2016

ANNUAL REPORT

BAHAMAS

CIBC FirstCaribbean International Bank

CIBC FirstCaribbean International Bank

2016 | ANNUAL REPORT

Inside this report

Corporate Profile

CIBC FirstCaribbean International Bank is a relationship bank offering a full range of market-leading financial services through our Wholesale Banking, Retail and Business Banking and Wealth Management segments. We are located in seventeen (17) countries around the Caribbean, providing banking services that fit our customers' lives through approximately 3,000 employees, in 80 branches and offices. We are one of the largest regionally-listed financial services institutions in the English and Dutch speaking Caribbean, with over US$11 billion in assets and market capitalization of US $1.8 billion. We also have an office in Hong Kong. The face of banking is changing throughout the world and CIBC FirstCaribbean intends to lead these changes with the expertise, integrity and knowledge gained from banking in the Caribbean since 1836.

The Bahamas Operating Company comprises operations in The Bahamas and the Turks and Caicos Islands where there are 18 branches and agencies, 54 Instant Teller© Machines, and Wealth Management and Corporate Investment Banking centres spread over New Providence, Grand Bahama, Abaco, Eleuthera and the Turks and Caicos Islands.

Vision

To be the leader in client relationships – we put our clients at the centre of everything we do in order to be the first choice for financial services in the region.

Mission

To achieve our vision by fulfilling commitments we have made to our stakeholders:

- Clients - To deliver to our clients banking that fits their lives
- Employees - To create an environment where all employees can excel
- Communities - To make a real difference in our communities
- Shareholders - To generate strong total returns for our shareholders

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

Values - Trust, Teamwork, Accountability

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

- Trust - We believe in, empower and support each other. We act with respect, integrity, honesty and transparency in our relationships with each other and with our clients.
- Teamwork - We believe in CIBC FirstCaribbean and work together to promote a sense of pride and purpose in all we do for our clients and for our Bank.
- Accountability - We do what we say, because this is what our clients expect and deserve. If we make a mistake, we admit it and fix it.

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 people and infrastructure to enhance efficiency and effectiveness

2016 Highlights

First For Clients

Throughout the year, we increased our focus on client engagement by making strategic enhancements to several key areas of our business and by strengthening our relationships with external partners, resulting in mutual gains.

Most notably, the Bahamas Team won **The Banker Magazine's 2016 Bank of the Year Country Award** for the fifth time (the team also won this award in 2008, 2009, 2012, and 2013.) It is given to the bank that demonstrates superior performance in the market and makes a noteworthy impact on industry standards.

Some of the highlights of this year's performance include:

Retail and Business Banking

- Three Bahamas branches earned the top sales performance spots in the bank's annual regional Branch of the Year sales competition. Bay Street Branch was recognized as the 2016 CIBC FirstCaribbean Branch of the Year, while Harbour Bay Branch and Marsh Harbour Branch earned second and third place, respectively.

- We launched our Mobile Banking App to offer clients increased flexibility and convenience and upgraded our internet banking platform.

- We continued to penetrate the market with the launch of our VISA Business Debit Card, which allows business owners to improve their ability to access and manage their funds 24 hours a day through our Internet Banking Service.

- We expanded our ABM footprint by adding 13 new machines to the network to provide more convenience for our clients.

- We continued to launch seasonal consumer loan campaigns with attractive features and benefits to secure greater market share.

- We made upgrades to our technical systems to make loan processing faster and more efficient which is helping us to respond more quickly to the needs of our clients.

- We made changes to our sales process to increase the speed and quality of our service delivery.

- We refreshed the halls of several branches to create a more comfortable and client-friendly banking environment.

Corporate & Investment Banking

The Corporate and Investment Banking team had a very successful year focused on new client acquisition and loan growth. Notably, the team participated in the Caribbean Infrastructure Finance Forum (CARIF) held in Nassau in December. The event was sponsored by CIBC FirstCaribbean and was created to bring regional public sector leaders and international infrastructure companies together to address the capital financing needs of the region and to explore options to help finance them.

Wealth Management

Our Private Wealth Management business continues to expand as the team excels, having won the prestigious "**Best Wealth Management Provider 2016**" Award from World Finance magazine.

First for Employees

We maintained our focus on empowering and engaging our employees toward the continued improvement of our service.

Awards, Engagement & Development

- Two of our top Bahamas performers received the CIBC FirstCaribbean Player of the Series Award, which is reserved for a maximum of 8 people regionally from a pool of over 3,000 employees. This award recognizes and rewards top performers who have been nominated for making an outstanding contribution to the organisation throughout the year.

- We observed Employee Appreciation Day on May 19, 2016 along with other CIBC FirstCaribbean territories and CIBC Canada to celebrate our team members.

- We placed more consistent emphasis on professional development and risk awareness, which included the launch of a bank-wide, two-part customer service training program.

First for Communities

Through the CIBC FirstCaribbean ComTrust Foundation, we continued to make a positive impact on the communities that we serve through a variety of corporate giving and community engagement activities. As in previous years, we made our contributions to organisations and causes that aligned with the four pillars of the bank's corporate social responsibility platform - Health and Wellness, Youth Empowerment & Education, Community & Environment and Staff Volunteerism.

2016 HIGHLIGHTS

Our largest community engagement activity of 2016 was the fifth annual Walk for the Cure, an initiative that included a series of special events staged over several months to raise funds for cancer awareness, treatment, and support. Through bake sales, car washes, fitness parties and the actual Walk event, the Bahamas and Turks and Caicos Islands teams raised over $100,000 to be donated to cancer-support organisations in both countries.

In addition to this significant donation, we supported numerous organisations and registered charities in their efforts to improve and support our communities including:

- A $100,000 donation to the National Emergency Management Agency of the Bahamas which our Managing Director, Marie Rodland-Allen, presented to our Prime Minister & Minister of Finance, The Rt. Honorable Perry Gladstone Christie, in response to the devastation caused by Hurricane Matthew

- Donations to organisations that promote physical and mental health and wellness including the Bahamas Heart Association, R.E.A.C.H. Bahamas (Autism Awareness), Kingdor National Parkinson's Foundation, Special Olympics Bahamas, Bahamas Association for the Physically Disabled, ACE Diabetes, the Bahamas Sickle Cell Association and Sister Sister Breast Cancer Support Group and Lupus 242.

- A significant donation to the AIDS Foundation of the Bahamas to support its After School Care Program which services children infected with and affected by HIV and AIDS.

- Donations to children's homes to help support the youngsters in their care including the Ranfurly Home, Elizabeth Estates Children's Home, the Nazareth Centre, Childrens' Emergency Hostel and the Bilney Lane Children's Home.

- Donations to charitable organisations who support the emotional health and personal welfare of Bahamian families including The Crisis Centre, Bahamas Association for Social Health, The Bahamas Feeding Network, Great Commission Ministries, Unity House, Hands for Hunger, and the Salvation Army of the Bahamas.

- Donations to several youth development and leadership programs including Junior Achievement, the Bahamas Primary School Student of the Year Awards, S.T.R.A.W. Inc. Center for Young Women, The Governor General's Youth Award Program and the annual Royal Bahamas Police Force Summer Camp program.

- Donations to charitable organisations that support the appreciation and promotion of Bahamian culture and sports including Class A and Class B Junkanoo Groups (to assist with the Boxing Day and New Year's Eve Junkanoo Parades), the Bahamas National Youth Choir, Freedom Farm Baseball League, FirstTouch Soccer 242, and the Bahamas Swimming Federation.

While the financial donations that we provide help community organisations to achieve many goals, we also strongly believe in the importance of giving time, talent and resources to others. As such, each of our units participates in the Bank's Adopt-A-Cause staff volunteerism program, through which we donate hundreds of volunteer hours each year.

Some of the most significant Adopt-A-Cause activities that we completed this year included:

- The renovation of the recreation room at the Ranfurly Home for Children, which is home to 30 children between 12 and 18 years of age.

- Back-to-school pizza parties for the children of the Elizabeth Estates Children's Home in the Bahamas and at the Leeward Highway Branch in Providenciales, Turks & Caicos, which were complete with giveaways of school supplies and backpacks.

- The donation of personal care items, cleaning products, a new microwave and quality time with the senior citizens at the Mary Ingraham InterGenerational Care Center in Nassau.

Financial Performance

We maintained our capital strength, with a Tier 1 Capital Ratio at 27%, which is well above regulatory minimum requirements. Our final dividend payment was $0.15 cents per share.

2016 HIGHLIGHTS

Financial Highlights

B$(000), except per share amounts, as at or for the year ended October 31	2016	2015	2014	2013	2012
Common share information					
Net earnings/(loss) per share-basic (B$ cents)	**58.7**	55.1	(122.4)	(11.9)	46.9
Share price - closing	**8.50**	8.05	8.05	7.25	7.20
Shares outstanding (thousands) - end of period	**120,216**	120,216	120,216	120,216	120,216
Market capitalisation	**1,021,836**	967,739	967,739	871,566	865,555
Value measures					
Dividend yield (dividends per share/share price)	**3.5%**	3.2%	3.2%	3.6%	3.6%
Dividend payout ratio (dividends/net income)	**51.1%**	47.2%	n/m	n/m	55.4%
Financial results					
Total revenue	**173,232**	172,100	177,130	168,243	171,975
Loans loss impairment expense	**11,446**	14,934	113,831	77,502	33,217
Impairment of goodwill	**-**	-	115,000	-	-
Operating expenses	**91,213**	90,953	95,501	104,987	82,430
Net income/(loss)	**70,573**	66,213	(147,202)	(14,246)	56,328
Financial measures					
Efficiency ratio (operating expenses/total revenue)	**52.7%**	52.8%	53.9%	62.4%	47.9%
Return on equity (net income/average equity)	**12.7%**	13.2%	-30.4%	-2.4%	9.6%
Net interest margin (net interest income/average total assets)	**4.1%**	4.0%	4.0%	4.0%	4.2%
Statement of Financial Position information					
Loans and advances to customers	**2,008,325**	1,871,361	1,982,885	2,122,045	2,259,537
Total assets	**3,228,934**	3,277,449	3,407,568	3,297,493	3,351,597
Customer deposits	**2,491,947**	2,585,806	2,766,647	2,499,328	2,503,239
Total equity	**655,016**	607,829	554,265	728,692	771,449
Balance sheet quality measures					
Common equity to risk weighted assets	**31%**	38%	32%	37%	36%
Risk weighted assets	**2,139,821**	1,614,700	1,739,686	1,970,197	2,163,919
Tier I Capital ratio	**27%**	34%	29%	28%	27%
Tiers I and II Capital ratio	**27%**	35%	29%	29%	28%
Other information					
Full time equivalent employees (#)	**543**	579	639	650	747

* n/m - Not Meaningful

In 2016, the Bahamas operation of CIBC FirstCaribbean International Bank was named Bank of the Year by The Banker Magazine. Its Private Wealth division also received the 2016 Best Wealth Management Provider Award from World Finance.

Marie Rodland-Allen
Managing Director,
Bahamas and Turks & Caicos Islands

Making great strides

It is difficult to forecast the rate of recovery our region will see when we consider some of the lingering challenges we continue to face. Nevertheless, we are approaching 2017 with the same cautious optimism and determination to excel as in previous years.

Financial Performance

This fiscal year, which ended on October 31, 2016, was a year of steady progression for the Bahamas team. The Bank earned a net income of $71 million, an improvement over the $66 million earned in the last fiscal year, as a result of several factors including a $3 million decrease in loan loss expense due to improvement in loss experience and recovery activity. Net income was also affected by reduced deposit interest and operating expenses offset by declining net interest income and operating income.

The Bank achieved a 27% Tier 1 and 27% Total Capital ratio at year end, which are both well above minimum regulatory requirements.

Retail and Business Banking

This year was a challenging but exciting period within the Retail, Platinum and Business Banking segment. We made tremendous strides in improving our franchise and delivering very strong sales results while enhancing the sales and service experience. Each unit played its part in contributing to our overall success. As a result of our employees' commitment and tenacity, our Bay Street Branch was recognized as the CIBC FirstCaribbean Branch of the Year for the Caribbean. Two other Bahamian branches were recognized as the second and third place winners.

We increased our focus on client engagement by making strategic enhancements to our Mortgage and Loan Centre, Platinum Banking and Business Banking areas. We strengthened our relationships with key business influencers at several companies, including real estate developers and car dealerships, to build stronger partnerships that resulted in mutually beneficial gains. The passion and desire to achieve greatness permeated throughout our business and this intense focus on delivering excellence led to a record breaking performance.

The team also came together in the face of many challenges that arose this year, including a direct hit to the Bahamas by Hurricane Matthew. In the aftermath of the storm, we offered significant assistance to internal and external customers and the community through various assistance programs and donations. We extended tailored offerings to everyone who was affected by the hurricane to show our concern for our customers and help them return to a state of normalcy as quickly as possible.

Improving the efficiency of our sales process remains a top priority each year and 2016 was no exception. We continued to make technological improvements to our loans process to enable faster end-to-end reviews and to respond more quickly to the needs of our clients. Upgrades to our systems have made the loan process more efficient, improved delivery to our business banking clients and further enhanced our client experience. Additional upgrades to our internet banking platform and the launch of our mobile banking service created a competitive advantage for us in the market this year.

As a leading financial institution, we also take great care to manage the reputation of our brand. To this end, we refreshed the banking halls of several of our branches and made improvements to the premises of others to create a more comfortable and inviting setting.

We continue to base our Channel strategy on our desire to make banking with our company as convenient as possible for our clients.

Our goal was to ensure accessibility to clients anywhere in the Bahamas and Turks and Caicos Islands, where the technological infrastructure exists, at all times. We continued to expand our Instant Teller (Automated Banking Machine/ABM) footprint through the introduction of new access points in Freeport, Grand Bahama and across New Providence.

We remain committed to ensuring that our employees are aware that their personal and professional successes are among our top priorities. We made considerable investments in training for staff this year through our innovative CIBC FirstCaribbean Online learning portal and through face-to-face interactions. Providing our employees with the tools and resources they require to give our customers exceptional service continues to set us apart from our competitors and remains a key factor in our success. At the end of the year, our team was formally recognized as the 2016 Bahamas Bank of the Year by The Banker Magazine.

Corporate and Investment Banking

The Corporate & Investment Banking team achieved great success in 2016, driven by a net increase in productive loans of 20% and a notable reduction in non-performing loans of almost 40%.

New client acquisition and loan growth were key contributors to this year’s performance and remain paramount to our strategy moving forward. We also made strategic internal changes that allowed us to create a formal Customer Service Team. As a result, our customers continue to comment on our improved service, which has helped increase cross-selling and penetration of non-credit products. In recent months, we’ve placed significant emphasis on the automation of manual processes to improve efficiency and to further enhance the customer’s experience.

In fiscal 2017, our customers will continue to remain at the center of everything we do. Our key objectives will be to strengthen relationships with our clients through superior service and prudent portfolio growth and diversification. Our commitment to our clients is to continue to be solution-oriented, offering structured financing options to meet their needs in a timely manner.

Private Wealth Management

Our Private Wealth Management business has grown significantly in 2016. Our loan portfolio has increased as well as our Discretionary Portfolio Management business. We introduced a new range of portfolio products and bolstered our administrative capabilities by installing a new advisor platform and a trust administration system. We also opened a new office in Hong Kong to promote our fund management services across the Asian marketplace and take advantage of growth opportunities.

In addition to our exceptional sales performance and expansion into new markets, our client-centric business model, dynamic team and the strength of our local and international brand helped us earn the 2016 Best Wealth Management Provider (Bahamas) Award from World Finance.

Community Partnership

Through our primary annual fundraiser, Walk for the Cure, our team raised $100,000 this year - $73,000 from around the Bahamas and $27,000 in the Turks and Caicos Islands (TCI) - which represented a 5% increase over last year’s total donation. As in previous years, the proceeds from the 2016 Walk were donated to eight cancer support organisations across the Bahamas and two groups in TCI. For the third consecutive year, a record number of corporate clients sponsored the event and participated in the Walk in October along with over 700 participants. I would like to sincerely thank all of our team members for donating time and money for this very worthy cause and our corporate sponsors who made a significant impact on our fundraising efforts.

