – 65**	60 – 65

An increase of 1% in the assumed medical cost trend rate for each future year would have resulted in a higher defined benefit obligation of $35,748 at October 31, 2013 (2012 - $24,353) and a higher charge for the year of $1,849 (2012 - $1,361). A decrease of 1% in the medical cost trend rate for each future year would have resulted in a lower defined benefit obligation of $26,248 at October 31, 2013 (2012 - $18,143) and a lower charge for the year of $1,366 (2012 - $1,024).

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

	2013	2012	2011	2010	2009
Fair value of the plan assets	**$ 317,755**	$ 292,016	$ 278,496	$ 251,885	$ 234,036
Present value of the obligations	**(282,232)**	(262,202)	(249,792)	(229,320)	(212,865)
	$ 35,523	$ 29,814	$ 28,704	$ 22,565	$ 21,171

FirstCaribbean International Bank Limited Retirement Plan
The last actuarial valuation was conducted as at November 1, 2010 and revealed a fund deficit of $699.

FirstCaribbean International Bank (Bahamas) Limited Retirement Plan
The last actuarial valuation was conducted as at November 1, 2010 and revealed a fund surplus of $6,916.

FirstCaribbean International Bank (Jamaica) Limited Retirement Plan
The last actuarial valuation was conducted as at October 31, 2012 and revealed a fund surplus of $1,289.

CIBC Trust Company (Bahamas) Limited Retirement Plan
The last actuarial valuation was conducted as at November 1, 2013 and revealed a fund deficit of $652.

20. Intangible assets

	Goodwill	Customer- related intangible	**2013**	2012
Cost				
Balance, beginning and end of year	$ 334,907	$ 17,748	**$ 352,655**	$ 352,655
Accumulated amortisation				
Balance, beginning of year	-	17,748	**17,748**	17,031
Amortisation	-	-	-	717
Balance, end of year	-	17,748	**17,748**	17,748
Net book value, end of year	$ 334,907	$ -	**$ 334,907**	**$ 334,907**

Goodwill

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

	2013	2012
St. Vincent	**$ 946**	$ 946
Barbados (Wealth Management Operations)	**17,040**	17,040
Bahamas	**177,920**	177,920
Cayman	**105,369**	105,369
Trinidad	**4,260**	4,260
Curaçao	**29,372**	29,372
	$ 334,907	$ 334,907

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

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

	Discount Rate		Growth Rate	
	2013	2012	2013	2012
St. Vincent	**13%**	13%	**3%**	3%
Barbados (Wealth Management Operations)	**14**	7	**2**	2
Bahamas	**12**	10	**3**	3
Cayman	**10**	8	**3**	3
Trinidad	**10**	11	**2**	2
Curaçao	**12**	7	**2**	2

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

21. Customer deposits

	Payable on demand	Payable after notice	Payable at a fixed date	2013	2012
Individuals	$ 964,536	$ 1,833,665	$ 2,206,962	**$ 5,005,163**	$ 5,021,788
Business & Sovereign	1,999,109	608,715	1,959,849	**4,567,673**	4,487,439
Banks	9,530	-	6,356	**15,886**	99,634
	2,973,175	2,442,380	4,173,167	**9,588,722**	9,608,861
Add: Interest payable	900	949	15,962	**17,811**	15,744
	$ 2,974,075	$ 2,443,329	$ 4,189,129	**$ 9,606,533**	$ 9,624,605

The average effective rate of interest on customer deposits during the year was 0.8% (2012 - 0.9%).

22. Other borrowed funds

	2013	2012
Investment note certificates and other fund raising instruments	$ 14,618	$ 14,689
Add: Interest payable	1,770	1,730
	$ 16,388	$ 16,419

The average effective rate of interest on other borrowed funds during the year was 12.2% (2012 - 12.1%).

Investment note certificates issued by the Group amounting to $14,617 (2012 - $14,689) are secured by debt securities referred to in note 15.

23. Other liabilities

	2013	2012
Accounts payable and accruals	$ 99,411	$ 67,978
Restructuring provisions	27,214	-
Amounts due to related parties	21,756	1,632
	$ 148,381	$ 69,610

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

The Group has embarked on a restructuring plan which aims to enhance its long term competitiveness through reductions in costs, duplication and complexity in the years ahead. The Group plans to invest approximately $37,593 before taxation over the next 2 years with the aim of achieving operational efficiencies and run-rate annual savings. The cost of the restructuring plan includes termination benefits, additional expenses covering the acceleration of depreciation and contract termination costs related to real estate. Included in other liabilities is a related provision for severance of $ 25,695 (2012 - $ nil) and other costs of $ 1,519 (2012 - $ nil).

24. Debt securities in issue

	2013	2012
TT$195 million subordinated fixed rate notes due 2018	$ 30,324	$ 30,472
Add: Interest payable	137	138
	$ 30,461	$ 30,610

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

The average effective interest rate during 2013 was 4.35% (2012 - 8.06%).

25. Issued capital

	2013	2012
Balance, beginning and end of year	$ 1,193,149	$ 1,193,149

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

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

Capital

Objectives, policies and procedures

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

Regulatory requirements

Our regulatory capital requirements are determined in accordance with guidelines issued by our banking regulators across the region and in the case of Barbados, by the Central Bank of Barbados. These guidelines evolved from the framework of risk based capital standards developed by the Basel Committee, Bank of International Settlement (BIS).

BIS standards require that banks maintain minimum Tier I and Tier I & Tier II ratios of 4% and 8% respectively. The Central Bank of Barbados has established that FirstCaribbean International Bank Limited maintains minimum ratios of 7% and 14% respectively. During the year, we have complied in full with all of our regulatory capital requirements.

Regulatory capital

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

As at October 31, 2013, Tier I and Tier I & Tier II capital ratios were 23% and 24% respectively (2012 - 23% and 24% respectively).