In early October, several islands of the Bahamas were directly impacted by Hurricane Matthew, the first Category 5 Hurricane to develop in the Atlantic Ocean in nine years. Many staff members in New Providence and Grand Bahama lost personal items and other forms of property. Though hit hardest by the storm, the Grand Bahama team has made an exceptional recovery with the help of colleagues and other community members. CIBC FirstCaribbean made a $100,000 donation to the National Emergency Management Agency (NEMA) to assist with the recovery effort. Our staff members also made many personal donations of time and money to various individuals and organisations.

We continued to support many community groups with which we have had longstanding relationships based on the areas that comprise the foundation of our corporate giving efforts including: Health and Wellness, Youth Empowerment & Education, Community & Environment and Staff Volunteerism.

We made donations to several organisations that encourage physical and mental well-being including the Bahamas Heart Association, R.E.A.C.H. Bahamas (Autism Awareness), Kingdor National Parkinson's Foundation, Special Olympics Bahamas, Bahamas Association for the Physically Disabled, ACE Diabetes, the Bahamas Sickle Cell Association and Sister Sister Breast Cancer Support Group. Notably, we made a donation of $20,000 to the AIDS Foundation of the Bahamas to support its After School Care Program for children infected and affected by HIV.

We supported all of the children's homes in Nassau and made donations to organisations that care for people and families in crisis including The Crisis Centre, Hands for Hunger, and the Salvation Army, among others. We also continued our support of the Junior Achievement programs in New Providence and Grand Bahama, along with The Governor General's Youth Award, Freedom Farm Baseball League and other programs aimed at educating and empowering our youth.

Finally, as per our annual tradition, we made donations to many of the Class A and Class B Junkanoo Groups to assist with defraying the cost of participating in the Boxing Day and New Year's Eve Junkanoo parades. We also assisted other culturally-based groups with their activities including the Bahamas National Youth Choir.

Our team members generously donated their time and talent to participate in several successful Adopt-A-Cause initiatives this year. Staff volunteers renovated the recreation room at the Ranfurly Home for Children, organised Back-to-School events in the Bahamas and Turks & Caicos, donated time and personal items to senior citizens at the Mary Ingraham Intergenerational Care Center in Nassau, and positively impacted many other community members in other helpful ways.

People

Across the business we renewed our focus on enhancing the overall customer experience and increasing sales growth. We achieved this by streamlining processes, improving our product offerings and most importantly, by empowering and engaging our people.

As in previous years, we adopted a holistic approach to the engagement and development opportunities extended to employees. We coordinated several educational seminars featuring a variety of topics including financial planning and budgeting, retirement planning and preparation, health, wellness and preventative health care and stress management.

We also remained focused on professional development and risk awareness. We placed great emphasis on completion of Corporate Mandatory Training programs to ensure that each employee is equipped with the information needed to combat the various risk events that may occur while meeting the demands of a changing global banking environment. The learning and development team also rolled out a two-part, bank-wide customer service training program which will continue into the new fiscal year.

Last but certainly not least, the Bank ensured that its people were consistently recognized and rewarded. Two team members from the Bahamas were the recipients of the CIBC FirstCaribbean Player of the Series Award, an accolade reserved for a maximum of eight (8) persons regionally from a pool of over three thousand employees. We also hosted presentations related to International Women's Day, employee fitness sessions, and other wellness activities.

We celebrated Employee Appreciation Day in May along with our Caribbean and Canadian counterparts. Under the theme "Cheering on Our Champions," employees participated in a number of Olympic-themed activities throughout the day. The event was a resounding success!

Appreciation

Fiscal 2017 promises to be even more exciting than 2016 as we continue to deliver exceptional service and focus on expanding and improving our business. It is my pleasure to thank the Board of Directors, management, staff, shareholders and our clients for their continued support and loyalty.

Marie Rodland-Allen
Managing Director

THE BOARD OF DIRECTORS

Rik Parkhill
Chairman

Gary Brown
Chief Executive Officer

Marie Rodland-Allen
Managing Director

Trevor Torzsas
Managing Director
Customer Relationship
Management and Strategy

Felix Stubbs
District Governor of
Rotary International

Willie Moss
Attorney-at-Law

G. Diane Stewart
Attorney-at-Law

SENIOR MANAGEMENT AND ADVISORS

Pictured seated, left to right, are:

Gezel Farrington
Director, Retail Banking Channels

Marie Rodland-Allen
Managing Director,
Bahamas and Turks & Caicos Islands

Raymond Donaldson
Director,
Corporate & Investment Banking

Standing, left to right, are:

Robert Cox
Associate Director,
Client Credit Management

Antionette Turnquest
Head of Human Resources,
Bahamas and Turks & Caicos Islands

Glenda Whylly
Senior Manager,
Managing Director's Office

Stacia Williamson
Controller & Chief
Financial Officer

Sherrylyn Bastian
Legal Counsel and
Corporate Secretary

Andrew Hanna
Senior Manager,
Data Center Operations

Missing from photo:

Beulah Arthur
Country Treasurer

Gaye Dean
Manager Technology,
Operations & Corporate Services

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

Regional Audit &
Governance Committee
Paula Rajkumarsingh – Chair
David Ritch
David Arnold
Sir Allan Fields
G. Diane Stewart
Rik Parkhill
Lincoln Eatmon

Auditors
Ernst & Young

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

Registrar and Transfer Agents
CIBC Trust Company (Bahamas) Limited

Management's Discussion and Analysis

Management's discussion and analysis (MD&A) is provided to enable readers to assess CIBC FirstCaribbean's financial condition and results of operations as at and for the year ended October 31, 2016, compared with prior years. The 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 thousands of Bahamian dollars. Certain comparative amounts have been reclassified to conform to the presentation adopted in the current year.

Overview

FirstCaribbean International Bank Limited is a leading Caribbean financial institution providing individual and business clients with a full range of products and services through our four (4) segments – Retail and Business Banking, Wholesale Banking, Wealth Management and Administration.

The business segments are supported by the Administration segment which includes Finance, Human Resources, Risk, Technology & Operations, Treasury, and other support units. Highlights and commentary on business segments can be found in 2016 Highlights Section of this annual report.

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

Nature of the business

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

Objectives and strategies

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

Resources, risks and relationships

The most important resources and relationships available to the Bank are driven by its clients, employees, communities (including its regulators) and its shareholders. Over the years, the Bank has developed these resources and relationships to synergistically deliver banking that fits our clients' lives.

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

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

Review of results, performance measures and indicators

Review of the Consolidated Statement of Income

Highlights

B$ thousands except per share amounts, as at or for the year ended October 31	2016	2015
Total revenue	**173,232**	172,100
Net income for the year	**70,573**	66,213
Total assets	**3,228,934**	3,277,449
Basic earnings per share (cents)	**58.7**	55.1
Dividend per share	**30.0**	26.0
Closing share price per share (cents)	**8.50**	8.05
Return on equity	**12.7%**	13.2%
Efficiency	**52.7%**	52.8%
Tier I capital ratio	**27%**	34%
Total capital ratio	**27%**	35%

Net income for the year was $71 million, compared to a $66 million in 2015.

This year's results were affected by lower loan loss impairment, decreased deposit interest and operating expenses offset by declining net interest income and operating income. The Bank continues to deliver solid results against its strategic objectives. The results for both years were affected by certain significant items as follows:

2016

- $3 million decrease in loan loss expense due to improvement in loss experience and recovery activity.

2015

- $3 million decrease in loan loss expense due to improvement in loss experience and recovery activity.
- $1 million decrease in net interest income primarily due to $1.7 million lower interest earnings from loans offset by $2.4 million lower funding costs.

Net interest income and margin

B$ thousands for the year ended October 31	2016	2015
Average total assets	**3,298,119**	3,332,278
Net interest income	**135,075**	134,409
Net interest margin	**4.08%**	4.03%

Net interest income increased year on year by $0.7 million (2%) largely caused by lower loan interest earnings, offset by lower deposit funding costs.

Operating income

B$ thousands for the year ended October 31	2016	2015
Fee & commission income	**26,901**	26,170
Foreign exchange earnings	**9,656**	9,264
Net gains	**898**	1,311
Other	**702**	946
	38,157	37,691

Operating income decreased year on year by $1.7 million (4%) primarily due to higher foreign exchange earnings and service based fees.

Operating expenses

B$ thousands for the year ended October 31	2016	2015
Remuneration and benefits:		
Wages and salaries	**23,725**	23,080
Benefits	**8,022**	9,619
	31,747	32,699
Business license	**8,662**	8,825
Occupancy and maintenance	**11,470**	11,610
Depreciation	**3,101**	2,996
Communications	**2,323**	2,463
Professional and management fees	**22,027**	22,228
Other	**11,883**	10,132
	91,213	90,953

Operating expenses increased slightly year on year by $0.3 million (0.3%) primarily due to higher outside services costs, partially offset by lower staff costs, mainly relating to the post-retirement benefits plans.

Loan loss impairment

B$ thousands for the year ended October 31	2016	2015
Individual impairment		
Mortgages	**(940)**	4,315
Personal loans	**7,252**	(613)
Business & Sovereign	**3,766**	12,042
	10,078	15,744
Collective impairment charge	**1,368**	(810)
	11,446	14,934

Loan loss impairment decreased by $3 million (23%) year on year. The specific allowances decreased by $6 million as a result of lower incremental provisions and higher recoveries.

The ratio of loan loss impairment to gross loans was 0.5% compared with 0.7% at the end of 2015. Non-performing loans to gross loans declined to 8.9% at the end of 2016 compared to 12.9% at the end of 2015. The coverage ratio increased from 63.5% in 2015 to 76.3% in 2016.

Review of the Consolidated Statement of Comprehensive Income

B$ thousand for the year ended October 31	2016	2015
Net Income for the year	**70,573**	66,213
Other comprehensive income		
Net gain/(loss) on available-for-sale investment securities	**1,678**	(736)
Re-measurement gains on retirement benefit plans	**11,000**	19,343
Other Comprehensive Income	**12,678**	18,607
Total Comprehensive Income	**83,251**	84,820

Other comprehensive income decreased year on year as a result of a reduction in re-measurement gains on the pension plans. Conversely, there were net gains from investment securities compared with losses in the prior year, due primarily to higher fair values in the current year.

Review of the Consolidated Statement of Financial Position

$ millions for the year ended October 31	2016	2015
Assets		
Cash & balances with The Central		
Bank and due from banks	**407,943**	495,589
Investment securities	**678,072**	781,848
Loans and advances:		
Mortgages	**1,022,511**	1,041,230
Personal	**205,728**	208,738
Business & Government	**918,386**	778,730
Provision for impairment (net of recoveries and write-offs)	**(146,341)**	(166,046)
Interest receivable	**19,173**	19,809
Unearned fee income	**(11,132)**	(11,100)
	2,008,325	1,871,361
Other assets	**134,594**	128,651
	3,228,934	3,277,449
Liabilities and Equity		
Customer deposits		
Individuals	**813,389**	814,536
Business & Sovereign	**1,409,100**	1,526,448
Banks	**267,044**	242,211
Interest payable	**2,414**	2,611
	2,491,947	2,585,806
Other liabilities	**81,971**	83,814
Equity	**655,016**	607,829
	3,228,934	3,277,449

Total assets decreased by $49 million (1.5%) primarily due to decreased securities and lower cash & balances with banks, which offset the increase in loans and advances to customers.

Total liabilities decreased by $96 million (3.6%) due to lower customer deposits as a result of decreased funds placed by Business clients.

Total equity has increased year on year by $47 million (7.8%) due mainly to net income for the year of $71 million, other comprehensive income of $13 million and dividends of $36 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 Bank continues to maintain strong capital ratios of Tier I and Tier I & II of 27% and 27%, respectively, at the end of 2016, well in excess of regulatory requirements.

Business Segment Overview

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

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

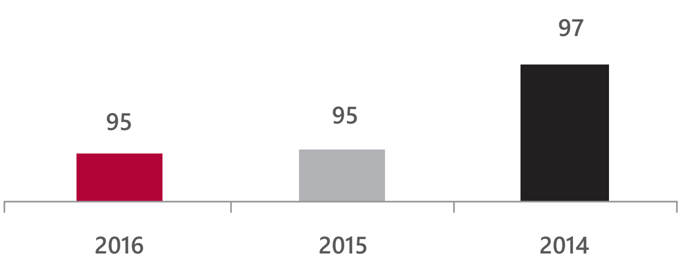
Retail and Business Banking

Retail Banking includes Retail, Business Banking and Cards businesses. Effective November 2015, International Wealth, which was previously reported in Wealth Management, was transitioned to the Retail Banking segment. Prior period disclosures have been amended to conform to this current presentation. Retail and Business Banking provides a full range of financial products and services to individuals, which can be accessed through our network of branches and ABMs, as well as through internet and telephone banking channels, inclusive of our recently launched Mobile Banking App. Business Banking clients are provided with products and services to satisfy their day to day operational and working capital business needs. Cards offering include both the issuing and acquiring business.

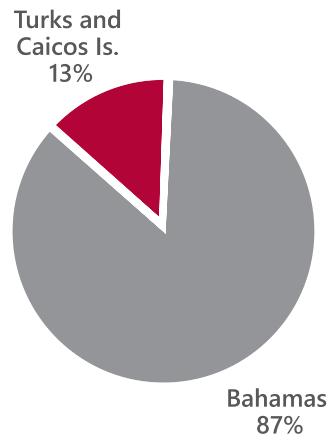
External revenues remained flat year on year as lower loan earnings as a result of lower yields was offset by lower interest expense and increased service fee income.

Segment results declined year on year by $1.1 million as a result of lower external and internal revenue and higher allocated costs, which offset the decline in loan loss impairment.

External Revenues ($ Millions)



External Revenues (% Geographic Market)



Wholesale Banking

This segment comprises: Corporate Lending, Investment Banking and Client Solutions Group businesses.

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

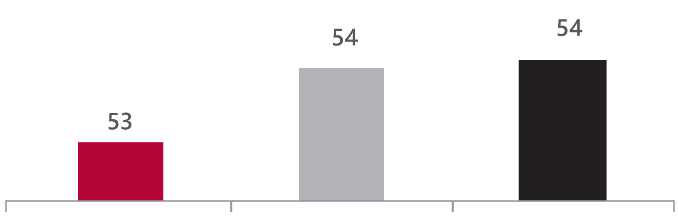
Investment Banking provides debt, equity, capital markets and corporate finance products and services to large corporations, financial institutions and governments.

Clients are also provided with derivative and other risk mitigating products through the Client Solutions Group.

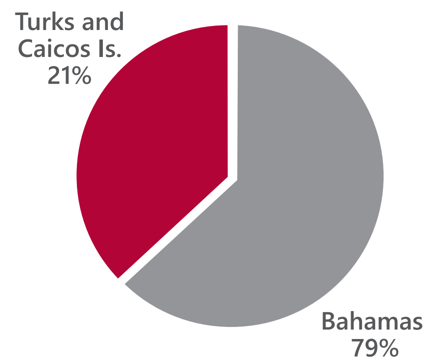
External revenue declined by $0.9 million year on year due to lower interest recoveries. Deposit interest expense also declined due to lower fixed deposit balances and rates.

Segment results declined year on year by $3 million driven by lower revenues and higher allocated costs.

External Revenues ($ Millions)



External Revenues (% Geographic Market)



Wealth Management

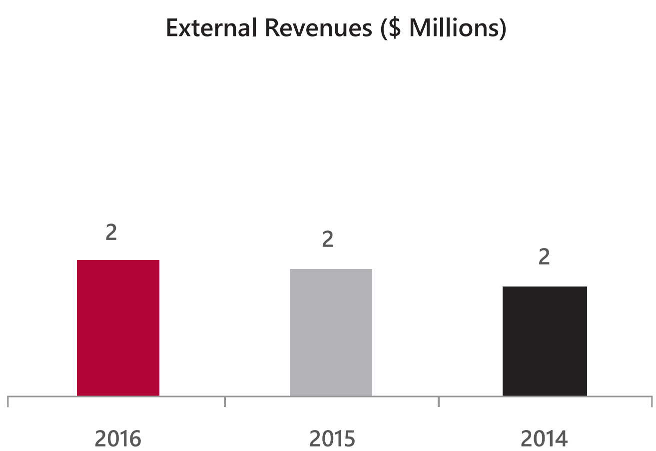
This segment comprises International Banking (including International Corporate and International Personal Banking), Investment Management, Private Wealth Management and CIBC Bank & Trust.