26. Reserves

	2013	2012
Statutory and general banking reserves	$ 266,469	$ 265,459
Revaluation reserve – available-for-sale investment securities	1,121	7,210
Translation reserve	(36,687)	(22,781)
Contributed surplus reserve	3,119	3,119
Reverse acquisition reserve	(463,628)	(463,628)
Total reserves	$ (229,606)	$ (210,621)

Statutory and general banking reserves

	2013	2012
Balance, beginning of year	$ 265,459	$ 254,258
Transfers from retained earnings	1,010	11,201
Balance, end of year	$ 266,469	$ 265,459

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

Revaluation reserve – available-for-sale investment securities

	2013	2012
Balance, beginning of year	$ 7,210	$ (6,901)
Net (losses)/gains from changes in fair value of available-for-sale investment	(6,094)	14,070
Purchase of non-controlling interest in subsidiary	5	41
Balance, end of year	$ 1,121	$ 7,210

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

Translation reserve

	2013	2012
Balance, beginning of year	$ (22,781)	$ (18,727)
Foreign currency translation difference arising during the year	(14,157)	(5,100)
Purchase of non-controlling interest in subsidiary	251	1,046
Balance, end of year	$ (36,687)	$ (22,781)

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

Contributed surplus reserve

	2013	2012
Balance, beginning and end of year	$ 3,119	$ 3,119

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

Reverse acquisition reserve

	2013	2012
Balance, beginning and end of year	**$ (463,628)**	$ (463,628)

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

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

27. Dividends

As at October 31, 2013, the Directors recommended for approval a final common share dividend, which is not reflected in these financial statements, of one point five cents ($0.015) per common share (2012 - $0.015), bringing the total dividend payout for 2013 to three cents ($0.030) per common share (2012 - $0.030).

28. Other employee benefits

Long-term incentive plan

The Group operates a long-term incentive plan whereby under the rules of the plan cash based awards are granted to employees on a discretionary basis and vest over varying periods. The award granted in 2013 amounted to $3,653 (2012 - $3,148). The amounts expensed during the year related to these cash awards were $2,481 (2012 - $4,408).

Employee share purchase plan

Under our employee share purchase plan, qualifying employees can choose each year to have up to 10% of their eligible earnings withheld to purchase common shares in the Bank. The Bank matches 50% of the employee contribution amount, up to a maximum contribution of 6% of eligible earnings, depending upon length of service and job level. The Bank's contributions vest after employees have two years of continuous participation in the plan, and all subsequent contributions vest immediately. All contributions are paid into a trust and used by the plan trustees to purchase common shares in the open market. The Bank's contributions are expensed as incurred and totalled $1,354 in 2013 (2012 - $1,389).

29. Related party transactions and balances

The Group's major shareholder is CIBC.

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

	Directors and key management personnel		Major shareholder	
	2013	2012	**2013**	2012
Asset balances:				
Cash and due from banks	**$ -**	$ -	**$ 1,035,853**	$ 1,233,720
Loans and advances to customers	**5,241**	3,091	**500,740**	500,750
Derivative financial instruments	**-**	-	**1,223**	322
Liability balances:				
Customer deposits	**17,205**	16,899	**18,325**	11,087
Derivative financial instruments	**-**	-	**29,625**	44,113
Financial liabilities at fair value through profit or loss	**-**	-	**-**	14,855
Due to banks	**-**	-	**5,119**	1,582
Revenue transactions:				
Interest income earned	**238**	166	**17,878**	10,359
Other revenue	**3**	4	**755**	5,665
Expense transactions:				
Interest expense incurred	**118**	106	**1,662**	8,063
Other expenses for banking and support services	**-**	-	**6,409**	2,746

Key management compensation

	2013	2012
Salaries and other short-term benefits	**$ 6,911**	$ 6,575
Post-employment benefits	**618**	585
Long-term incentive benefits	**875**	1,384
	$ 8,404	$ 8,544

Non-executive directors' remuneration

A listing of the members of the Board of Directors is included within the Group's Annual Report. In 2013, the total remuneration for the non-executive directors was $180 (2012 - $180). The executive directors' remuneration is included under key management compensation.

30. Commitments, guarantees and contingent liabilities

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

	2013	2012
Letters of credit	$ 105,478	$ 132,499
Loan commitments	713,386	655,849
Guarantees and indemnities	107,163	128,290
	$ 926,027	$ 916,638

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

31. Future rental commitments under operating leases

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

	2013	2012
Not later than 1 year	$ 10,080	$ 9,151
Later than 1 year and less than 5 years	21,145	17,215
Later than 5 years	8,426	2,895
	$ 39,651	$ 29,261

During the year ended October 31, 2013 $651 (2012 - $652) of lease payments was charged to net income.

32. Fiduciary activities

The Group provides custody and trustee discretionary investment management services to third parties. Those assets that are held in a fiduciary capacity are not included in these financial statements. At the reporting date, the Group had investment assets under administration on behalf of third parties amounting to $56,643,159 (2012 - $63,151,814).

33. Business segments

In August 2013, the Group renamed Corporate and Investment Banking to Wholesale Banking to align with the naming architecture in use at its parent, CIBC. The Group's operations are organized into three business segments, Retail & Business Banking ("RB"), Wholesale Banking ("WB") formerly known as Corporate Lending & Investment Banking ("CLIB") and Wealth Management ("WM"), which are supported by the functional units within the Administration ("Admin") segment (which includes Treasury, Finance, HR, Technology & Operations, Risk and Other). The Administration segment results include the earnings on economic capital and capital charges for Treasury and the offset of the same for RB, WB, and WM.

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

Management monitors the operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on economic profits, which for the total of all segments is equal to net income before taxes reflected on the consolidated financial statements. Economic profits include funds transfer pricing, management allocations, and earnings/charges for the segments' use of capital.

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

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

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

2013 Segment Reporting

	RB	WB	WM	Admin	2013
External revenues	$ 175,649	$ 213,684	$ 50,287	$ 90,232	**$ 529,852**
Revenues from other segments	19,827	1 1,513	47,839	(79,179)	**-**
Total revenues	$ 195,476	$ 225,197	$ 98,126	$ 11,053	**$ 529,852**
Segment results	$ (80,362)	$ (33,315)	$ 32,089	$ 57,088	**$ (24,500)**
Income tax expense				2,993	**2,993**
Net loss for the year					**$ (27,493)**

Segment results include the following items of income or expense:

	RB	WB	WM	Admin	2013
Interest income	$ 172,536	$ 192,145	$ 66,417	$ 35,168	**$ 466,266**
Interest expense	46,778	20,791	6,811	18,698	**93,078**
Loan loss impairment	47,466	94,131	9,802	-	**151,399**
Net hedging gains	-	-	-	461	**461**
Depreciation	5,520	1,231	614	15,395	**22,760**
Total Restructuring costs	-	-	457	37,136	**37,593**
Amortisation	-	-	-	-	**-**

Total assets and liabilities by segment are as follows:

	RB	WB	WM	Admin	2013
Segment assets	$ 2,357,462	$ 3,269,123	$ 291,433	$ 5,145,076	**$ 11,063,094**
Unallocated assets					**376,020**
Total assets					**$ 11,439,114**
Segment liabilities	$ 2,864,359	2,187,421	4,218,374	610,653	**9,880,807**
Unallocated liabilities					**3,727**
Total liabilities					**$ 9,884,534**

2012 Segment Reporting

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

Segment results include the following items of income or expense:

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

Total assets and liabilities by segment are as follows:

	RB	WB	WM	Admin	2012
Segment assets	$ 2,418,709	$ 4,012,888	$ 328,533	$ 4,368,612	$ 11,128,742
Unallocated assets					371,258
Total assets					$ 11,500,000
Segment liabilities	$ 2,812,808	$ 2,212,739	$ 4,271,920	$ 549,972	$ 9,847,439
Unallocated liabilities					2,046
Total liabilities					$ 9,849,485

34. Financial risk management

Introduction

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

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

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

Credit risk

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

Process and control

The Risk Management Team is responsible for the provision of the Group's adjudication, oversight and management of credit risk within its portfolios. The Credit Executive Committee (CrExCo) has responsibility for monitoring credit metrics, providing direction on credit issues and making recommendations on credit policy.

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

Credit risk limits

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

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

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

Collateral

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

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

The Group's credit risk management policies include requirements relating to collateral valuation and management, including verification requirements and legal certainty. Valuations are updated periodically depending upon the nature of the collateral Management monitors the market value of collateral and requests additional collateral in accordance with the underlying agreement during its periodic review of loan accounts in arrears. Policies are in place to monitor the existence of undesirable concentration in the collateral supporting the Group's credit exposure.

Geographic distribution

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

	Drawn	Undrawn	Gross maximum exposure 2013	Drawn	Undrawn	Gross maximum exposure 2012
Barbados	$ 1,356,047	$ 181,512	$ 1,537,559	$ 1,395,668	$ 165,556	$ 1,561,224
Bahamas	1,902,926	160,130	2,063,056	1,957,775	148,983	2,106,758
Cayman	1,120,194	101,745	1,221,939	1,284,716	93,937	1,378,653
Eastern Caribbean	799,209	124,728	923,937	772,083	78,045	850,128
Jamaica	318,745	52,621	371,366	337,425	68,162	405,587
BVI	111,563	19,817	131,380	131,003	19,122	150,125
Belize	49,036	20,189	69,225	58,482	12,578	71,060
Curaçao	150,990	10,046	161,036	154,332	7,100	161,432
Trinidad	303,284	13,383	316,667	410,041	31,019	441,060
Other	486,646	29,215	515,861	543,481	31,347	574,828
	$ 6,598,640	$ 713,386	$ 7,312,026	$ 7,045,006	$ 655,849	$ 7,700,855

Exposures by industry groups

The following table provides an industry-wide break down of gross drawn and undrawn loans and advances to customers which therefore excludes provisions for impairment, interest receivable and unearned fee income.

	Drawn	Undrawn	Gross maximum exposure 2013	Drawn	Undrawn	Gross maximum exposure 2012
Agriculture	$ 43,722	$ 2,133	$ 45,855	$ 48,148	$ 1,540	$ 49,688
Sovereign	851,237	31,701	882,938	1,040,904	51,841	1,092,745
Construction	470,132	15,665	485,797	580,168	30,237	610,405
Distribution	371,932	90,391	462,323	368,871	74,127	442,998
Education	482	-	482	-	-	-
Electricity, gas & water	87,542	12,424	99,966	57,735	11,450	69,185
Fishing	9,089	3,484	12,573	10,032	2,869	12,901
Health & social work	23,767	-	23,767	23,379	-	23,379
Hotels & restaurants	372,245	22,659	394,904	376,223	20,779	397,002
Individuals & individual trusts	2,150,755	386,828	2,537,583	2,136,487	354,742	2,491,229
Manufacturing	113,904	41,406	155,310	163,414	29,010	192,424
Mining & quarrying	12,361	352	12,713	56,086	3,108	59,194
Miscellaneous	678,723	78,058	756,781	933,445	55,661	989,106
Other financial corporations	556,512	6,695	563,207	541,936	4,712	546,648
Real estate, renting & other activities	736,735	14,051	750,786	614,205	10,416	624,621
Transport, storage & communications	119,502	7,539	127,041	93,973	5,357	99,330
	$ 6,598,640	$ 713,386	$ 7,312,026	$ 7,045,006	$ 655,849	$ 7,700,855

Derivatives

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

Master netting arrangements

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

Credit related instruments

The primary purpose of these instruments is to ensure that funds are available to a customer as required.

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

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

Maximum exposure to credit risk

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

	Gross maximum exposure	
	2013	2012
Balances with Central Banks	**$ 635,700**	$ 628,772
Due from banks	**1,584,479**	1,660,115
Derivative financial instruments	**3,239**	2,708
Financial assets at fair value through profit or loss	-	14,855
Investment securities		
- Government debt securities	**1,536,534**	1,330,990
- Other debt securities	**654,662**	348,061
- Interest receivable	**21,986**	23,849
Loans and advances to customers		
- Mortgages	**2,355,995**	2,476,206
- Personal loans	**584,205**	590,216
- Business & Sovereign loans	**3,658,440**	3,978,584
- Interest receivable	**56,180**	67,359
Other assets	**23,761**	8,503
Total	**$ 11,115,181**	11,130,218
Commitments, guarantees and contingent liabilities (Note 30)	**926,027**	916,638
Total credit risk exposure	**$ 12,041,208**	$ 12,046,856

Geographical concentration

The following table reflects additional geographical concentration information.

2013	**Total assets**	**Total liabilities**	**Commitments, guarantees and contingent liabilities**	**External revenues**	**Capital expenditure (*)**	**Non-current assets (**)**
Barbados	**$ 4,634,118**	**$ 3,649,718**	**$ 243,039**	**$ 174,213**	**$ 10,198**	**$ 67,386**
Bahamas	**3,763,159**	**3,054,021**	**204,712**	**153,684**	**2,265**	**207,691**
Cayman	**2,342,880**	**1,941,716**	**123,279**	**85,881**	**701**	**156,241**
Eastern Caribbean	**1,083,180**	**1,062,981**	**145,937**	**62,553**	**3,373**	**21,712**
Jamaica	**552,463**	**407,995**	**71,434**	**44,609**	**1,083**	**5,590**
BVI	**645,838**	**542,008**	**25,244**	**13,110**	**770**	**5,341**
Belize	**142,988**	**130,590**	**29,635**	**6,453**	**160**	**2,122**
Curaçao	**480,182**	**399,864**	**26,622**	**16,599**	**(17)**	**1,143**
Trinidad	**602,379**	**518,504**	**25,303**	**17,993**	**42**	**2,661**
Other	**965,489**	**866,694**	**30,822**	**37,003**	**439**	**6,120**
	15,212,676	**12,574,091**	**926,027**	**612,098**	**19,014**	**476,007**
Eliminations	**(3,773,562)**	**(2,689,557)**	**-**	**(82,246)**	**-**	**(14,060)**
	$ 11,439,114	**$ 9,884,534**	**$ 926,027**	**$ 529,852**	**$ 19,014**	**$ 461,947**