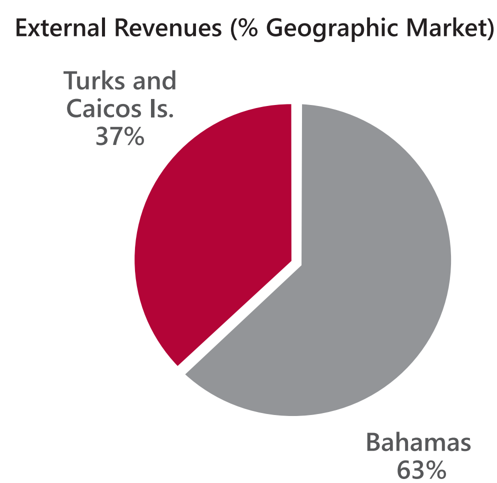
Wealth Management clients are provided investment advice and traditional banking services through a relationship management offer.

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

External revenue was flat year on year as a result of higher loan earnings and lower interest expense, offset by lower fees and commissions.

Segment results decreased year on year by $2.1 million driven by higher allocated costs and capital charges, and higher operating expenses.





Administration

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

Treasury is responsible for balance sheet and liquidity risk management for the Bank. Securities and cash placements are normally held within the Treasury unit included in the Administration segment.

Risk Management Approach

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

The Bank's approach to risk management is based on sound banking principles and a robust governance structure. Risk is managed within tolerance levels established by our management committees and approved by the Board of Directors and its committees (the Board). This is achieved through a comprehensive framework of measurement, monitoring and control policies, procedures and processes. Further information on credit, market and liquidity risks within the Bank can be found in note 26 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 and Administrative 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 Bank's risk management policies and procedures are designed to identify and analyse these risks, to set appropriate risk limits, and to monitor and enhance risk management practices to reflect changes in markets, products and evolving best practice.

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

Credit Risk

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

Credit risk is managed and controlled on the basis of established credit processes and policies operating within a framework of delegated authorities. In addition to approving the Bank's key credit policies and setting credit risk appetite and tolerances, the Finance, Risk and Conduct Review Committee of the Board also delegates credit approval limits to the Credit Committee of the Bank. The Credit Committee is chaired by the Chief Risk and Administrative Officer. There is appropriate segregation of duties between customer facing functions responsible for originating and managing exposures, the Credit Risk Management function responsible for credit adjudication and oversight, and the Operations function responsible for disbursing loans and safekeeping security.

Credit grading, scoring and monitoring systems facilitate the early identification and management of deterioration in loan quality. Delinquent facilities are subject to separate and additional oversight by 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 teams.

Market Risk

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

The Finance, 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 and Administrative Officer.

There is no single risk measure that captures all aspects of market risk. The Bank uses several risk measures including Value at Risk ('VaR'), sensitivity measures and stress testing. Market risks are managed by setting limits based upon the specific markets and products where the Bank is involved, as well as the amount of the Bank's capital at risk. These measurement methodologies utilise international best practice. There is a centralised, dedicated 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 Bank.

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 Bank 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 Bank defines operational risk as the measurement of potential loss or damaged reputation from failed or inadequate internal processes, people and systems or from external events. Operational risks are inherent in all activities within the Bank, including in 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 Bank are reported regularly to the Audit & Governance Committee and Finance, Risk and Conduct Review Committee.

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

Liquidity Risk

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

The Bank's exposure to liquidity risk is governed by a Liquidity Management Policy and Framework approved by the Board. The operation of the policy is delegated to Management in the form of the Asset and Liability Committee (ALCO). The Bank 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 Bank performs stress tests and scenario analyses to evaluate the impact of stresses on its liquidity position. These tests are at both a Bank specific and systemic risk level. The results are independently reviewed by the market risk function and reported to the Board quarterly.

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INDEPENDENT AUDITORS' REPORT

The Shareholders and Directors
FirstCaribbean International Bank (Bahamas) Limited

We have audited the accompanying consolidated financial statements of FirstCaribbean International Bank (Bahamas) Limited (the "Bank") which comprise the consolidated statement of financial position as of October 31, 2016, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and the related notes.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Bank as of October 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst + Young

December 22, 2016

Consolidated Statement of Financial Position

As at October 31, 2016
(Expressed in thousands of Bahamian dollars)

	Notes	2016	2015
Assets			
Cash and balances with The Central Bank	3	**$ 114,774**	$ 98,101
Due from banks	4	**293,169**	397,488
Derivative financial instruments	5	**362**	454
Other assets	6	**4,917**	16,403
Investment securities	7	**678,072**	781,848
Loans and advances to customers	8	**2,008,325**	1,871,361
Property and equipment	9	**28,414**	25,328
Retirement benefit assets	10	**28,154**	13,719
Goodwill	11	**72,747**	72,747
Total assets		**$ 3,228,934**	$ 3,277,449
Liabilities			
Derivative financial instruments	5	**17,333**	19,782
Customer deposits	12	**2,491,947**	2,585,806
Other liabilities	13	**49,174**	43,943
Retirement benefit obligations	10	**15,464**	20,089
Total liabilities		**$ 2,573,918**	$ 2,669,620
Equity			
Issued capital	14	**477,230**	477,230
Reserves	14	**(14,326)**	(30,602)
Retained earnings		**192,112**	161,201
Total equity		**655,016**	607,829
Total liabilities and equity		**$ 3,228,934**	$ 3,277,449

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

Approved by the Board of Directors on December 16, 2016, and signed on its behalf by:

Marie Rodland-Allen

Managing Director

L. Stewart

Director

Consolidated Statement of Income

For the year ended October 31, 2016
(Expressed in thousands of Bahamian dollars)

	Notes	2016	2015
Interest and similar income		**$ 146,708**	$ 148,445
Interest and similar expense		**11,633**	14,036
Net interest income	15	**135,075**	134,409
Operating income	16	**38,157**	37,691
		173,232	172,100
Operating expenses	17	**91,213**	90,953
Loan loss impairment	8	**11,446**	14,934
		102,659	105,887
Net income for the year		**$ 70,573**	$ 66,213
Basic income per share			
(expressed in cents per share)	18	**58.7**	55.1

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

Consolidated Statement of Comprehensive Income

For the year ended October 31, 2016
(Expressed in thousands of Bahamian dollars)

	Notes	2016	2015
Net income for the year		**$ 70,573**	$ 66,213
Other comprehensive income:			
Other comprehensive income/(loss) for the year, to be reclassified to net income or loss in subsequent periods:			
Net gain/(loss) on available-for-sale investment securities	20	**1,678**	(736)
Other comprehensive income not to be reclassified to net income or loss in subsequent periods:			
Re-measurement gains on retirement benefit plans	10	**11,000**	19,343
Other comprehensive income for the year		**12,678**	18,607
Comprehensive income for the year		**$ 83,251**	$ 84,820

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

Consolidated Statement of Changes in Equity

For the year ended October 31, 2016
(Expressed in thousands of Bahamian dollars)

	Notes	Issued capital	Reserves	Retained earnings	Total equity
As at November 1, 2014		$ 477,230	$ (51,409)	$ 128,444	$ 554,265
Net income for the year		-	-	66,213	66,213
Other comprehensive income for the year		-	18,607	-	18,607
Total comprehensive income		-	18,607	66,213	84,820
Dividends	19	-	-	(31,256)	(31,256)
Transfer to statutory reserve fund – Turks & Caicos Islands	14	-	2,200	(2,200)	-
Balance at October 31, 2015		477,230	(30,602)	161,201	607,829
Net income for the year		-	-	70,573	70,573
Other comprehensive income for the year		-	12,678	-	12,678
Total comprehensive income		-	12,678	70,573	83,251
Dividends	19	-	-	(36,064)	(36,064)
Transfer to statutory reserve fund – Turks & Caicos Islands	14	-	3,598	(3,598)	-
Balance at October 31, 2016		**$ 477,230**	**$ (14,326)**	**$ 192,112**	**$ 655,016**

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

Consolidated Statement of Cash Flows

For the year ended October 31, 2016
(Expressed in thousands of Bahamian dollars)

	Notes	2016	2015
Cash flows from operating activities			
Net income for the year		$ **70,573**	$ 66,213
Adjustments to reconcile net income to net cash used in operating activities			
Loan loss impairment	8	**11,446**	14,934
Depreciation of property and equipment	9	**3,101**	2,996
Net loss on disposal of property and equipment		**-**	14
Net gains on sale and redemption of investment securities	16	**(827)**	(1,711)
Interest income on investment securities	15	**(23,258)**	(23,031)
Net hedging gains	5	**(1,041)**	(1,029)
Interest expense on derivative financial instruments	15	**3,425**	4,075
Net cash flows from net income before changes in operating assets and liabilities		**63,419**	62,461
- net increase in due from banks greater than 90 days	4	**(2,409)**	(43,114)
- net decrease/(increase) in mandatory reserves with The Central Bank	3	**992**	(334)
- net (increase)/decrease in loans and advances to customers		**(148,320)**	96,590
- net decrease in other assets		**10,129**	17,334
- net decrease in customer deposits		**(93,859)**	(180,841)
- net (decrease)/increase in other liabilities		**(1,724)**	1,996
Net cash used in operating activities		**(171,772)**	(45,908)
Cash flows from investing activities			
Purchases of property and equipment	9	**(6,187)**	(3,890)
Proceeds from disposal of property and equipment		**-**	1,200
Purchases of investment securities		**(705,818)**	(648,007)
Proceeds from sale and redemption of investment securities		**810,606**	606,425
Interest income received on investment securities		**23,290**	24,504
Interest paid on derivative financial instruments		**(3,118)**	(4,037)
Net cash from/(used in) investing activities		**118,773**	(23,805)
Cash flows from financing activities			
Dividends paid	19	**(36,064)**	(31,256)
Net cash used in financing activities		**(36,064)**	(31,256)
Net decrease in cash and cash equivalents		**(89,063)**	(100,969)
Cash and cash equivalents, beginning of year		**354,776**	455,745
Cash and cash equivalents, end of year	3	$ **265,713**	$ 354,776

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

Note 1 Corporate Information

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

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

The registered office of the Bank is located at the FirstCaribbean Financial Centre, 2nd Floor, Shirley Street, Nassau, The Bahamas. The Bank is listed on the Bahamas International Securities Exchange ("BISX").

These consolidated financial statements have been authorised for issue by the Board of Directors on December 16, 2016. The Board of Directors has the power to amend these consolidated financial statements after issue, if required.

Note 2 Basis of Preparation and Summary of Significant Accounting Policies

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

2.1 Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for available-for-sale ("AFS") investment securities and derivative financial instruments, which have all been measured at fair value. The carrying values 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 Bahamian dollars, and all values are rounded to the nearest thousand except where otherwise indicated.

The consolidated financial statements provide comparative information in respect of the previous period. In addition, the Bank presents an additional statement of financial position at the beginning of the earliest period presented when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in the financial statements.

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, 2016 (the "reporting date"). The financial statements of the subsidiaries are prepared for the same reporting year as the Bank, using consistent accounting policies.

Subsidiaries

All subsidiaries, which are those companies controlled by the Bank, have been fully consolidated. The principal subsidiaries of the Bank are disclosed in Note 28.

Control is achieved when the Bank is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Bank controls an investee if and only if the Bank has: 1)

Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee); 2) Exposure, or rights, to variable returns from its involvement with the investee; and 3) The ability to use its power over the investee to affect its returns.

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

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

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

2.2 Significant accounting judgments and estimates

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

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Other disclosures relating to the Bank's exposure to risks and uncertainties include:

- Capital management – Note 14
- Financial risk management and policies – Note 26
- Sensitivity analysis disclosures – Notes 10, 26

The estimates and judgments that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Fair value of financial instruments

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

Impairment losses on loans and advances

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

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

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

Retirement benefit obligations

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

In determining the appropriate discount rate, management considers the interest rates of government bonds, in the absence of corporate bonds, in currencies consistent with the currencies of the post-employment benefit obligation with at least an 'AA' rating or above, as set by an internationally acknowledged rating agency, and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation. The mortality rate is based on publicly available mortality tables. Future salary increases and pension increases are based on expected future inflation rates. Further details about pension obligations are given in Note 10.

Taxes

Income taxes

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

Value Added Tax (VAT)

Effective January 1, 2015, the Government of The Commonwealth of The Bahamas implemented a value added tax (VAT). VAT is an indirect tax which is considered a broadly based consumption tax charged on the value added to goods and services. It applies to almost all goods and services that are imported, bought and sold for use or consumption. Conversely, exported goods and services supplied to customers abroad are exempted or zero-rated. Currently, VAT is assessed at 7.5%. The Company is a VAT registrant.

Impairment of available-for-sale investments

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

Goodwill

In accordance with International Accounting Standards ("IAS") 36, goodwill is reviewed for impairment annually using the "value in use" method. This requires the use of estimates for determination of future cash flows expected to arise from each cash-generating unit and an appropriate discount rate to calculate present value.

Going Concern

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

2.3 Adoption of new accounting policies

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

New and amended standards and interpretations

There were no new standards and amendments which apply for the first time in 2016 that affect the annual consolidated financial statements of the Bank.

2.4 Summary of significant accounting policies

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

Foreign currency translation

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

Transactions and balances

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

Derivative financial instruments and hedge accounting

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

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

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

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

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

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

• Fair value 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 consolidated 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 consolidated statement of income. Amounts accumulated in other comprehensive income are recycled to the consolidated statement of income in the periods in which the hedged item will affect profit or loss (for example, when the forecast sale that is hedged takes place). When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in other comprehensive income at that time remains in other comprehensive income and is recognised when the forecast transaction is ultimately recognised in the consolidated statement of income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to the consolidated statement of income.

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

Interest income and expense

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

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

Fee and commission income

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Origination fees for loans which have a high probability of being drawn are deferred (together with related direct costs) and recognised as an adjustment to the effective interest yield on the loan. Commissions and fees arising from 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 programs

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

Financial instruments

The Bank recognises financial instruments on its consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument and classifies its financial assets into the following categories:

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

Management determines the classification of its investments at initial recognition.

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

Financial assets and liabilities at fair value through profit or loss

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

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

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

Loans and receivables

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

Available-for-sale investment securities

Available-for-sale investment securities 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 instruments that require delivery within the timeframe established by regulation or market convention ("regular way" purchases and sales) are recognised on the settlement date, which is the date that an asset is delivered to or by the Bank. Otherwise, such transactions are treated as derivatives until settlement occurs. Loans and receivables are recognised when cash is advanced to the borrower.

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

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

When the securities are disposed of or impaired, the related accumulated fair value adjustments are included in the consolidated statement of income as gains and losses from investment securities.

Unquoted equity instruments for which fair values cannot be measured reliably are recognised at cost less impairment. All gains and losses from disposals and/or changes in the fair value of financial assets and liabilities at fair value through profit or loss and derivatives held for trading are included in operating income as net trading gains or losses. All gains and losses from disposals of investment securities classified as available-for-sale are included in operating income as net investment securities gains or losses. Where certain financial assets are hedged and there is ineffectiveness, this is included in operating income as net hedging gains or losses. Dividends are recorded on the accrual basis when declared and are included in investment securities interest and similar income.

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

Offsetting financial instruments

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

Derecognition of financial assets and financial liabilities

(i) Financial assets

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

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

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

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

(ii) Financial liabilities

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

Sale and repurchase agreements

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

Impairment of financial assets

Loans and receivables

The Bank assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that a financial asset, or group of financial assets, is impaired includes observable data that comes to the attention of the Bank about the following loss events:

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

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

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

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

AFS debt instruments

An AFS debt instrument is identified as impaired when there is objective observable evidence about our inability to collect the contractual principal or interest. When an AFS debt instrument is determined to be impaired, an impairment loss is recognised by reclassifying the cumulative unrealised losses in other comprehensive income to the consolidated statement of income. Impairment losses previously recognised in the consolidated statement of income are reversed in the consolidated statement of income if the fair value subsequently increases and the increase can be objectively determined to relate to an event occurring after the impairment loss was recognised.

AFS equity instruments

Objective evidence of impairment for an investment in an AFS equity instrument exists if there has been a significant or prolonged decline in the fair value of the investment below its cost, or if there is information about significant adverse changes in the technological, market, economic, or legal environment in which the issuer operates, or if the issuer is experiencing significant financial difficulty.