2012	Total assets	Total liabilities	Commitments, guarantees and contingent liabilities	External revenues	Capital expenditure (*)	Non-current assets (**)
Barbados	$ 4,337,167	$ 3,304,757	$ 232,023	$ 176,617	$ 12,414	$ 66,961
Bahamas	3,508,788	2,761,299	218,063	153,618	3,110	209,338
Cayman	2,831,937	2,409,591	115,339	91,064	581	156,974
Eastern Caribbean	1,221,851	1,261,888	85,801	67,332	4,477	22,798
Jamaica	548,092	450,658	92,182	47,688	1,117	6,967
BVI	558,201	456,375	24,525	14,658	479	5,194
Belize	139,510	122,554	21,699	8,367	677	2,445
Curaçao	534,445	449,290	26,491	15,561	178	1,600
Trinidad	635,992	560,932	67,067	20,732	39	3,305
Other	1,012,631	914,289	33,448	39,525	233	6,985
	15,328,614	12,691,633	916,638	635,162	23,305	482,567
Eliminations	(3,828,614)	(2,842,148)	-	(92,245)	-	(14,063)
	$ 11,500,000	$ 9,849,485	$ 916,638	$ 542,917	$ 23,305	$ 468,504

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

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

Credit quality

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

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

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

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

At the reporting date, investment securities were all rated standard or high grade, except for classified as 'sub-standard' $2,778 (2012 – $2,762). Cash balances and amounts due from banks are held with counterparties that are high grade including CIBC group entities.

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

	Notes	High grade	Standard	Substandard	Impaired	2013
Loans and advances to customers						
-Mortgages		$ 1,860,653	$ 122,591	$ 28,822	$ 343,929	$ 2,355,995
-Personal loans		482,257	15,267	7,936	78,745	584,205
-Business & Sovereign loans		3,222,222	51,546	10,317	374,355	3,658,440
Total	16	$ 5,565,132	$ 189,404	$ 47,075	$ 797,029	$ 6,598,640

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

For our Business & Sovereign loans, we employ risk ratings in managing our credit portfolio. Business and Sovereign borrowers with elevated default risk are monitored on our Early Warning List. Early Warning List characteristics include borrowers exhibiting a significant decline in revenue, income, or cash flow or where we have doubts as to the continuing viability of the business. Early Warning List customers are often, but not always, delinquent. As of October 31, 2013, Early Warning List customers in the medium to high risk category amounted to $481,077 (2012 - $211,782).

Market risk

Market risk is the risk that the fair value of future cash flows of financial instruments will fluctuate due to the change in market variables. Market risk arises from positions in securities and derivatives as well as from our core Retail, Wealth and Corporate businesses. The key risks to the Group are foreign exchange, interest rate and credit spread. Market Risk, within FirstCaribbean International Bank, is a centralized group that is independent from the front line. The following sections give a comprehensive review of the Group's entire consolidated exposures.

Policies and Standards

The Group has a comprehensive policy for market risk management related to the identification, measurement, monitoring and control of those risks. This policy is reviewed and approved annually by the Finance, Risk and Conduct Review Committee. The policy includes the annual approval of the Board limits which are used by the Bank to establish explicit risk tolerances expressed in term of the four main risk measures mentioned below. There is a three tiered approach to limits at the Bank. The highest level is set at the Board, below these, which are inclusive of a "haircut" from the Board limits and are at a more granular level delegated to the Chief Risk Officer limits. The third tier is for the Treasury Sales and Trading Group which limits traders to specific products and size of deals. These limits are documented through a formal delegation letter and monitored using the Group's treasury system.

Process & Control

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

Risk Measurement

The Group has four main measures of market risk:

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

Position

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

Sensitivity

The main two measures utilized by the Group are the DV01 (delta value of a 1 basis point move, also known as the PV01 or present value of a 1 basis point move) and the CSDV01 (credit spread delta of a 1 basis point move). The DV01 measure is calculated for a 1 basis point move down in the yield curve. This generates the change in economic value by individual currency of a parallel shift down in the related yield curve. As curves rarely move in a parallel fashion it is measured across different tenors to ensure that there is no further curve risk of having; for example, a long position in the short end of the curve offset by a short position in the longer tenors. This is then utilised within the scenario analysis. The sensitivities are calculated on both a pre-structural basis that includes contractual maturity positions; and on a post-structural basis that also includes structural assumptions for core balances of non-contractual maturity positions.

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

Value at Risk

The Group's VaR methodology utilizes vetted CIBC parent models. It is a statistical, probability based approach that uses volatilities and correlations to quantify risk into dollar terms. VaR measures the potential 1 day loss from adverse market movements that can occur with a less than 1% probability of occurring under normal market conditions, based on equally weighted historical data.

VaR uses numerous risk factors as inputs and is computed through the use of historical volatility of each risk factor and the associated correlations among them, evaluated over a 1 year period and updated on a regular basis. The use of these historical measures cause a degree of limitation to its accuracy as it assumes that future price movements will follow a statistical distribution and thus may not accurately predict the future impact. A further weakness of the VaR measure is that it does not estimate the effects of market variable if it moves outside of the 99% parameter and hence may underestimate losses. To counter this, the Group has various stress measures to calculate potential tail event losses.

Stress testing & scenario analysis

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

- For the hard currency testing it sends its position sensitivity to CIBC and utilizes the suite of measures that the parent company has developed. The stress testing measures the effect on the hard currency portfolio values over a wide range of extreme moves in market prices. The stress testing methodology assumes no actions are taken or are able to be taken during the event to mitigate the risk, reflecting the decreased liquidity that frequently accompanies market shocks. The scenario analysis approach for the Group's hard currency exposures simulate an impact on earnings of extreme market events up to a period of one quarter. Scenarios are developed using actual historical data during periods of market disruption, or are based upon hypothetical occurrence of economic or political events or natural disasters and are designed by our parent company's economists, business leaders and risk managers. Examples of these would include the 1998 Russian led crisis, US Federal Reserve tightening of 1994 and potential effects of revaluation of the Chinese currency. These tests are run on our behalf on a daily basis.
- The local currency stress tests are designed on a similar but smaller scale. For interest rate stresses, Market Risk in conjunction with Treasury consider the market data over approximately the last ten (10) years and identify the greatest curve or data point moves over both sixty (60) and single days. These are then applied to the existing positions/sensitivities of the Group.

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

Summary of key market risks

Of market risks arising from the various currencies, yield curves and spreads throughout the regional and broader international markets, the following risks are considered by management the most significant for the Group. The risk of credit spreads widening in a similar fashion to the Credit Crisis of 2008 on bonds held within the investment portfolios, and the magnitude of the risk, but low probability of a peg breaking between the USD and a local currency, particularly the BDS, impacting the structural long position of the bank. The largest interest rate risk run through multiple scenarios is that of the USD yield curve which moves in a similar fashion to a 60 day period during the Fed Reserve interest rate tightening of 1994. The following section highlights these key risks as well as some of the lesser ones that arise from the Group's ongoing banking operations

Foreign exchange risk

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

The following table highlights the currencies that the Bank had significant exposures to at October 31, 2013. It also highlights the measures used by the Group to measure, monitor and control that risk.

	2013				2012			
Currency	Trading Position Long (Short) vs USD	VaR	Stressed Loss	Total FX Position (Trading + Structural)	Trading Position Long (Short) vs USD	VaR	Stressed Loss	Total FX Position (Trading + Structural)
Cayman Islands dollars	$ (99,971)	N/A Pegged	$ 7,998	$ 197,692	$ (71,211)	N/A Pegged	$ 5,697	$ 226,560
Trinidad and Tobago dollars	(10,763)	43.0	1,851	60,179	583	12.0	146	69,049
Barbados dollars	75,400	N/A Pegged	22,620	(18,448)	53,455	N/A Pegged	16,037	(62,052)
Bahamian dollars	1,055	N/A Pegged	316	694,934	1,989	N/A Pegged	597	705,432
Jamaican dollars	1,096	4.8	439	72,779	(227)	1.3	18	86,492
East Caribbean dollars	24,513	N/A Pegged	7,354	74,686	25,607	N/A Pegged	7,682	92,459

The Group also uses a measure to quantify non-trading foreign exchange risk, also referred to as post structural foreign exchange risk. This considers the effect of currency change on the Group's investment in foreign operations, retained earnings and profit derived throughout the year in non USD. Due to the size of investments in the Bahamas, Cayman, the Eastern Caribbean and Jamaica this significantly increases the Group's long exposure to these currencies and is reflected in the "Total FX Position columns".

Interest Rate Risk

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

	2013	2012
Market risk metrics		
Interest rate VaR – hard currency (HC)	$ 2,690	$ 1,015
Interest rate VaR – local currency (LC)	513	281
Interest rate VaR – total	2,745	1,027
Interest rate stress worst case loss of value – HC 1 day	9,060	9,084
Interest rate stress worst case loss of value – HC 60 days	37,076	18,595
Interest rate stress worst case loss of value – LC 1 day	4,331	8,145
Interest rate stress worst case loss of value – LC 60 days	14,068	19,461
DV01 HC	167	26
DV01 LC	130	154

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

	2013			2012		
Currency	DV01	VaR	60 day stressed loss	DV01	VaR	60 day stressed loss
United States dollars	$ 166	$ 2,660	$ 37,076	$ 48	$ 1,125	$ 18,595
Trinidad and Tobago dollars	9	117	587	14	11	1,001
Barbados dollars	81	200	3,293	106	79	5,134
Bahamian dollars	75	4	3,839	93	0.1	4,535
Jamaican dollars	(10)	315	2,281	(20)	64	4,895
East Caribbean dollars	2	375	382	(14)	204	913
Cayman Island dollars	(30)	119	2,392	(26)	50	2,048

The USD DV01 has remained at a consistent level for the first 8 months of the financial year. Towards the end of the year the DV01 exposure grew with the holdings in the bond portfolios increasing as a result of the Treasury Sales and Trading team investing in high quality regional and non regional securities.

Credit spread risk

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

Credit spread risk by operating company (OPCO):

2013	Locally Isued Hard Dollar Bonds			Non Regional Hard Dollar Bonds			Total		
	Notional	Credit Spread DV01	Stress Loss	Notional	Credit Spread DV01	Stress Loss	Notional	Credit Spread DV01	Stress Loss
Bahamas	$ 154,543	$ 85	$ 20,481	$ 115,000	$ 49	$ 11,631	$ 269,543	$ 134	$ 32,112
Cayman	131,666	85	21,142	366,277	154	35,020	497,943	239	56,162
Barbados	114,383	58	14,207	49,500	22	5,275	163,883	80	19,482
Offshore	20,800	13	3,212	38,500	16	3,573	59,300	29	6,785
Trinidad	62,729	35	8,692	–	–	–	62,729	35	8,692
Jamaica	9,390	-	81	–	–	–	9,390	–	81
TOTAL	**$ 493,511**	**$ 276**	**$ 67,815**	**$ 569,277**	**$ 241**	**$ 55,499**	**$1,062,788**	**$ 517**	**$ 123,314**

2012									
	Locally Isued Hard Dollar Bonds			Non Regional Hard Dollar Bonds			Total		
	Notional	Credit Spread DV01	Stress Loss	Notional	Credit Spread DV01	Stress Loss	Notional	Credit Spread DV01	Stress Loss
Bahamas	$ 189,440	$ 121	$ 29,739	$ 25,000	$ 6	$ 1,439	$ 214,440	$ 127	$ 31,178
Cayman	131,054	82	21,055	155,554	38	9,046	286,608	120	30,101
Barbados	60,000	15	4,247	-	-	-	60,000	15	4,247
Offshore	34,447	20	5,737	10,000	3	591	44,447	23	6,328
Trinidad	67,484	44	10,963	-	-	-	67,484	44	10,963
Jamaica	14,479	2	734	-	-	-	14,479	2	734
TOTAL	$ 496,904	$ 284	$ 72,475	$ 190,554	$ 47	$ 11,076	$ 687,458	$ 331	$ 83,551

The Regional Hard Currency portfolio did not change significantly year over year, most of the change in risk relates to the effect of redistribution of specific sovereign exposures. At fiscal year end the weighted average rating of the positions in this portfolio remained BBB+ and the average weighted maturity was 6.7 years. However, as mentioned above, the non regional hard currency portfolio increased significantly over the year as the Treasury Sales and Trading team implanted the Bank's redeployment strategy.