When an AFS equity instrument is determined to be impaired, an impairment loss is recognised by reclassifying the cumulative unrealised losses on other comprehensive income to the consolidated statement of income. Impairment losses previously recognised in the consolidated statement of income cannot be subsequently reversed. Further decreases in fair value subsequent to the recognition of an impairment loss are recognised directly in the consolidated statement of income, and subsequent increases in fair value are recognised in other comprehensive income.

Impairment of non-financial assets

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

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

Goodwill

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

Property and equipment

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

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

The annual rates used are:

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

Depreciation methods, useful lives and residual values are reviewed at each annual reporting date and are adjusted if appropriate.

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

Operating lease payments are recognised as an expense on a straight-line basis over the lease term and included in the consolidated statement of income.

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 Bank that are not classified as insurance contracts are initially recognised as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantees, which is generally the premium received or receivable on the date the guarantee was given. Subsequently, financial guarantee liabilities are measured at the higher of the initial fair value, less cumulative amortisation, and the present value of any expected payment when a payment under the guarantee has become probable. A financial guarantee that qualifies as a derivative is re-measured at fair value as at each reporting date and reported as Derivative instruments in assets or liabilities, as appropriate.

Cash and cash equivalents

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

Provisions

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

Restructuring provisions

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

Retirement benefit obligations

Pension obligations

The Bank operates a pension plan, the assets of which are held in a separate trustee-administered fund. The pension plan is funded by payments from employees and the Bank, taking account of the recommendations of independent qualified actuaries. The plan has defined benefit and defined contribution sections. A defined benefit plan is a pension plan that defines an amount of pension benefit to be provided, usually as a function of one or more factors such as age, years of service, or compensation. A defined contribution plan is a pension plan under which the Bank pays fixed contributions into a separate entity (a fund) and will have no legal or constructive 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 consolidated statement of financial position in respect of the defined benefit sections of the plan is the present value of the defined benefit obligation at the reporting date minus the fair value of plan assets, together with adjustments for unrecognised actuarial gains/losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by the estimated future cash outflows using interest rates of government securities that have terms to maturity approximating the terms of the related liability. The pension plan is a final salary plan and the charge, representing the net periodic pension cost less employee contributions, is included in staff costs.

Re-measurements, comprising where applicable of actuarial gains and losses, the effect of the asset ceiling, excluding net interest and the return on plan assets (excluding net interest), are recognised immediately in the statement of financial position with a corresponding debit or credit to reserves through Other Comprehensive Income ("OCI") in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss on the earlier of:

- The date of the plan amendment or curtailment; and
- The date that the Bank recognises restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Bank recognises the following changes in the net defined benefit obligation as part of staff costs in the consolidated statement of income:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- Net interest expense or income

For the defined contribution section of the plan, the Bank makes contributions to a private trustee-administered fund. Once the contributions have been paid, the Bank has no further payment obligations. The regular contributions constitute net periodic costs for the year in which they are due and as such are included in staff costs. The Bank's contributions to the defined contribution section of the plan are charged to the consolidated statement of income in the year to which they relate.

Other post-retirement obligations

The Bank provides post-retirement healthcare benefits to its retirees. The entitlement to these benefits is usually based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment, using a methodology similar to that for defined benefit pension plans. These obligations are valued periodically by independent qualified actuaries.

Borrowings

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

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 ordinary shares

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

Equity reserves

The reserves recorded in equity on the Bank's statement of financial position include:

- Available-for-sale reserve, which comprises changes in fair value of available-for-sale investment securities;
- Cash flow hedge reserve, which comprises the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge; and
- Other capital reserve, which includes the statutory reserves (Note 14)

Earnings per share

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

Fiduciary activities

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

Segment reporting

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

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

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

Fair value measurement

The Bank measures financial instruments, such as derivatives and available-for-sale investment securities, at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 26. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

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

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

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

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

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

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

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

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

Comparatives

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

2.5 Future changes in accounting policies

Certain new standards and amendments to existing standards have been published that are mandatory for the Bank's accounting periods beginning on or after November 1, 2016. Of these, the following are relevant to the Bank but have not been early adopted. Management is considering the implications of these new standards, the impact on the Bank and the timing of their adoption.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Bank elected to early adopt the new standard effective November 1, 2018 in keeping with its Ultimate Parent, CIBC, who has elected to early adopt due to OSFI (Office of the Superintendent of Financial Institutions) regulations. During 2016, the Bank performed a high-level impact assessment of all three aspects of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Bank in the future. Overall, the Bank expects no significant impact on its balance sheet and equity except for the effect of applying the impairment requirements of IFRS 9. The Bank expects a higher loan loss allowance resulting in a negative impact on equity and will perform a detailed assessment in the future to determine the extent.

(a) Classification and measurement

The Bank does not expect a significant impact on its balance sheet or equity on applying the classification and measurement requirements of IFRS 9. It expects to continue measuring at fair value all financial assets currently held at fair value. Quoted equity shares currently held as available-for-sale with gains and losses recorded in OCI will be measured at fair value through profit or loss instead, which will increase volatility in recorded profit or loss. The AFS reserve currently in accumulated OCI will be reclassified to opening retained earnings. Debt securities are expected to be measured at fair value through OCI under IFRS 9 as the Bank expects not only to hold the assets to collect contractual cash flows, but also to sell a significant amount on a relatively frequent basis.

The equity shares in non-listed companies are intended to be held for the foreseeable future. The Bank expects to apply the option to present fair value changes in OCI and, therefore, believes the application of IFRS 9 would not have a significant impact. If the Bank were not to apply that option, the shares would be held at fair value through profit or loss, which would increase the volatility of recorded profit or loss.

Loans as well as trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. Thus, the Bank expects that these will continue to be measured at amortised cost under IFRS 9. However, the Bank will analyse the contractual cash flow characteristics of those instruments in more detail before concluding whether all those instruments meet the criteria for amortised cost measurement under IFRS 9.

(b) Impairment
IFRS 9 requires the Bank to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Bank expects to apply the simplified approach and record lifetime expected losses on all trade receivables. The Bank expects a significant impact on its equity due to the unsecured nature of its loans and receivables, but it will need to perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements, to determine the extent of the impact.

(c) Hedge accounting
The Bank believes that all existing hedge relationships that are currently designated in effective hedging relationships will still qualify for hedge accounting under IFRS 9. As IFRS 9 does not change the general principles of how an entity accounts for effective hedges, the Bank does not expect a significant impact as a result of applying IFRS 9. The Bank will assess possible changes related to the accounting for the time value of options, forward points or the currency basis spread in more detail in the future.

IFRS 14 Regulatory Deferral Accounts

IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit and loss and OCI. The standard requires disclosure of the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. IFRS 14 is effective for annual periods beginning on or after January 1, 2016. Since the Bank is an existing IFRS preparer, this standard would not apply.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after January 1, 2018, when the IASB finalises their amendments to defer the effective date of IFRS 15 by one year. Early adoption is permitted. The Bank is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.
The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact on the Bank.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Bank given that the Bank has not used a revenue-based method to depreciate its non-current assets.

Amendments to IAS 27: Equity Method in Separate Financial Statements

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of IFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have an impact on the Bank's consolidated financial statement.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. These amendments must be applied prospectively and are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact on the Bank.

IFRS 16 Leases

This standard is effective for annual periods beginning on or after January 1, 2019. IFRS 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting is substantially unchanged from today's accounting under IAS 17. The Bank is currently assessing the impact of IFRS 16 on its operations and plans to adopt the new standard on the required effective date.

IAS 7 Disclosure Initiative – Amendments to IAS 7

The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. This amendment is effective for annual periods beginning on or after January 1, 2017 and are intended to provide information to help investors better understand changes in a company's debt. This amendment is not expected to have a significant impact on the Bank.

IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12

Effective for annual periods beginning on or after January 1, 2017, this amendment clarifies the accounting for deferred tax assets for unrealized losses on debt instruments measured at fair value. An entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. This amendment is not expected to have any impact on the Bank.

Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1
- That specific line items in the statement(s) of profit and loss and OCI and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss

  Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact on the Bank.

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

These amendments must be applied retrospectively and are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact on the Bank.

Annual Improvements 2012-2014 Cycle

These improvements are effective for annual periods beginning on or after January 1, 2016. They include:

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

Assets (or disposal groups) are generally disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. This amendment must be applied prospectively.

IFRS 7 Financial Instruments: Disclosures

(i) Servicing contracts

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments.

(ii) Applicability of the amendments to IFRS 7 to condensed interim financial statements

The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment must be applied retrospectively.

IAS 19 Employee Benefits

The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment must be applied prospectively.

IAS 34 Interim Financial Reporting

The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. These amendments are not expected to have any impact on the Bank.

In 2016 and 2015, the Bank 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.

(Expressed in thousands of Bahamian dollars)

Note 3 Cash and Balances with The Central Bank

		2016		2015
Cash	$	37,520	$	31,074
Deposits with The Central Bank - non-interest bearing		77,254		67,027
Cash and balances with The Central Bank		114,774		98,101
Less: Mandatory reserve deposits with The Central Bank		(45,364)		(46,356)
Included in cash and cash equivalents, as per below	$	69,410	$	51,745

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

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

Cash and cash equivalents

		2016		2015
Cash and balances with The Central Bank, as per above	$	69,410	$	51,745
Due from banks, included in cash and cash equivalents (Note 4)		196,303		303,031
	$	265,713	$	354,776

Note 4 Due from Banks

		2016		2015
Included in cash and cash equivalents (Note 3)	$	196,303	$	303,031
Greater than 90 days maturity from date of acquisition		96,866		94,457
Due from banks	$	293,169	$	397,488

Due from banks comprises deposit placements and include amounts placed with other FirstCaribbean International Bank entities of $127,616 (2015: $214,709) and deposit placements with CIBC entities of $53,684 (2015: $53,134) (Note 22). Due from banks include placements with FCIB Jamaica totalling $41,484 (2015: $40,835), which are pledged in favour of that bank in support of loans granted to certain of its customers. The average effective yield on deposit placements during the year was 1.05% (2015: 0.46%).

(Expressed in thousands of Bahamian dollars)

Note 5 | Derivative Financial Instruments

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

2016	Notional Amount		Fair Values	
	Assets	Liabilities	Assets	Liabilities
Interest rate swaps	**$ 52,310**	**$ 174,298**	**$ 362**	**$ 17,333**
			$ 362	**$ 17,333**
2015				
Interest rate swaps	$ 66,075	$ 220,283	$ 454	$ 19,782
			$ 454	$ 19,782

The Bank has positions in the following types of derivatives:

Interest rate swaps

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

Cash collateral pledged with counterparties that have one-way collateral posting arrangements total $14,082 (2015: $14,457).

Derivative financial instruments held or issued for hedging purposes

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

During the year, the Bank recognised net gains on effective hedges of $1,041 (2015: $1,029) due to gains on hedging instruments of $2,412 (2015: loss of $748) and losses on hedged items attributable to the hedged risk of $1,371 (2015: gain of $1,777). These results are included within operating income as part of net hedging gains/losses (Note 16).

CIBC entities are counterparties to certain of the Bank's interest rate swap contracts (Note 22).

In 2016 and 2015, the Bank 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.

(Expressed in thousands of Bahamian dollars)

Note 6 Other Assets

	2016	2015
Clearings and suspense	$ **1,598**	$ 8,512
Other accounts receivables (Note 22)	**1,429**	5,886
Prepayments and deferred items	**1,890**	2,005
	$ **4,917**	$ 16,403

Included in other accounts receivables are balances due from other Parent Group entities amounting to $24 (2015: $24) and the Bank's retirement benefit pension plan amounting to $589 (2015: $3,370), which represents amounts paid to pensioners on the plan's behalf.

Note 7 Investment Securities

	2016	2015
Available-for-sale		
Government debt securities	$ **395,212**	$ 520,969
Other debt securities	**275,702**	253,689
	670,914	774,658
Add: Interest receivable	**7,158**	7,190
	$ **678,072**	$ 781,848

Debt securities issued or guaranteed by the Government of The Bahamas amounted to $352,715 (2015: $458,279). The Bank has a regulatory reserve requirement to maintain a percentage of deposit liabilities in cash or in the form of certain government securities. At October 31, 2016, the reserve requirement amounted to $189,679 (2015: $185,095) of which $45,364 (2015: $46,356) is included within cash and balances with The Central Bank (Note 3).

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

	2016	2015
Balance, beginning of year	$ **774,658**	$ 730,324
Additions (purchases, changes in fair value and foreign exchange)	**706,862**	650,759
Disposals (sales and redemptions)	**(810,606)**	(606,425)
Balance, end of year	$ **670,914**	$ 774,658

The effective yield during the year on investment securities was 3.12% (2015: 3.07%).

(Expressed in thousands of Bahamian dollars)

Note 8 Loans and Advances to Customers

	Mortgages	Personal Loans	Business & Government Loans	2016
Performing loans (Note 26)	$ 885,908	$ 177,076	$ 891,886	$ 1,954,870
Impaired loans (Note 26)	136,603	28,652	26,500	191,755
Gross loans (Note 26)	1,022,511	205,728	918,386	2,146,625
Less: Provisions for impairment	(89,151)	(31,033)	(26,157)	(146,341)
	$ 933,360	$ 174,695	$ 892,229	$ 2,000,284
Add: Interest receivable				19,173
Less: Unearned fee income				(11,132)
				$ 2,008,325

	Mortgages	Personal Loans	Business & Government Loans	2015
Performing loans (Note 26)	$ 860,380	$ 176,332	$ 730,467	$ 1,767,179
Impaired loans (Note 26)	180,850	32,406	48,263	261,519
Gross loans (Note 26)	1,041,230	208,738	778,730	2,028,698
Less: Provisions for impairment	(97,415)	(29,223)	(39,408)	(166,046)
	$ 943,815	$ 179,515	$ 739,322	$ 1,862,652
Add: Interest receivable				19,809
Less: Unearned fee income				(11,100)
				$ 1,871,361

Movement in provisions for impairment for 2016 is as follows:

	Mortgages	Personal Loans	Business & Government Loans	2016
Balance, beginning of year	$ 97,415	$ 29,223	$ 39,408	$ 166,046
Individual impairment	(940)	7,252	3,766	10,078
Collective impairment	(333)	(320)	2,021	1,368
Recoveries and write-offs	(6,991)	(5,122)	(12,512)	(24,625)
Interest accrued on impaired loans	-	-	(6,526)	(6,526)
Balance, end of year	$ 89,151	$ 31,033	$ 26,157	$ 146,341

Movement in provisions for impairment for 2015 is as follows:

	Mortgages	Personal Loans	Business & Government Loans	2015
Balance, beginning of year	$ 101,462	$ 34,926	$ 53,710	$ 190,098
Individual impairment	4,315	(613)	12,042	15,744
Collective impairment	(587)	(440)	217	(810)
Recoveries and write-offs	(7,775)	(4,650)	(23,884)	(36,309)
Interest accrued on impaired loans	-	-	(2,677)	(2,677)
Balance, end of year	$ 97,415	$ 29,223	$ 39,408	$ 166,046

(Expressed in thousands of Bahamian dollars)

Ageing analysis of past due but not impaired loans for 2016:

	Mortgages	Personal Loans	Business & Government Loans	2016
Less than 30 days	**$ 50,170**	**$ 5,322**	**$ 4,023**	**$ 59,515**
31 - 60 days	**29,561**	**2,354**	**6,656**	**38,571**
61 - 89 days	**20,705**	**1,054**	**1,581**	**23,340**
	$ 100,436	**$ 8,730**	**$ 12,260**	**$ 121,426**

Ageing analysis of past due but not impaired loans for 2015:

	Mortgages	Personal Loans	Business & Government Loans	2015
Less than 30 days	$ 40,317	$ 3,976	$ 4,829	$ 49,122
31 - 60 days	29,267	2,232	6,184	37,683
61- 89 days	14,451	778	1	15,230
	$ 84,035	$ 6,986	$ 11,014	$ 102,035

The average interest yield during the year on loans and advances was 6.39% (2015: 6.82%). Impaired loans as at October 31, 2016 amounted to $191,755 (2015: $261,519) and interest taken to income on impaired loans during the year amounted to $1,795 (2015: $2,468).