Derivatives held for Asset Liability Management (ALM) purposes

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

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

	EC	BDS	CAY	BAH	US	JA	Other	2013
Assets								
Cash and balances with Central Banks	$ 182,728	$ 107,914	$ 4,160	$ 153,886	$ 54,837	$ 25,769	$ 197,765	$ 727,059
Due from banks	7,467	1,365	(30)	329	1,267,904	82	307,362	1,584,479
Derivative financial instruments	-	-	-	-	3,239	-	-	3,239
Other assets	12,025	13,114	16,573	5,612	(20,331)	1,535	5,348	33,876
Taxation recoverable	22,415	1,195	-	-	31	1,348	1,305	26,294
Investment securities	62,738	587,742	4	312,731	1,002,548	52,515	195,807	2,214,085
Loans and advances to customers	583,743	725,830	347,764	1,139,006	3,130,138	150,024	252,742	6,329,247
Property and equipment	20,562	46,236	13,923	20,185	14,784	5,586	5,764	127,040
Deferred tax assets	5,135	2,896	-	-	62	5,003	1,723	14,819
Retirement benefit assets	7,586	16,903	-	5,711	2,367	9,892	1,610	44,069
Intangible assets	-	334,907	-	-	-	-	-	334,907
Total assets	904,399	1,838,102	382,394	1,637,460	5,455,579	251,754	969,426	11,439,114
Liabilities								
Derivative financial instruments	-	-	-	-	49,723	-	338	50,061
Customer deposits	770,475	1,480,758	163,562	1,120,843	5,018,842	186,025	866,028	9,606,533
Other borrowed funds	-	-	-	-	-	-	16,388	16,388
Other liabilities	31,334	187,764	(82,283)	(8,156)	132,776	(4,267)	(108,787)	148,381
Taxation payable	(179)	(1,228)	-	-	1,438	381	1,544	1,956
Deferred tax liabilities	-	417	-	-	253	229	872	1,771
Debt securities in issue	-	-	-	-	-	-	30,461	30,461
Retirement benefit obligations	2,033	2,520	3,225	16,956	3,350	495	404	28,983
Total liabilities	803,663	1,670,231	84,504	1,129,643	5,206,382	182,863	807,248	9,884,534
Net assets/(liabilities)	$ 100,736	$ 167,871	$ 297,890	$ 507,817	$ 249,197	$ 68,891	$ 162,178	$ 1,554,580
Commitments, guarantees and contingent liabilities (Note 30)	$ 86,550	$ 84,891	$ 28,785	$ 97,044	$ 546,955	$ 24,719	$ 57,083	$ 926,027

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

	EC	BDS	CAY	BAH	US	JA	Other	2012
Assets								
Cash and balances with Central Banks	$ 191,772	$ 115,136	$ 4,146	$ 117,100	$ 55,177	$ 52,435	$ 185,167	$ 720,933
Due from banks	551	4,885	-	5,761	1,229,356	2,053	417,509	1,660,115
Derivative financial instruments	-	-	-	-	2,708	-	-	2,708
Financial assets at fair value through profit or loss	-	-	-	-	-	-	14,855	14,855
Other assets	22,985	14,804	(4,493)	(3,274)	(16,830)	4,983	(291)	17,884
Taxation recoverable	20,009	1,010	-	-	-	1,410	-	22,429
Investment securities	59,060	434,233	4	275,704	735,893	61,973	136,731	1,703,598
Loans and advances to customers	582,436	725,440	372,646	1,241,449	3,463,296	139,259	307,171	6,831,697
Property and equipment	21,648	46,193	14,376	21,890	15,460	6,969	7,061	133,597
Deferred tax assets	5,130	5,535	-	-	-	720	2,537	13,922
Retirement benefit assets	7,288	15,404	-	4,443	2,820	11,805	1,595	43,355
Intangible assets	-	334,907	-	-	-	-	-	334,907
Total assets	910,879	1,697,547	386,679	1,663,073	5,487,880	281,607	1,072,335	11,500,000
Liabilities								
Derivative financial instruments	-	-	-	-	73,936	-	-	73,936
Customer deposits	747,743	1,347,767	160,365	1,130,019	4,947,512	208,156	1,083,043	9,624,605
Financial liabilities at fair value through profit or loss	-	-	-	-	-	-	14,855	14,855
Other borrowed funds	-	-	-	-	-	-	16,419	16,419
Other liabilities	67,303	(30,161)	1,781	(21,128)	47,841	(14,840)	18,814	69,610
Taxation payable	117	(100)	-	-	123	184	765	1,089
Deferred tax liabilities	10	662	-	-	375	163	(253)	957
Debt securities in issue	-	-	-	-	-	-	30,610	30,610
Retirement benefit obligations	1,731	2,026	2,892	7,997	2,057	473	228	17,404
Total liabilities	816,904	1,320,194	165,038	1,116,888	5,071,844	194,136	1,164,481	9,849,485
Net assets/(liabilities)	$ 93,975	$ 377,353	$ 221,641	$ 546,185	$ 416,036	$ 87,471	$ (92,146)	$ 1,650,515
Commitments, guarantees and contingent liabilities (Note 30)	$ 41,003	$ 78,687	$ 14,483	$ 82,154	$ 570,797	$ 49,388	$ 80,126	$ 916,638

Cash flow and fair value interest rate risk

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

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

Liquidity risk

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

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

Process and control

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

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

Risk measurement

The Group's liquidity measurement system provides daily liquidity risk exposure reports for monitoring and review by the Treasury department. The Group's Assets and Liabilities Committee (ALCO) is responsible for recommending the liquidity ratio targets, the stress scenarios and the contingency funding plans. The Group's Board of Directors is ultimately responsible for the Group's liquidity.

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

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

	0-3 months	3-12 months	1-5 years	Over 5 years	2013
Assets					
Cash and balances with Central Banks	$ 720,293	$ 6,766	$ -	$ -	**$ 727,059**
Due from banks	988,224	339,814	8,083	248,358	**1,584,479**
Derivative financial instruments	2,764	-	-	475	**3,239**
Other assets	72,576	1,392	43	(40,135)	**33,876**
Taxation recoverable	15,398	10,896	-	-	**26,294**
Investment securities	294,087	287,956	991,784	640,258	**2,214,085**
Loans and advances to customers	852,165	346,637	1,023,061	4,107,384	**6,329,247**
Property and equipment	5,033	746	37,785	83,476	**127,040**
Deferred tax assets	-	-	1,720	13,099	**14,819**
Retirement benefit assets	-	-	-	44,069	**44,069**
Intangible assets	-	-	-	334,907	**334,907**
Total assets	2,950,540	994,207	2,062,476	5,431,891	**11,439,114**
Liabilities					
Derivative financial instruments	22,992	-	-	27,069	**50,061**
Customer deposits	7,702,269	1,704,053	158,197	42,014	**9,606,533**
Other borrowed funds	1,770	-	-	14,618	**16,388**
Other liabilities	148,381	-	-	-	**148,381**
Taxation payable	1,956	-	-	-	**1,956**
Deferred tax liabilities	-	-	1,125	646	**1,771**
Debt securities in issue	-	137	30,324	-	**30,461**
Retirement benefit obligations	-	-	-	28,983	**28,983**
Total liabilities	7,877,368	1,704,190	189,646	113,330	**9,884,534**
Net assets/(liabilities)	$ (4,926,828)	$ (709,983)	$ 1,872,830	$ 5,318,561	**$ 1,554,580**
Commitments, guarantees and contingent liabilities (Note 30)	$ 693,351	$ 103,712	$ 32,798	$ 96,166	**$ 926,027**

	0-3 months	3-12 months	1-5 years	Over 5 years	2012
Assets					
Cash and balances with Central Banks	$ 716,671	$ 4,262	$ -	$ -	$ 720,933
Due from banks	1,312,495	299,295	48,325	-	1,660,115
Derivative financial instruments	2,708	-	-	-	2,708
Financial assets at fair value through profit or loss	14,855	-	-	-	14,855
Other assets	17,884	-	-	-	17,884
Taxation recoverable	22,429	-	-	-	22,429
Investment securities	247,973	109,564	776,307	569,754	1,703,598
Loans and advances to customers	1,382,221	362,400	888,356	4,198,720	6,831,697
Property and equipment	958	444	44,119	88,076	133,597
Deferred tax assets	-	-	2,537	11,385	13,922
Retirement benefit assets	-	-	-	43,355	43,355
Intangible assets	-	-	-	334,907	334,907
Total assets	3,718,194	775,965	1,759,644	5,246,197	11,500,000
Liabilities					
Derivative financial instruments	39,170	-	-	34,766	73,936
Customer deposits	8,413,303	1,006,709	199,667	4,926	9,624,605
Financial liabilities at fair value through profit or loss	14,855	-	-	-	14,855
Other borrowed funds	1,730	-	-	14,689	16,419
Other liabilities	69,610	-	-	-	69,610
Taxation payable	451	638	-	-	1,089
Deferred tax liabilities	87	-	-	870	957
Debt securities in issue	-	-	-	30,610	30,610
Retirement benefit obligations	-	-	-	17,404	17,404
Total liabilities	8,539,206	1,007,347	199,667	103,265	9,849,485
Net assets/(liabilities)	$ (4,821,012)	$ (231,382)	$ 1,559,977	$ 5,142,932	$ 1,650,515
Commitments, guarantees and contingent liabilities (Note 30)	$ 733,352	$ 90,502	$ 51,658	$ 41,126	$ 916,638

Fair values of financial assets and liabilities

Determination of fair value and the fair value hierarchy

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

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

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

Financial instruments recorded at fair value

The following is a description of the determination of fair value for financial instruments which are recorded at fair value using valuation techniques. These incorporate the Group's estimate of assumptions that a market participant would make when valuing the instruments:

- Derivative financial instruments
  Derivative products valued using a valuation technique with market observable inputs are interest rate swaps and foreign exchange forward contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves.

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

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

Fair value of financial instruments not carried at fair value

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

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

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

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

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

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

	2013			2012		
	Carrying Value	Fair Value	Unrecognised gain/(loss)	Carrying Value	Fair Value	Unrecognised gain/(loss)
Financial Assets						
Cash and balances with Central Banks	$ 727,059	$ 727,059	$ -	$ 720,933	$ 720,933	$ -
Due from banks	1,584,479	1,584,479	-	1,660,115	1,660,115	-
Loans and advances to customers	6,329,247	6,348,812	19,565	6,831,697	6,860,349	28,652
Financial Liabilities						-
Customer deposits	9,606,533	9,613,894	(7,361)	9,624,605	9,632,834	(8,229)
Other borrowed funds	16,388	28,743	(12,355)	16,419	29,439	(13,020)
Debt securities in issue	30,461	33,228	(2,767)	30,610	32,439	(1,829)
			$ (2,918)			$ 5,574

35 Principal subsidiary undertakings

Name	Country of incorporation
FirstCaribbean International Bank Limited	Barbados
FirstCaribbean International Wealth Management Bank (Barbados) Limited	Barbados
FirstCaribbean International Bank (Barbados) Limited	Barbados
FirstCaribbean International Trust and Merchant Bank (Barbados) Limited	Barbados
FirstCaribbean International Land Holdings (Barbados) Limited	Barbados
FirstCaribbean International Operations Centre Limited	Barbados
FirstCaribbean International Finance Corporation (Leeward & Windward) Limited	St. Lucia
FirstCaribbean International Bank (Bahamas) Limited (95.2%)	Bahamas
FirstCaribbean Insurance Agency (Bahamas) Limited	Bahamas
FirstCaribbean International (Bahamas) Nominees Company Limited	Bahamas
CIBC Trust Company (Bahamas) Limited	Bahamas
FirstCaribbean International Land Holdings (TCI) Limited	Turks & Caicos Islands
FirstCaribbean International Bank (Jamaica) Limited (99.71%)*	Jamaica
FirstCaribbean International Securities Limited	Jamaica
FirstCaribbean International Bank (Trinidad & Tobago) Limited	Trinidad
FirstCaribbean International Bank (Cayman) Limited	Cayman Islands
FirstCaribbean International Finance Corporation (Cayman) Limited	Cayman Islands
FirstCaribbean International (Cayman) Nominees Company Limited	Cayman Islands
CIBC Bank and Trust Company (Cayman) Limited	Cayman Islands
FirstCaribbean International Finance Corporation (Netherlands Antilles) Limited	Netherlands Antilles
FirstCaribbean International Bank (Curaçao) N.V.	Netherlands Antilles

All subsidiaries are wholly owned unless otherwise stated.