(Expressed in thousands of Bahamian dollars)

Note 9 Property and Equipment

	Land and Buildings	Equipment, Furniture and Vehicles	Leasehold Improvements	2016
Cost				
Balance, November 1, 2015	$ 20,762	$ 39,766	$ 16,437	$ 76,965
Purchases	-	2,052	4,135	6,187
Balance, October 31, 2016	$ 20,762	$ 41,818	$ 20,572	$ 83,152
Accumulated depreciation				
Balance, November 1, 2015	$ 6,910	$ 31,359	$ 13,368	$ 51,637
Depreciation (Note 17)	581	2,065	455	3,101
Balance, October 31, 2016	7,491	33,424	13,823	54,738
Net book value, October 31, 2016	$ 13,271	$ 8,394	$ 6,749	$ 28,414

	Land and Buildings	Equipment, Furniture and Vehicles	Leasehold Improvements	2015
Cost				
Balance, November 1, 2014	$ 21,754	$ 36,530	$ 16,005	$ 74,289
Purchases	222	2,516	1,152	3,890
Disposals	(1,214)	-	-	(1,214)
Net transfers	-	720	(720)	-
Balance, October 31, 2015	$ 20,762	$ 39,766	$ 16,437	$ 76,965
Accumulated depreciation				
Balance, November 1, 2014	$ 6,467	$ 29,278	$ 12,896	$ 48,641
Depreciation (Note 17)	443	2,081	472	2,996
Balance, October 31, 2015	6,910	31,359	13,368	51,637
Net book value, October 31, 2015	$ 13,852	$ 8,407	$ 3,069	$ 25,328

Included as part of equipment, furniture and vehicles is an amount for $6,341 (2015: $2,210) relating to systems development costs and work in progress which is incomplete, not yet in operation and on which no depreciation has been charged.

Note 10 | Retirement Benefit Assets and Obligations

The Bank has an insured group health plan and a pension plan. The pension plan is a mixture of defined benefit and defined contribution schemes.

Plan characteristics, funding and risks

The benefits that members receive at retirement under the defined contribution plan depends on their account balances at retirement and the cost of purchasing an annuity. The defined benefit pension plan is non-contributory and allows for additional voluntary contributions with benefits dependent on either highest average annual pensionable earnings in the last ten years of membership or highest inflation adjusted salary in any one of the last three years of membership. The defined benefit plan is fully integrated with the benefits provided by local national insurance or social security schemes. The insured health plan allows for retirees to continue receiving health benefits during retirement. The plans require contributions to separate funds, are administered independently and are valued by independent actuaries every three years using the projected unit credit method.

Benefit changes

There were no material changes to the terms of our defined benefit pension or post-retirement medical benefit plans in 2016 or 2015.

Risks

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

Plan governance

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

Amounts recognised on the consolidated statement of financial position

The following tables present the financial position of our defined benefit pension and post-retirement medical benefit plans in which the Bank operates.

The total expense relating to the contributory plan charged for the year was $408 (2015: $398), which represents contributions to the defined contribution plan by the Bank at rates specified in the rules of the plan. Refer to Note 17.

For the year ended October 31, 2016
(Expressed in thousands of Bahamian dollars)

	Defined Benefit Pension Plans		Post Retirement Medical Benefits	
	2016	2015	2016	2015
Fair value of the plan assets	$ 116,135	$ 99,960	$ -	$ -
Present value of the obligations	(92,018)	(88,915)	(11,427)	(17,415)
Net retirement benefit asset/(obligations)	$ 24,117	$ 11,045	$ (11,427)	$ (17,415)

The pension plan assets include 100,000 (2015: 100,000) ordinary shares in the Bank, with a fair value of $850 (2015: $805).

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

	2016	2015
Opening fair value of plan assets	$ 99,960	$ 109,139
Contributions by employer	10,000	21
Benefits paid	(3,900)	(6,737)
Actuarial gains/(losses)	10,238	(2,315)
Plan administration costs	(163)	(148)
Closing fair value of plan assets	$ 116,135	$ 99,960

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

	2016	2015
Opening obligations	$ (88,915)	$ (110,793)
Interest costs	(5,277)	(5,371)
Current service costs	(2,097)	(2,860)
Benefits paid	3,900	6,737
Actuarial gains on obligations	371	23,000
Curtailment gains	-	372
Closing obligations	$ (92,018)	$ (88,915)

For the year ended October 31, 2016
(Expressed in thousands of Bahamian dollars)

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

	2016	2015
Opening obligations	$ (17,415)	$ (20,943)
Interest costs	(1,045)	(1,032)
Current service costs	-	(18)
Benefits paid	578	631
Actuarial gains on obligations	6,455	3,947
Closing obligations	$ (11,427)	$ (17,415)

The Bank does not expect to contribute to its defined benefit pension plan in the following year (2015: $nil).

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

	Defined Benefit Pension Plans		Post Retirement Medical Benefits	
	2016	2015	2016	2015
Current service costs	$ 2,097	$ 2,860	$ -	$ 18
Interest costs	5,277	5,371	1,045	1,032
Interest income on plan assets	(6,064)	(5,289)	-	-
Plan administration costs	163	148	-	-
Curtailment gains	-	(372)	-	-
Total amount included in staff costs (Note 17)	$ 1,473	$ 2,718	$ 1,045	$ 1,050
Actual return on plan assets	$ (10,238)	$ 2,315	$ -	$ -

The net re-measurement gains recognised in other comprehensive income are as follows:

	Defined Benefit Pension Plans		Post Retirement Medical Benefits	
	2016	2015	2016	2015
Actuarial (gains)/losses on defined benefit obligation arising from:				
Financial assumptions	$ 1,544	$ (16,569)	$ (87)	$ (3,725)
Experience adjustments	(1,915)	(6,431)	(6,368)	(222)
Return on plan assets excluding interest income	(4,174)	7,604	-	-
Net re-measurement gains recognised in OCI	$ (4,545)	$ (15,396)	$ (6,455)	$ (3,947)

For the year ended October 31, 2016
(Expressed in thousands of Bahamian dollars)

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

	Defined Benefit Pension Plans		Post Retirement Medical Benefits	
	2016	2015	**2016**	2015
Balance, beginning of year	**$ 11,045**	$ (1,654)	**$ (17,415)**	$ (20,943)
Charge for the year (Note 17)	**(1,473)**	(2,718)	**(1,045)**	(1,050)
Contributions by employer	**10,000**	21	**578**	631
Effect on statement of other comprehensive income	**4,545**	15,396	**6,455**	3,947
Balance, end of year	**$ 24,117**	$ 11,045	**$ (11,427)**	$ (17,415)

The breakdown of the net asset/(obligations) between active members and inactive and retired members is as follows:

	Defined Benefit Pension Plans		Post Retirement Medical Benefits	
	2016	2015	**2016**	2015
Active members	**$ 49,550**	$ 45,863	**$ -**	$ 9
Inactive and retired members	**42,468**	43,052	**11,427**	17,406
	$ 92,018	$ 88,915	**$ 11,427**	$ 17,415

The average duration of the net asset/(obligations) at the end of the reporting period is as follows:

	Defined Benefit Pension Plans		Post Retirement Medical Benefits	
	2016	2015	**2016**	2015
Average duration, in years	**21**	21	**16**	17

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

	2016		2015	
	$	%	$	%
Quoted equity instruments				
- International	**1,164**	**1**	1,049	1
Quoted debt				
- Government	**1,629**	**1**	1,616	2
- Corporate bonds	**1,334**	**1**	1,177	1
- Inflation Adjust. bonds	**667**	**1**	623	1
Investment Funds				
- U.S. Equity	**11,232**	**10**	38,579	39
- International Equity	**74,026**	**64**	25,989	26
- Fixed Income	**22,014**	**19**	30,496	30
Other assets	**4,069**	**3**	431	-
	116,135	**100%**	99,960	100%

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

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

	Defined Benefit Pension Plans	
	2016	**2015**
Discount rate	3.8 – 6.3%	4.6 – 6.3%
Expected return on plan assets	3.8 – 6.3%	4.6 – 6.3%
Future salary increases	4.0%	4.0%
Future pension increases	2.5%	2.5%

	Post Retirement Medical Benefit	
	2016	**2015**
Discount rate	3.8 – 6.3%	4.6 – 6.3%
Premium escalation rate	6.0%	6.0 – 9.0%
Existing retiree age	60	60

(Expressed in thousands of Bahamian dollars)

A quantitative sensitivity analysis for significant assumptions as at October 31, 2016 is as shown below:

Assumption	Sensitivity level	Impact on net defined benefit pension plans		Impact on Post-retirement medical benefits	
		Increase	Decrease	Increase	Decrease
Discount rate	1.0%	77,211	111,245	10,058	13,123
Future salary increases	0.5%	94,809	89,913	n/a	n/a
Future pension increases	0.5%	96,716	87,780	n/a	n/a
Premium escalation rate	1.0%	n/a	n/a	13,137	10,021
Existing retiree age	1 year	94,456	n/a	11,886	n/a

- n/a – not applicable

The sensitivity analysis presented above is indicative only, and should be considered with caution as they have been calculated in isolation without changes in other assumptions. In practice, changes in one assumption may result in changes in another, which may magnify or counteract the disclosed sensitivities.

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

The following payments are expected benefit payments to be made in future years out of the defined benefit plan obligation:

	2016	2015
Within the next 12 months	$ **2,159**	$ 2,131
Between 1 and 5 years	**10,566**	10,016
Between 5 and 10 years	**19,954**	19,134
Total expected payments	$ **32,679**	$ 31,281

The last actuarial valuation was conducted as at November 1, 2013 and revealed a fund surplus of $11,223.

Note 11 Goodwill

	2016	2015
Cost		
Balance, beginning and end of year	$ **187,747**	$ 187,747
Accumulated impairment		
Balance, beginning and end of year	$ **115,000**	$ 115,000
Carrying amount, end of year	$ **72,747**	$ 72,747

Impairment tests for goodwill

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

The carrying amount of goodwill is reviewed annually for impairment and whenever there are events or changes in circumstances which indicate that the carrying amount may not be recoverable. The goodwill impairment test is performed by comparing the recoverable amount of the CGU to which goodwill has been allocated, with the carrying amount of the CGU including goodwill, with any deficiency recognised as impairment to goodwill. The recoverable amount for each CGU has been determined using value-in-use calculations that are estimated using five year cash flow projections along with an estimate of capital required to support ongoing operations. The five year cash flow projections have been approved by management.

(Expressed in thousands of Bahamian dollars)

Based on the impairment testing performed during the fourth quarter of fiscal 2016, we have determined that the estimated recoverable amount of the CGU was in excess of the carrying amount. As a result, no impairment charge was recognised during 2016.

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 forecasts is noted below. Key assumptions are those to which the CGU's recoverable amount is most sensitive, which include the discount and growth rates. The discount rates were determined based on the following primary factors: (i) the risk-free rate, (ii) an equity risk premium, (iii) beta adjustment to the equity risk premium based on a review of betas of comparable financial institutions in the region, and (iv) a country risk premium. The growth rates are based on management's expectations of real growth but do not exceed the long-term average growth rate for The Bahamas.

	Discount rate		Growth rate	
	2016	2015	2016	2015
Bahamas	13%	12%	2%	2%

Estimation of the recoverable amount is an area of significant judgment. Reductions in the estimated recoverable amount could arise from various factors, such as reductions in forecasted cash flows, an increase in the assumed level of required capital and any adverse changes to the discount rate or the growth rate, either in isolation or in any combination thereof. We estimated that a 10% reduction in forecasted cash flows, or a 1% rise in the discount rate, would not significantly impact the CGUs' recoverable amount to result in any further goodwill impairment at October 31, 2016 and 2015.

Note 12 Customer Deposits

	Payable on Demand	Payable after Notice	Payable at a Fixed Date	2016 Total	2015 Total
Individuals	$ 193,277	$ 237,843	$ 382,269	**$ 813,389**	$ 814,536
Business and governments	946,274	20,634	442,192	**1,409,100**	1,526,448
Banks	2,164	-	264,880	**267,044**	242,211
	1,141,715	258,477	1,089,341	**2,489,533**	2,583,195
Add: Interest payable	161	69	2,184	**2,414**	2,611
	$ 1,141,876	$ 258,546	$ 1,091,525	**$ 2,491,947**	$ 2,585,806

Included in deposits from banks are deposits from other Parent Group entities of $265,367 (2015: $240,241) (Note 22).

The effective rate of interest on deposits during the year was 0.32% (2015: 0.37%).

For the year ended October 31, 2016
(Expressed in thousands of Bahamian dollars)

Note 13 Other Liabilities

	2016	2015
Accounts payable and accruals, including clearings	**$ 17,443**	$ 28,049
Restructuring costs	**842**	882
Amounts due to related parties (Note 22)	**30,783**	14,703
Due to brokers and others	**106**	309
	$ 49,174	$ 43,943

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

During 2013, the Bank embarked on a restructuring plan which aimed to enhance its long term competitiveness through reductions in costs, duplication and complexity in the years ahead. Included in other liabilities is a related provision for severance of $556 (2015: $596) and other costs of $286 (2015: $286). Movement in the provision during the year related primarily to payments and accruals made by the Bank.

Note 14 Issued Capital and Reserves

	2016	2015
Issued capital, beginning and end of year	**$ 477,230**	$ 477,230
Reserves		
Statutory reserve fund – Turks and Caicos Islands	**42,726**	39,128
Revaluation reserve – Available-for-sale investments	**(8,927)**	(10,605)
Reverse acquisition reserve	**(63,566)**	(63,566)
Retirement benefit reserve	**15,441**	4,441
Total reserves	**(14,326)**	(30,602)
Total issued capital and reserves	**$ 462,904**	$ 446,628

The Bank's authorised capital is $20 million, comprising 150 million ordinary shares with a par value of $0.10 each and 50 million preference shares also having a par value of $0.10 each. All issued ordinary shares are fully paid. No preference shares were issued in 2016 and 2015. At October 31, 2016 and 2015, the issued share capital was as follows:

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

Objectives, policies and procedures

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

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

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

Regulatory requirements

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

BIS standards require that banks maintain minimum Tier 1 and Total Capital ratios of 6% and 8%, respectively. The Central Bank has established that Bahamian deposit-taking financial institutions maintain Tier 1 and Total Capital ratios of 12.8% and 17%, respectively. During the year, the Bank has complied in full with all of our regulatory capital requirements.

Regulatory capital

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

In 2016, Tier 1 and Total Capital ratios were 27% and 27%, respectively (2015: 34% and 35%, respectively).

(Expressed in thousands of Bahamian dollars)

The movements in reserves were as follows:

	2016	2015
Statutory reserve fund – Turks and Caicos Islands		
Balance, beginning of year	**$ 39,128**	$ 36,928
Transfers from retained earnings	**3,598**	2,200
Balance, end of year	**$ 42,726**	$ 39,128

In accordance with the TCI Banking (Amendment) Ordinance 2002 and the regulations of the Turks and Caicos Islands Financial Services Commission, the Bank is required to maintain a statutory reserve fund of not less than the amount of its assigned capital of $24 million. Where the required reserve is less than the assigned capital, the Bank is required to annually transfer 25% of the net profits earned from its TCI operations to this fund. Although the statutory reserve exceeds the assigned capital, it has been the Bank's practice to make this transfer based on net profits of the preceding fiscal year with the remaining net profits being retained by the Bank. During the year the Bank transferred $3,598 (2015: $2,200) from retained earnings to the statutory reserve fund.

Banking Regulations of The Central Bank of The Bahamas require a general provision in respect of the performing loans of at least one percent of these loans. To the extent the inherent risk provision for loans and advances to customers is less than this amount, a statutory loan loss reserve is established and the required additional amount is to be appropriated from retained earnings, in accordance with IFRS. For the year ended October 31, 2016, no statutory loan loss reserve was required as the general provision was sufficient (2015: $nil).

	2016	2015
Revaluation reserve – available-for-sale investments		
Balance, beginning of year	**$ (10,605)**	$ (9,869)
Net gain/(loss) from changes in fair value of available-for-sale investments (Note 20)	**1,678**	(736)
Balance, end of year	**$ (8,927)**	$ (10,605)

Reverse acquisition reserve	2016	2015
Reverse acquisition reserve, beginning and end of year	**$ (63,566)**	$ (63,566)

(Expressed in thousands of Bahamian dollars)

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

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

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

Retirement benefit reserve

		2016		2015
Balance, beginning of year	$	**4,441**	$	(14,902)
Re-measurement gains on retirement benefit plans		**11,000**		19,343
Balance, end of year	**$**	**15,441**	$	4,441

Gains and losses arising from re-measurement of retirement benefit plans in other comprehensive income are reflected in the reserve.

Note 15 | Net Interest Income

		2016		2015
Interest and similar income				
Cash and short-term funds	$	**3,432**	$	1,622
Investment securities		**23,258**		23,031
Loans and advances to customers		**120,018**		123,792
	$	**146,708**	$	148,445
Interest and similar expense				
Banks and customers	$	**8,208**	$	9,961
Derivative financial instruments		**3,425**		4,075
	$	**11,633**	$	14,036
Net interest income	**$**	**135,075**	$	134,409

(Expressed in thousands of Bahamian dollars)

Note 16 Operating Income

		2016		2015
Fee and commission income	$	**26,901**	$	26,170
Foreign exchange commissions		**9,708**		9,343
Net foreign exchange revaluation losses		**(52)**		(79)
Net investment securities gains (Note 20)		**827**		1,711
Net hedging gains (Note 5)		**1,041**		1,029
Net trading losses		**(970)**		(1,429)
Other operating income		**702**		946
	$	**38,157**	$	37,691

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.

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

Analysis of fee and commission income:

		2016		2015
Underwriting	$	**681**	$	136
Deposit services		**8,325**		8,737
Credit services		**2,154**		2,112
Card services		**9,537**		9,131
Funds transfer		**4,432**		4,241
Other		**1,772**		1,813
	$	**26,901**	$	26,170

Note 17 Operating Expenses

		2016		2015
Staff costs	$	**31,747**	$	32,699
Business licence		**8,662**		8,825
Occupancy and maintenance		**11,470**		11,610
Depreciation (Note 9)		**3,101**		2,996
Other operating expenses		**36,233**		34,823
	$	**91,213**	$	90,953

(Expressed in thousands of Bahamian dollars)

Analysis of staff costs:

	2016	2015
Wages and salaries	$ 23,725	$ 23,080
Pension costs:		
-defined benefit sections of the plan (Note 10)	1,473	2,718
-defined contribution section of the plan	408	398
Post-retirement medical benefits charge (Note 10)	1,045	1,050
Employee share purchase plan (Note 21)	111	97
Severance, including restructuring costs (Note 13)	345	821
Insurance and risk benefits	3,226	3,030
Other staff related costs	1,414	1,505
	$ 31,747	$ 32,699

Analysis of other operating expenses:

	2016	2015
Professional and management fees	$ 22,027	$ 22,228
Communications	2,323	2,463
Business development	373	305
Advertising and marketing	202	208
Consumer related expenses	605	845
Non-credit losses	1,663	1,801
Postage, courier and stationery	1,656	1,508
General insurances	557	546
Outside services	2,351	1,029
Other	4,476	3,890
	$ 36,233	$ 34,823

Included in professional and management fees are allocation of costs from the Parent for support and direction provided to the Bank (Note 22).

(Expressed in thousands of Bahamian dollars)

Note 18 Earnings per Share

Basic earnings per share

		2016		2015
Net income attributable to shareholders	$	**70,573**	$	66,213
Weighted average number of ordinary shares in issue (Note 14)	$	**120,216**	$	120,216
Basic income per share (expressed in cents per share)	$	**58.7**	$	55.1

There are no potentially dilutive instruments.

Note 19 Dividends Paid

		2016		2015
Declared and paid during the year				
First dividend $0.15 (2015: $0.13)	$	**18,032**	$	15,628
Final dividend $0.15 (2015: $0.13)		**18,032**		15,628
Total dividends declared and paid	$	**36,064**	$	31,256

At the Board of Directors meeting held on December 16, 2016, a final dividend for 2016 of $0.15 per share amounting to $18,032 was proposed and declared. The consolidated financial statements for the year ended October 31, 2016 do not reflect this resolution, which will be accounted for in equity as a distribution of retained earnings in the year ending October 31, 2017.

Note 20 Components of Other Comprehensive Income

		2016		2015
Available-for-sale investment securities:				
Net gains arising during the year	$	**2,505**	$	975
Less: reclassification adjustments for gains included in the statement of income (Note 16)		**(827)**		(1,711)
Other comprehensive income/(loss) for the year (Note 14)	$	**1,678**	$	(736)

For the year ended October 31, 2016
(Expressed in thousands of Bahamian dollars)

Note 21 | Other Employee Benefits

Employee share purchase plan

Under our Employee Share Purchase Plan, qualifying employees can choose each year to have up to 10% of their eligible earnings withheld to purchase common shares in the Parent. The Bank matches 50% of the employee's 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 $111 in 2016 (2015: $97) (Note 17).

Note 22 | Related-Party Transactions and Balances

The Bank's Parent and major shareholder is FirstCaribbean International Bank Limited.

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 Bank's financial statements are disclosed below.

	Directors and key management personnel		Parent Group		Ultimate Parent	
	2016	2015	2016	2015	2016	2015
Asset balances:						
Due from banks	$ -	$ -	$ 127,616	$ 214,709	$ 53,684	$ 53,134
Derivative financial instruments	-	-	-	-	112	52
Other assets	-	-	24	24	-	-
Loans and advances to customers	4,688	4,345	-	-	-	-
Liability balances:						
Derivative financial instruments	-	-	-	-	7,190	9,887
Customer deposits	3,092	2,475	265,367	240,241	-	-
Other liabilities	-	-	30,783	14,672	-	31
Revenue transactions:						
Interest income	179	135	2,702	1,011	35	162
Expense transactions:						
Interest expense	78	87	1,267	774	-	-
Other expenses*	-	-	24,831	25,188	-	40

* Expenses incurred in relation to banking and support services.

(Expressed in thousands of Bahamian dollars)

		2016		2015
Key management compensation				
Salaries and short term benefits	$	2,364	$	2,231

Directors' remuneration

In 2016, total remuneration to the directors was $124 (2015: $30).

Note 23 Commitments, Guarantees and Contingent Liabilities

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

		2016		2015
Letters of credit	$	**50,191**	$	53,907
Undrawn loan commitments		**240,176**		173,229
Guarantees and indemnities		**7,708**		6,934
Total (Note 26)	$	**298,075**	$	234,070

The Bank 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.

The Bank currently has a $1 million line of credit with CIBC at LIBOR + 200bps per annum if 50% or less utilisation, or LIBOR + 250bps per annum if greater than 50% utilisation. The facility is renewable annually and expires on March 31, 2017. As of October 31, 2016, no advances were made from the facility and all balances are undrawn.

Note 24 Future Rental Commitments under Operating Leases

As at October 31, 2016, the Bank held leases on buildings for extended periods. The minimum future rental commitments under these leases are as follows:

		2016		2015
Not later than 1 year	$	**3,021**	$	3,591
Later than 1 year and less than 5 years		**6,851**		5,268
Later than 5 years		**3,806**		-
	$	**13,678**	$	8,859

During the year $3,891 (2015: $3,599) of lease payments was included in occupancy and maintenance expenses (Note 17).

Note 25 Business Segments

The Bank's operations are organised into four segments: Retail, Business and International Banking, Wholesale Banking and Wealth Management, which are supported by the functional units within the Administration segment.

Effective November 2015, International Wealth, which was previously reported in Wealth Management, was transitioned to the Retail Banking segment. Prior period disclosures have been amended to conform to this current presentation basis.

Effective November 2016, Wholesale Banking was renamed Corporate & Investment Banking.

Retail, Business and International Banking ("RBB")

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

Wholesale Banking ("WB")

Wholesale Banking includes the Corporate Lending, Investment Banking and Client Solutions Group businesses.

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

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

(iii) **Client Solutions Group** provides derivative and other risk mitigating products to clients.

Wealth Management ("WM")

Wealth Management comprises International Corporate Banking, Investment Management and Private Wealth Management businesses.

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

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

Administration ("Admin")

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

functional groups are generally allocated to the business segments. 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 risks of the Bank. In addition, Treasury conducts foreign exchange and other derivative transactions on behalf of the Bank's clients. Securities and cash placements are normally held within the Treasury unit within the Administration segment.

Management monitors the operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on economic profits, which for the total of all segments is equal to net income reflected in the consolidated financial statements. Economic profits include funds transfer pricing, management allocations and earnings/charges for the segments' use of capital. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties. Transactions between the business segments are on normal commercial terms and conditions.

(Expressed in thousands of Bahamian dollars)

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

2016 Segment Reporting

	RBB	WB	WM	Admin	2016
External revenues	$ 95,176	$ 52,833	$ 2,237	$ 22,986	$ 173,232
Revenues from other segments	(17,741)	9,826	8,367	(452)	-
Total revenues	$ 77,435	$ 62,659	$ 10,604	$ 22,534	$ 173,232
Net income for the year	$ 5,846	$ 26,248	$ 4,178	$ 34,301	$ 70,573

Segment results include the following items of income or expense:

	RBB	WB	WM	Admin	2016
Interest income	$ 55,805	$ 54,421	$ 8,599	$ 27,883	$ 146,708
Interest expense	3,494	2,801	849	4,489	11,633
Loan loss impairment	8,040	3,406	-	-	11,446
Net hedging gains	-	-	-	1,041	1,041
Depreciation	1,226	2	71	1,802	3,101
Net restructuring costs	-	-	-	306	306

Total assets and liabilities by segment are as follows:

	RBB	WB	WM	Admin	2016
Segment assets	$ 1,081,629	$ 955,802	$ 10,566	$ 1,108,190	$ 3,156,187
Unallocated assets					72,747
Total assets					$ 3,228,934
Segment liabilities	$ 971,109	$ 898,222	$ 543,141	$ 161,446	$ 2,573,918
Total liabilities					$ 2,573,918

2015 Segment Reporting

	RBB	WB	WM	Admin	2015
External revenues	$ 95,271	$ 53,730	$ 2,093	$ 21,006	$ 172,100
Revenues from other segments	(14,860)	12,696	8,358	(6,194)	-
Total revenues	$ 80,411	$ 66,426	$ 10,451	$ 14,812	$ 172,100
Net income for the year	$ 6,973	$ 29,285	$ 6,271	$ 23,684	$ 66,213

(Expressed in thousands of Bahamian dollars)

Segment results include the following items of income or expense:

	RBB	WB	WM	Admin	2015
Interest income	$ 59,624	$ 58,775	$ 8,321	$ 21,725	$ 148,445
Interest expense	4,558	3,755	1,238	4,485	14,036
Loan loss impairment	11,091	3,843	-	-	14,934
Net hedging gains	-	-	-	1,029	1,029
Depreciation	1,074	3	53	1,866	2,996
Net restructuring costs	-	-	-	455	455

Total assets and liabilities by segment are as follows:

	RBB	WB	WM	Admin	2015
Segment assets	$ 1,085,517	$ 811,400	$ 3,148	$ 1,304,637	$ 3,204,702
Unallocated assets					72,747
Total assets					$ 3,277,449
Segment liabilities	$ 1,026,866	$ 895,263	$ 593,411	$ 154,080	$ 2,669,620
Total liabilities					$ 2,669,620

Geographical segments are set out in Note 26 (B)

Note 26 Financial Risk Management

A. Introduction

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

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

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

B. Credit risk

Credit risk primarily arises from direct lending activities, as well as 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 Bank's adjudication, oversight and management of credit risk within its portfolios. The Credit Executive Committee (CrExCo) has responsibility for monitoring credit metrics, providing direction on credit issues and making recommendations on credit policy.

The Risk Management Team is guided by the Bank's Delegation 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 Finance, Risk & Conduct Review Committee of the Board (FR&CRC). The FR&CRC also has the responsibility for approving credit policies and key risk limits, including portfolio limits, which are reviewed annually.

(Expressed in thousands of Bahamian dollars)

Credit risk limits

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

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

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

Credit Valuation Adjustment (CVA)

A CVA is determined using the fair value based exposure we have on derivative contracts. We believe that we have made appropriate fair value adjustments to date. The establishment of fair value adjustments involves estimates that are based on accounting processes and judgments by management. We evaluate the adequacy of the fair value adjustments on an ongoing basis. Market and economic conditions relating to derivative counterparties may change in the future, which could result in significant future losses. The CVA is driven off market-observed credit spreads or proxy credit spreads and our assessment of the net counterparty credit risk exposure. In assessing this exposure, we also take into account credit mitigants such as collateral, master netting arrangements, and settlements through clearing houses.

Collateral

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

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

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

Geographic distribution

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

	Drawn	Undrawn	Gross Maximum Exposure 2016	Drawn	Undrawn	Gross Maximum Exposure 2015
Bahamas	**$ 1,859,083**	**$ 203,704**	**$ 2,062,787**	$ 1,725,432	$ 146,700	$ 1,872,132
Turks & Caicos Islands	**287,542**	**36,472**	**324,014**	303,266	26,529	329,795
	$ 2,146,625	**$ 240,176**	**$ 2,386,801**	$ 2,028,698	$ 173,229	$ 2,201,927

(Expressed in thousands of Bahamian dollars)

Exposures by industry groups

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

	Drawn	Undrawn	Gross Maximum Exposure 2016	Drawn	Undrawn	Gross Maximum Exposure 2015
Agriculture	$ 2,939	$ 46	$ 2,985	$ 3,249	$ 42	$ 3,291
Construction	53,155	17,129	70,284	75,616	7,859	83,475
Distribution	102,129	25,170	127,299	89,024	21,266	110,290
Education	362	-	362	427	-	427
Fishing	4,216	608	4,824	2,490	1,710	4,200
Governments	457,802	3,999	461,801	312,668	3,949	316,617
Health & social work	20,589	-	20,589	21,385	-	21,385
Hotels & restaurants	81,877	52,010	133,887	95,743	12,275	108,018
Individuals & individual trusts	1,063,823	78,165	1,141,988	1,043,506	78,066	1,121,572
Manufacturing	38,808	610	39,418	34,618	293	34,911
Mining & quarrying	-	-	-	128	-	128
Miscellaneous	177,704	34,938	212,642	181,112	40,555	221,667
Other financial corporations	3,438	7,031	10,469	3,722	1,176	4,898
Real estate, renting & other business activities	119,550	4,920	124,470	154,266	5,381	159,647
Transport, storage & communication	20,233	15,550	35,783	10,744	657	11,401
	$ 2,146,625	$ 240,176	$ 2,386,801	$ 2,028,698	$ 173,229	$ 2,201,927

Derivatives

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

Master netting arrangements

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

(Expressed in thousands of Bahamian dollars)

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

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

Maximum exposure to credit risk

The following table shows the maximum exposure to credit risk for the components of the consolidated 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	
	2016	**2015**
Balances with The Central Bank	**$ 77,254**	$ 67,027
Due from banks	**293,169**	397,488
Derivative financial instruments	**362**	454
Investment securities		
– Government debt securities	**395,212**	520,969
– Other debt securities	**275,702**	253,689
– Interest receivable	**7,158**	7,190
Loans and advances to customers		
– Mortgages	**1,022,511**	1,041,230
– Personal loans	**205,728**	208,738
– Business & Government loans	**918,386**	778,730
– Interest receivable	**19,173**	19,809
Other assets	**3,027**	14,398
Total	**$ 3,217,682**	$ 3,309,722
Commitments, guarantees and contingent liabilities (Note 23)	**$ 298,075**	$ 234,070
Total credit risk exposure	**$ 3,515,757**	$ 3,543,792

(Expressed in thousands of Bahamian dollars)

Geographical concentration

The following tables reflect additional geographical concentration information:

	Total assets	Total liabilities	Commitments, guarantees and contingent liabilities	Capital expenditure(*)	External revenues	Non-current assets(**)
2016						
Bahamas	**$ 2,950,938**	**$ 2,372,094**	**$ 258,994**	**$ 4,568**	**$ 147,323**	**$ 95,285**
Turks & Caicos Islands	**755,111**	**678,939**	**39,081**	**1,619**	**25,909**	**5,876**
	3,706,049	**3,051,033**	**298,075**	**6,187**	**173,232**	**101,161**
Eliminations	**(477,115)**	**(477,115)**	**-**	**-**	**-**	**-**
	$ 3,228,934	**$ 2,573,918**	**$ 298,075**	**$ 6,187**	**$ 173,232**	**$ 101,161**

* Capital expenditure is shown by geographical area in which the property and equipment are located.
** Non-current assets relate only to property and equipment and goodwill.