*The ordinary shares of the FirstCaribbean International Bank (Jamaica) Limited ("The Jamaica Bank") were delisted from Jamaica Stock Exchange effective December 30, 2011. During 2013, the Group purchased an additional 242,983 of the outstanding minority shares. The current ownership of the Jamaica Bank stands at 99.71% (2012 : 99.04%)

On August 15, 2013, FirstCaribbean International Building Society was closed and the entire business (assets, liabilities, employees, customers and other business undertakings) was transferred to its immediate parent, FirstCaribbean International Bank (Jamaica) Limited. The assets and liabilities were transferred at the carrying amount at the date of the transfer with no impact to the results of the Group or these financial statements.

Section 5

Notice of Meeting

This item contained within Section 5 of the Group Annual Report 2013 will be published on January 31, 2014 in accordance with Section 109 of the Companies Act, Cap 308 of the Laws of Barbados which states that "Notice of the time and place of a meeting of the shareholders must be sent not less than 21 days nor more than 50 days before the meeting." The Board of Directors has set March 20, 2014 as the date of the next Annual Meeting of the Company.

Directors' Report

This item contained within Section 5 of the Group Annual Report 2013 will be published on January 31, 2014 in accordance with Section 109 of the Companies Act, Cap 308 of the Laws of Barbados which states that "Notice of the time and place of a meeting of the shareholders must be sent not less than 21 days nor more than 50 days before the meeting." The Board of Directors has set March 20, 2014 as the date of the next Annual Meeting of the Company.

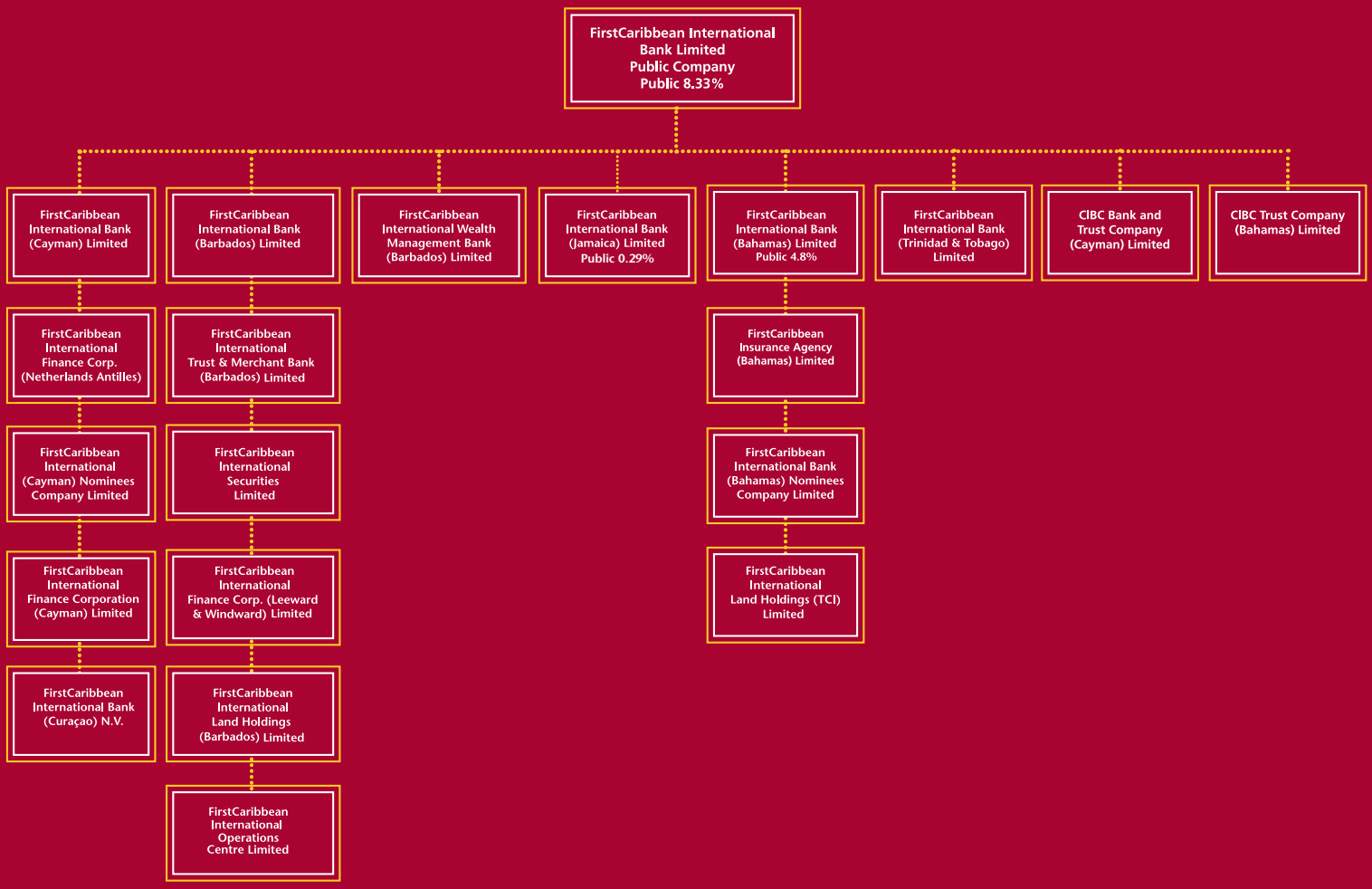
Management Proxy Circular

This item contained within Section 5 of the Group Annual Report 2013 will be published on January 31, 2014 in accordance with Section 109 of the Companies Act, Cap 308 of the Laws of Barbados which states that "Notice of the time and place of a meeting of the shareholders must be sent not less than 21 days nor more than 50 days before the meeting." The Board of Directors has set March 20, 2014 as the date of the next Annual Meeting of the Company.

Proxy Form

This item contained within Section 5 of the Group Annual Report 2013 will be published on January 31, 2014 in accordance with Section 109 of the Companies Act, Cap 308 of the Laws of Barbados which states that "Notice of the time and place of a meeting of the shareholders must be sent not less than 21 days nor more than 50 days before the meeting." The Board of Directors has set March 20, 2014 as the date of the next Annual Meeting of the Company.

Ownership Structure



CIBC FirstCaribbean International Bank

Main Branches & Centres

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

CORPORATE BANKING CENTRES

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

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

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

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

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

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

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

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

WEALTH MANAGEMENT CENTRES

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

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

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

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

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

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

Main Branches & Centres

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

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

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

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

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

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

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

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

OTHER SUBSIDIARIES

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

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

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

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

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


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

Notes

FOR WHAT MATTERS.