	Total assets	Total liabilities	Commitments, guarantees and contingent liabilities	Capital expenditure(*)	External revenues (Restated)	Non-current assets(**)
2015						
Bahamas	$ 2,884,451	$ 2,350,778	$ 205,663	$ 2,915	$ 147,556	$ 93,205
Turks & Caicos Islands	726,197	652,041	28,407	975	24,544	4,870
	3,610,648	3,002,819	234,070	3,890	172,100	98,075
Eliminations	(333,199)	(333,199)	-	-	-	-
	$ 3,277,449	$ 2,669,620	$ 234,070	$ 3,890	$ 172,100	$ 98,075

* Capital expenditure is shown by geographical area in which the property and equipment are located.
** Non-current assets relate only to property and equipment and goodwill.

The Bank operates in two main geographical areas between which its exposure to credit risk is concentrated.

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

	2016	2016	2015	2015
Bahamas	**$ 1,729,972**	% 86	$ 1,579,636	% 84
Turks & Caicos Islands	**278,353**	14	291,725	16
	$ 2,008,325	100	1,871,361	100

(Expressed in thousands of Bahamian dollars)

Credit quality

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

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

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. 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, and after credit risk mitigation, valuation adjustments related to the financial guarantors and collateral on agreements.

	Performing				
Grade description	High Grade	Standard Grade	Sub-Standard Grade	Impaired	2016 Total
Loans and advances to customers					
- Mortgages	$ 799,487	$ 65,716	$ 20,705	$ 136,603	$ 1,022,511
- Personal loans	170,034	5,990	1,052	28,652	205,728
- Business & Government loans	879,691	10,614	1,581	26,500	918,386
Total (Note 8)	$ 1,849,212	$ 82,320	$ 23,338	$ 191,755	$ 2,146,625

For the year ended October 31, 2016
(Expressed in thousands of Bahamian dollars)

	Performing				
Grade description	High Grade	Standard Grade	Sub-Standard Grade	Impaired	2015 Total
Loans and advances to customers					
- Mortgages	$ 789,974	$ 55,957	$ 14,449	$ 180,850	$ 1,041,230
- Personal loans	170,150	5,394	788	32,406	208,738
- Business & Government loans	720,206	10,242	19	48,263	778,730
Total (Note 8)	$ 1,680,330	$ 71,593	$ 15,256	$ 261,519	$ 2,028,698

For our Business & Government loans, we employ risk ratings in managing the credit portfolio. Business and Government borrowers with elevated default risk are monitored on our Early Warning List. Early Warning List characteristics include borrowers exhibiting a significant decline in revenue, income, or cash flow or where we have doubts as to the continuing viability of the business. Early Warning List customers are often, but not always, also delinquent. As of October 31, 2016, Early Warning List customers in the medium to high risk category amounted to $34,582 (2015: $38,875).

C. 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, Business and International Banking, Wealth Management and Wholesale Banking businesses. The key risks to the Bank are foreign exchange ("FX"), interest rate and credit spread. Market Risk within the Bank is a centralised group that is independent from the front line. This mirrors the way that the hard currencies are managed by Business Units and although the local currencies are handled locally, these are still monitored, measured and controlled from a market risk perspective, centrally at the Parent Group level.

The Bank classifies market risk exposures into trading and non-trading. Virtually all of the Bank's positions fall into non-trading. Due to the relatively small size of the trading portfolio, the key types of measures used for market risk are not segregated from the non-trading book; therefore the following sections give a comprehensive review of the Bank's entire exposures.

Policies and standards:

The Parent Group has a comprehensive policy for market risk management related to the identification, measurement, monitoring and control of market risks. This policy is reviewed and approved every two years by the FR&CRC of the Parent Group's Board. The Board limits, which are approved annually, are used by the Bank to establish explicit risk tolerances expressed in term of the three main risk measures mentioned below. There is a three tiered approach to limits at the Parent Group. The highest level is set at the Board. The second tier is delegated by the Chief Risk and Administrative Officer and the third tier to the Business Unit, which limits traders to specific products and size of deals. These limits are documented through a formal delegation letter.

Process and control:

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

Risk measurement:
The Bank has three main measures of market risk:

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

Position:
This risk measure is used predominantly for the Bank's foreign exchange business. The measure, monitored daily, focuses on the outright long or short position in each currency from either 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 two main measures utilised by the Parent Group are the DV01 (delta value of a one basis point move, also known as the PV01 or present value of a one basis point move) and the CSDV01 (credit spread delta of a one basis point move).

The DV01 measure is calculated for a one basis point move down in the yield curve. This generates the change in economic value by individual currency of a parallel shift down in the related yield curve. As 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 a post-structural basis that includes structural assumptions for core balances of non-contractual maturity positions.

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

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

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

- The local currency stress tests are designed on a similar but smaller scale. For interest rate stresses, Market Risk in conjunction with Treasury considers the market data over approximately the last ten years and identifies the greatest curve or data point moves over both sixty and single days. These are then applied to the existing positions/sensitivities of the Parent Group. This is performed and reported on a monthly basis as the stress results do not tend to change rapidly.

- For foreign exchange stresses, the Parent Group considers what the effect of a currency coming off a peg would have on the earnings of the Parent Group. This is largely judgmental, as it has happened so infrequently in the region and it is supplemented by some historical reviews both within the region and in other areas where pegged currency regimes have existed or do exist.

For the year ended October 31, 2016
(Expressed in thousands of Bahamian dollars)

Summary of key market risks:
Of the market risks arising from the various currencies, yield curves and spreads throughout the regional and broader international markets, the following risks are considered by management the most significant for the Bank:

- The risk of credit spreads widening in a similar fashion to the Credit Crisis of 2008 on bonds held within the investment portfolios, and the magnitude of the risk, but low probability of a peg breaking between the USD and BSD, impacting the structural long position of the Bank.

- The largest interest rate risk run through multiple scenarios is that of the USD yield curve moving in a similar fashion to a sixty day period during the Fed Reserve tightening of 1994.

The following section highlights these key risks as well as some of the lesser ones that arise from the Bank'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. The local currency is pegged to the USD and hence the Value at Risk measure is not appropriate. That is why more emphasis is placed on the overall position limit and related stress tests. The Board has set limits on positions by currency. Positions are monitored on a daily basis.

The following table highlights the Bank's large currency exposures in USD equivalent. It also highlights the measures used to measure, monitor, and control that risk.

	2016			2015		
Currency	Position Long/ (Short) vs USD	Stressed Loss	Average Position (*)	Position Long/ (Short) vs USD	Stressed Loss	Average Position (*)
Bahamian dollars	$ (1,006)	$ 81	$ 1,086	$ 2,059	$ 618	$ 617

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

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

Interest rate risk:
As of October 31, 2016 and 2015, the Bank had no trading interest rate risk. Non-trading interest rate risk consists primarily of a combination of the risks inherent in asset and liability management activities and the activities of the core Retail, Business and International Banking, Wealth Management and Wholesale Banking businesses. Interest rate risk results from differences in the maturities or re-pricing dates of assets, both on and off the consolidated statement of financial position.

(Expressed in thousands of Bahamian dollars)

	2016		2015	
	Currency	**60 day Stressed Loss**	**Currency**	**60 day Stressed Loss**
Bahamian Dollars	**$ 21,989**	**$ 1,981**	$ 93,717	$ 4,196

Credit spread risk:

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

	2016			2015		
	Notional	**Credit Spread DV01**	**Stress Loss**	**Notional**	**Credit Spread DV01**	**Stress Loss**
Regional hard currency bond portfolio	$ 66,772	$ 52	$ 17,072	$ 56,561	$ 51	$ 16,985
Non-regional hard currency bond portfolio	244,740	38	8,281	232,880	54	11,261
Total	**$ 311,512**	**$ 90**	**$ 25,353**	$ 289,441	$ 105	$ 28,246

Derivatives held for asset and liability management (ALM) purposes:

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

For the year ended October 31, 2016
(Expressed in thousands of Bahamian dollars)

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

	BAH	US	Other	2016
Assets				
Cash and balances with The Central Bank	$ 99,358	$ 14,733	$ 683	**$ 114,774**
Due from banks	1,166	199,941	92,062	**293,169**
Derivative financial instruments	115	247	-	**362**
Other assets	6,782	(1,778)	(87)	**4,917**
Investment securities	352,715	259,944	65,413	**678,072**
Loans and advances to customers	1,115,611	892,711	3	**2,008,325**
Property and equipment	22,337	5,997	80	**28,414**
Retirement benefit assets	28,154	-	-	**28,154**
Goodwill	71,582	1,165	-	**72,747**
Total assets	$ 1,697,820	$ 1,372,960	$ 158,154	**$ 3,228,934**
Liabilities				
Derivative financial instruments	$ -	$ 16,012	$ 1,321	**$ 17,333**
Customer deposits	1,160,623	1,174,731	156,593	**2,491,947**
Other liabilities	(37,103)	89,058	(2,781)	**49,174**
Retirement benefit obligations	9,886	5,578	-	**15,464**
Total liabilities	1,133,406	1,285,379	155,133	**2,573,918**
Net assets	$ 564,414	$ 87,581	$ 3,021	**$ 655,016**
Commitments, guarantees and contingent liabilities (Note 23)	$ 140,297	$ 135,576	$ 22,202	**$ 298,075**

	BAH	US	Other	2015
Total assets	$ 1,691,964	$ 1,425,506	$ 159,979	$ 3,277,449
Total liabilities	1,168,981	1,345,429	155,210	2,669,620
Net assets	$ 522,983	$ 80,077	$ 4,769	$ 607,829
Commitments, guarantees and contingent liabilities (Note 23)	$ 135,114	$ 71,400	$ 27,556	$ 234,070

D. Cash flow and fair value interest rate risk

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

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

E. Liquidity risk

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

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

Process and control:

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

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

Risk measurement:

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

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

(Expressed in thousands of Bahamian dollars)

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

	0-3 months	3-12 months	1-5 years	Over 5 years	2016
Assets					
Cash and balances with The Central Bank	$ 114,774	$ -	$ -	$ -	**$ 114,774**
Due from banks	243,169	50,000	-	-	**293,169**
Derivative financial instruments	-	-	362	-	**362**
Other assets	4,917	-	-	-	**4,917**
Investment securities	93,465	91,406	269,022	224,179	**678,072**
Loans and advances to customers	124,222	118,842	467,668	1,297,593	**2,008,325**
Property and equipment	909	133	11,033	16,339	**28,414**
Retirement benefit assets	-	-	-	28,154	**28,154**
Goodwill	-	-	-	72,747	**72,747**
Total assets	$ 581,456	$ 260,381	$ 748,085	$ 1,639,012	**$ 3,228,934**
Liabilities					
Derivative financial instruments	2,536	-	6,106	8,691	**17,333**
Customer deposits	2,136,037	349,898	5,852	160	**2,491,947**
Other liabilities	49,174	-	-	-	**49,174**
Retirement benefit obligations	-	-	-	15,464	**15,464**
Total liabilities	2,187,747	349,898	11,958	24,315	**2,573,918**
Net assets/(liabilities)	$ (1,606,291)	$ (89,517)	$ 736,127	$ 1,614,697	**$ 655,016**
Commitments, guarantees and contingent liabilities (Note 23)	$ 141,448	$ 114,459	$ 11,932	$ 30,236	**$ 298,075**

	0-3 months	3-12 months	1-5 years	Over 5 years	2015
Total assets	$ 604,421	$ 191,841	$ 828,050	$ 1,653,137	$ 3,277,449
Total liabilities	2,177,249	444,960	18,697	28,714	2,669,620
Net assets/(liabilities)	$ (1,572,828)	$ (253,119)	$ 809,353	$ 1,624,423	$ 607,829
Commitments, guarantees and contingent liabilities (Note 23)	$ 140,257	$ 60,788	$ 993	$ 32,032	$ 234,070

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

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

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

F. Fair values of financial assets and liabilities

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

- Level 1 - Unadjusted quoted market prices in active markets for identical assets or liabilities we can access at the measurement date. Bid prices, ask prices or prices within the bid and ask, which are the most representative of the fair value, are used as appropriate to measure fair value. Fair value is best evidenced by an independent quoted market price for the same instrument in an active market. An active market is one where transactions are occurring with sufficient frequency and volume to provide quoted prices on an ongoing basis.
- Level 2 - Quoted prices for identical assets or liabilities in markets that are inactive or observable market quotes for similar instruments, or use of valuation technique where all significant inputs are observable. Inactive markets may be characterized by a significant decline in the volume and level of observed trading activity or through large or erratic bid/offer spreads. In instances where traded markets do not exist or are not considered sufficiently active, we measure fair value using valuation models.
- Level 3 - Non-observable or indicative prices or use of valuation technique where one or more significant inputs are non-observable.

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

(Expressed in thousands of Bahamian dollars)

	Level 1	Level 2	Level 3	Total	Total
	Quoted market price	Valuation technique- observable market inputs	Valuation technique- non- observable market input	2016	2015
Financial Assets					
Cash and balances with The Central Bank*	$ 114,774	$ -	$ -	$ 114,774	$ 98,101
Due from banks*	293,169	-	-	293,169	397,488
Derivative financial instruments	-	362	-	362	454
Investment securities	-	678,072	-	678,072	781,848
Loans and advances	-	-	2,001,712	2,001,712	1,951,586
Total Financial Assets	$ 407,943	$ 678,434	$ 2,001,712	$ 3,088,089	$ 3,229,477
Financial Liabilities					
Derivative financial instruments	$ -	$ 17,333	$ -	$ 17,333	$ 19,782
Customer deposits	-	-	2,847,442	2,847,442	2,587,443
Total Financial Liabilities	$ -	$ 17,333	$ 2,847,442	$ 2,864,775	$ 2,607,225

*Financial assets with carrying values that approximate fair value.

Transfers between levels in the fair value hierarchy are deemed to have occurred at the beginning of the year in which the transfer occurred. Transfers between levels can occur as a result of additional or new information regarding valuation inputs and changes in their observability. During 2016, the Bank transferred $2,001,712 of loans and advances to customers and $2,847,442 of customer deposits from level 2 to level 3 due to reduced observability in the inputs used to value these instruments.

Quantitative information about significant non-observable inputs

Valuation techniques using one or more non-observable inputs are used for a number of financial instruments. The following table discloses the valuation techniques and quantitative information about the significant non-observable inputs used in level 3 financial instruments:

	As at October 31,2016				Range of inputs	
	Amortised cost	Fair value	Valuation technique	Key non-observable inputs	Low	High
Loans and advances to customers	$ 2,008,325	$ 2,001,712	Market proxy or direct broker quote	Market proxy or direct broker quote	4.0%	18.5%
Customer Deposits	$ 2,491,947	$ 2,847,442	Market proxy or direct broker quote	Market proxy or direct broker quote	0.1%	0.2%

These financial assets and liabilities are carried at amortised cost and as such sensitivity analysis on the inter-relationships between significant non-observable inputs and the sensitivity of fair value to changes in those inputs is not necessary.

Financial instruments recorded at fair value

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

Derivative financial instruments

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

Available-for-sale investment securities

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

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

Fair value of financial instruments not carried at fair value

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

Loans and advances to customers

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

Customer deposits

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

Financial assets and liabilities with carrying values that approximate fair value

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

Note 27 Fiduciary Activities

The Bank provides custody and trustee discretionary investment management services to third parties. Those assets that are held in a fiduciary capacity are not included in these consolidated financial statements. At the reporting date, the Bank had investment assets under administration on behalf of third parties amounting to $128,998 (2015: $158,844).

Note 28 Principal Subsidiary Undertakings

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

All subsidiaries are wholly owned.

Notice Of Meeting

Annual General Meeting

Notice is hereby given that the twenty-second annual general meeting of FirstCaribbean International Bank (Bahamas) Limited will be held at 6:00 p.m. on Thursday, March 16, 2017 at the British Colonial Hilton Nassau Hotel, Governor's Ballroom, One Bay Street, Nassau, Bahamas, for the following purposes:

1. To receive and consider the minutes of the last annual general meeting held on March 21, 2016.

2. To receive the Managing Director's review.

3. To receive audited accounts for the year November 1, 2015 to October 31, 2016 and the report of the directors and auditors thereon.

4. To elect Ms. Colette Delaney as a director, subject to regulatory approval, until the next annual general meeting.

5. To re-elect the following directors who retire by rotation and, being eligible, offer themselves for re-election to serve until the next annual general meeting:

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

6. To appoint the auditors of the Company and to authorize the directors to fix their remuneration.

7. To ratify the dividend for fiscal 2016.

8. To discuss any other business which may be properly considered at the meeting.

BY ORDER OF THE BOARD

Sherrylyn Bastian

Sherrylyn Bastian
Corporate Secretary
FirstCaribbean International Bank (Bahamas) Limited
February 21, 2017

Record Date

Holders of FirstCaribbean International Bank (Bahamas) Limited's ordinary shares of record at the close of business on Monday, February 13, 2017, are entitled to vote at the meeting.

Financial Statements

The Company's audited financial statements for the year November 1, 2015 to October 31, 2016 are included in the Company's 2016 annual report.

Proxies

Shareholders are entitled to attend and vote at the meeting and appoint one or more proxies to attend and in a poll, vote instead of them. A proxy need not be a shareholder of the Company. Any instrument appointing a proxy must be deposited at the office of CIBC Trust Company (Bahamas) Limited, Goodman's Bay Corporate Centre, West Bay Street, P.O. Box N-3933, Nassau, Bahamas, no later than 48 hours before the time for holding the meeting. Shareholders who return completed proxy forms are not precluded, if subsequently they so wish, from attending the meeting instead of their proxies and voting in person. In the event of a poll, their proxy votes deposited with CIBC Trust Company (Bahamas) Limited will be excluded.

Dividend

An interim dividend of fifteen cents ($0.15) per ordinary share was paid on August 9, 2016. A final dividend of fifteen cents ($0.15) per ordinary share for the fiscal year 2016 was approved by the directors on December 16, 2016, and paid to shareholders on January 30, 2017. The total dividend paid for fiscal 2016 was thirty cents ($0.30).

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

Directors' Report

Directors

In accordance with the memorandum and articles of association, the shareholders are requested to elect Ms. Colette Delaney to serve as a director, subject to regulatory approval, until the next annual general meeting.

Mr. Douglas Parkhill, the chairman of the board, has indicated that he will not stand for re-election as a director.

Shareholders are also requested to re-elect the following directors who retire by rotation, and being eligible, offer themselves for re-election to serve as directors until the next annual general meeting:-

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

Financial Results and Dividends

The directors report that the Company had Net Income of $70.6 million for the year ended October 31, 2016. All statutory requirements for the year ended October 31, 2016 have been fulfilled.

An interim dividend of fifteen cents ($0.15) per ordinary share was paid on August 9, 2016. A final dividend of fifteen cents ($0.15) per ordinary share for the fiscal year 2016 was approved by the directors on December 16, 2016, and paid to shareholders on January 30, 2017. The total dividend paid for fiscal 2016 was thirty cents ($0.30) per ordinary share.

Share Capital

Substantial Interest as at October 31, 2016*
Ordinary shares of B$0.10 par value

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

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

By Order Of The Board

Sherrylyn Bastian
Corporate Secretary
FirstCaribbean International Bank (Bahamas) Limited
February 21, 2017

We are providing these proxy materials in connection with the solicitation by the board of directors of FirstCaribbean International Bank (Bahamas) Limited, of proxies to be voted at the Company's 2017 annual general meeting and at any meeting following adjournment thereof.

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

You are cordially invited to attend the annual general meeting on Thursday March 16, 2017, beginning at 6:00 p.m. EST. Shareholders will be admitted beginning at 5:30 p.m. EST. The meeting will be held at the British Colonial Hilton Nassau Hotel, Governor's Ballroom, One Bay Street, Nassau, Bahamas.

This financial year of FirstCaribbean International Bank (Bahamas) Limited began on November 1, 2015 and ended October 31, 2016. References in this proxy statement to the year 2016 or financial year 2016 refer to the period as mentioned above.

We are mailing this proxy statement and accompanying forms of proxy and voting instructions on Wednesday, February 22, 2017 to holders of the Company's ordinary shares as at the close of business on Monday, February 13, 2017, the record date for the meeting.

Proxies and voting Procedures

The board of directors and the management of the Company do not contemplate the solicitation of proxies otherwise than by mail.

A shareholder has the right to appoint a person or company (who need not be a shareholder), other than the persons designated by the directors as proxy holders in the accompanying form of proxy, to represent the shareholder at the meeting by striking out the names of the persons so designated and inserting the name of the chosen proxy holder in the blank space provided for that purpose in the form of proxy, or by completing and signing another proper form of proxy. A proxy must be in writing and must be executed by the shareholder or by an attorney authorized in writing and deposited at the office of CIBC Trust Company (Bahamas) Limited, Goodman's Bay Corporate Centre, West Bay Street, P.O. Box N-3933, Nassau, Bahamas, no later than 48 hours before the time for holding the meeting. A shareholder who executes and returns the accompanying form of proxy may revoke it by an instrument in writing executed by such shareholder or attorney authorized in writing and deposited at the office of CIBC Trust Company (Bahamas) Limited, at Goodman's Bay Corporate Centre, West Bay Street, P. O. Box N-3933, Nassau, Bahamas at any time up to and including the last business day preceding the day of the meeting, or with the Chairman of the meeting on the day of the meeting prior to the commencement thereof, or in any other manner permitted by law.

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

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

Shareholders entitled to Vote

Shareholders at the close of business on the record date are entitled to notice of and to vote at the annual general meeting.

On February 13, 2017, there were 120,216,204 ordinary shares of par value $0.10 each outstanding. Each shareholder is entitled to one vote on each matter properly brought before the meeting.

At close of business on February 13, 2017, FirstCaribbean International Bank Limited beneficially owned or controlled directly or indirectly 114,463,600 shares which represents 95.21% of the Company's issued ordinary shares.

Quorum and Required Votes

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

Election of Directors

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

Directors can be either elected annually by the shareholders at the annual general meeting or, subject to the articles of association of the Company and applicable law, appointed by the board of directors between annual general meetings. Each director shall hold office until the close of the next annual general meeting of the Company or until he or she ceases to be a director by operation of law or articles of association of the Company or until his or her resignation becomes effective. The board of directors held five (5) meetings in 2016.

The persons designated as proxy holders in the accompanying form of proxy will vote ordinary shares represented by such form of proxy, properly executed, for the election or re-election of the nominees whose names are set forth herein, unless specifically directed to withhold a vote. All the nominees with the exception of Ms. Colette Delaney were previously elected by the shareholders of the Company as directors of the Company. Ms. Colette Delaney was appointed as a director by the board of directors, subject to regulatory approval.

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

The following table sets out the names of all persons proposed to be nominated for election or re-election as directors, along with other relevant information. The nominees are now members of the board of directors.

Name	Principal Occupation	Director Since	Number of Shares Beneficially Owned or Controlled Directly or Indirectly
Gary Brown	CEO	2016	Nil
Colette Delaney	Chief Risk and Administrative Officer	2017	Nil
Willie Moss	Attorney-at-law	1998	Nil
Marie Rodland-Allen	Managing Director	2011	Nil
G. Diane Stewart	Attorney-at-law	2002	Nil
Felix Stubbs	Business Executive	2014	Nil
Trevor Torzsas	Managing Director, Customer Relationship Management and Strategy	2013	Nil

Compensation of Directors

Each director who is not an employee of the Company is paid an annual fee of $35,000.00 for his or her services. Directors are also entitled to reimbursement for reasonable travel and living expenses incurred by them in attending any board of directors or committee meetings.
No special remuneration was paid to any director during financial year 2016.

Senior Management Compensation

The senior management of the Company received aggregate compensation amounting to B$2,363,946.64 in the financial year 2016.

Indebtedness of Management

There is a total indebtedness of approximately B$4,688,140.78 due to the Company from members of the senior management and directors. This represents loans and mortgages.

Management's Interest in Transactions

No director, executive officer, or senior officer of the Company, or proposed nominee for election or re-election as a director of the Company, has held or currently holds a material interest in any transaction entered into by the Company or its subsidiaries.

Share Option Plan

There is no share option plan.

Shareholder Feedback and Communication

The Company communicates with its shareholders through press releases and annual reports. At the Company's meetings, a full opportunity is afforded to permit shareholders to ask questions concerning the Company's activities. Investor and shareholder concerns are addressed on an on-going basis through the office of the Corporate Secretary.

Appointment of Auditors

At the meeting, the shareholders will be called upon to appoint auditors of the Company at a remuneration to be fixed by the board of directors and to serve until the close of the next annual general meeting of the Company. To be effective, the resolution appointing auditors of the Company must be approved by the majority of the votes cast by the holders of ordinary shares present in person, or represented by proxy, at the meeting.

Arrangements will be made for one or more representatives of the proposed auditors to attend the meeting.

Other Business

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

Directors' Approval and Certificate

The contents and the sending of this information circular and proxy form have been approved by the board of directors of the Company. The foregoing contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made.

Dated at Nassau, Bahamas, this February 21, 2017.

Marie Rodland-Allen	Sherrylyn Bastian
MARIE RODLAND-ALLEN	SHERRYLYN BASTIAN
Managing Director	Corporate Secretary

Proxy Form

The undersigned _________________________(please print) of______________________ (please print) being a shareholder of FirstCaribbean International Bank (Bahamas) Limited ("the Company") hereby appoint Mr. Gary Brown, or failing him, Mrs. Marie Rodland-Allen, or instead of either of them, ___________________ or _________________as proxy of the undersigned to attend and vote at the annual general meeting of the Company ("the Meeting") to be held on March 16, 2017 and at any adjournment thereof, notice of the Meeting, together with the accompanying financial statements and the information circular having been received by the undersigned, and on behalf of the undersigned, to vote as specifically directed below.

1. Specified in the accompanying information circular:

Gary Brown	VOTE FOR ____	WITHHOLD FROM VOTING ____
Colette Delaney (subject to regulatory approval)	VOTE FOR ____	WITHHOLD FROM VOTING ____
Willie Moss	VOTE FOR ____	WITHHOLD FROM VOTING ____
Marie Rodland-Allen	VOTE FOR ____	WITHHOLD FROM VOTING ____
G. Diane Stewart	VOTE FOR ____	WITHHOLD FROM VOTING ____
Felix Stubbs	VOTE FOR ____	WITHHOLD FROM VOTING ____
Trevor Torzsas	VOTE FOR ____	WITHHOLD FROM VOTING ____

2. To vote for or withhold from voting on the adoption of the audited consolidated financial statements of the Company for the year November 1, 2015 to October 31, 2016:

VOTE FOR ____ WITHHOLD FROM VOTING ____

3. To vote for or withhold from voting on the appointment of auditors of the Company and to authorize the directors to fix their remuneration:

VOTE FOR ____ WITHHOLD FROM VOTING ____

4. To vote for or withhold from voting for the ratification of the dividend for fiscal 2016:

VOTE FOR ____ WITHHOLD FROM VOTING ____

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

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

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

Dated this .... day of ...., 2017

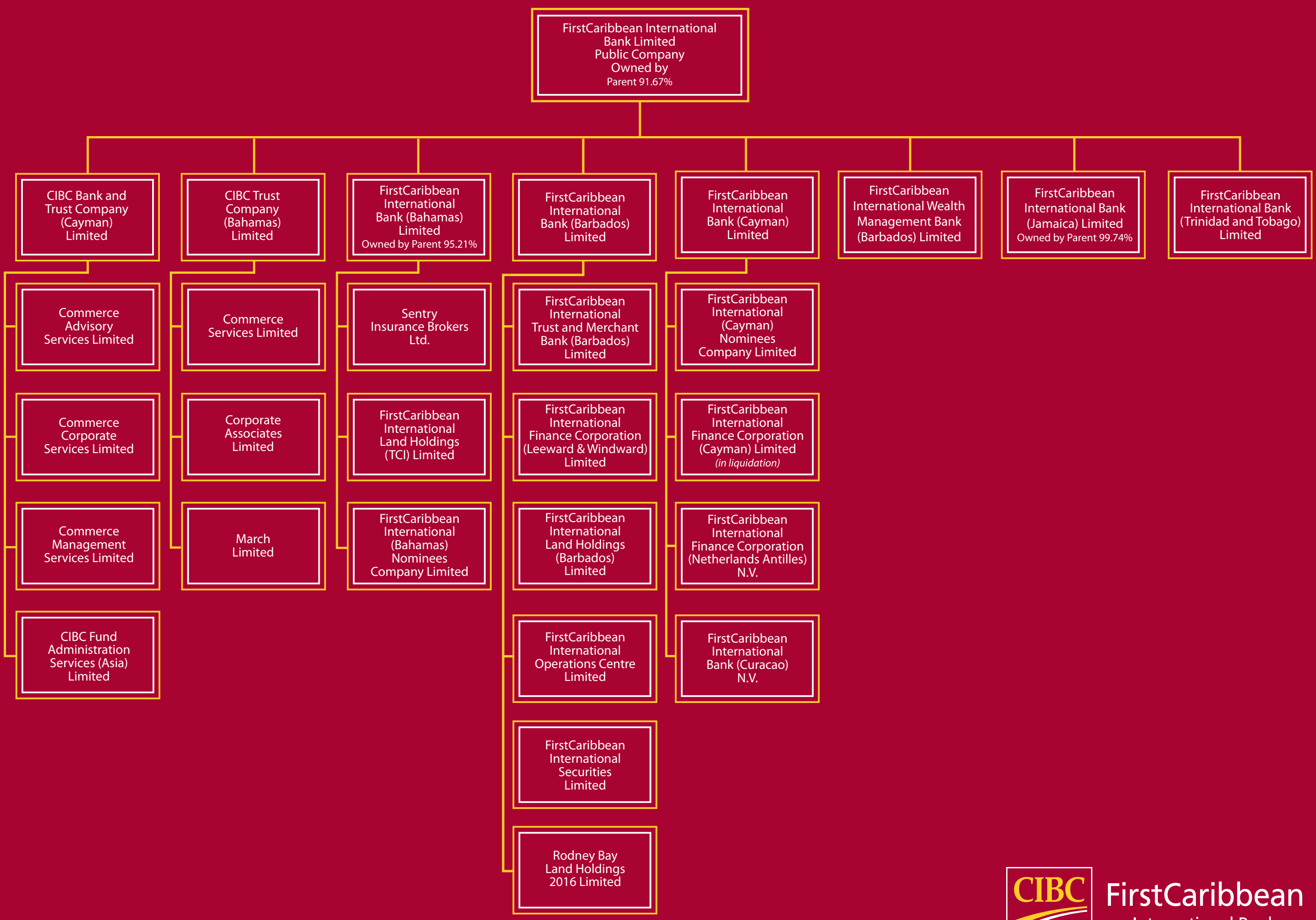
Corporate Seal ....

Notes:

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

In order for this or other appropriate form of proxy to be valid, it must be signed and should be dated by the shareholder or the shareholder's attorney. The signature should be exactly the same as the name in which the shares are registered. The proxy must be deposited at the office of CIBC Trust Company (Bahamas) Limited, Goodman's Bay Corporate Centre, West Bay Street, P.O. Box N-3933, Nassau, Bahamas, no later than 48 hours before the time for holding the Meeting. If this form of proxy is received undated, but otherwise properly executed, it will, for all purposes, be deemed to be dated March 13, 2017.

Ownership Structure



CIBC FirstCaribbean International Bank

Main Branches and Centres

Abaco

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

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

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

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

Eleuthera

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

Grand Bahama

East Mall Branch, Freeport
East Mall, Freeport
P O Box F-42556
East Mall
Tel: (242) 502-6834
Fax: (242) 352-6655

New Providence

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

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

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

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

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

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

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

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

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

Wealth Management/ International Banking Centre
P O Box N-8350
Goodman's Bay
Corporate Centre
Tel: (242) 302-6000
Fax: (242) 302-6091
Tel: (242) 502-6834

Private Wealth Management
P O Box N-8350
Goodman's Bay
Corporate Centre
West Bay Street
Nassau, Bahamas
Tel: (242) 397-8206

Card Services Centre
P O Box N-8350
Nassau Business Centre,
Airport Industrial Park
Nassau
Tel: (242) 328-0405
Fax: (242) 394-3655

Customer Service Centre
P O Box N-8350
Nassau Business Centre
Airport Industrial Park
Nassau
Tel: (242) 502-6834
Fax: (242) 394-8238

Sentry Insurance Brokers Ltd.
P O Box N-8350
Shirley Street
Nassau
Tel: (242) 502-6834
Fax: (242) 323-4450

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

Turks & Caicos Islands

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

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

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

South Caicos
P O Box 236
Lee Street
Cockburn Harbour
South Caicos
Tel: (649) 231-5103

Notes

Notes


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

CIBC FirstCaribbean International Bank