CIBC FirstCaribbean International Bank

ANNUAL REPORT

2017

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Inside this report

Corporate Profile

CIBC FirstCaribbean is a relationship bank offering a full range of market leading financial services through our Corporate and Investment Banking, Retail and Business Banking and Wealth Management segments. We are located in seventeen (17) countries around the Caribbean, providing the banking services that fit our customers' lives through approximately 3,000 employees in 68 branches and offices. We are one of the largest regionally listed financial services institutions in the English and Dutch speaking Caribbean, with over US$12 billion in assets and market capitalization of US$2 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.

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 organizations. 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

We have three key strategic priorities: focusing on our clients, building on our technology base to create a regionally leading digital experience for our clients and simplifying the way we do business.

- **Client Relationships** – We aim to grow our share of wallet with our existing clients, attract new clients, further improve sales and service capability by making it personalized, responsive and easy.
- **Modern Digital Banking Experience** – We are building digital capabilities across our sales and delivery channels to provide our clients with a modern omni-channel, banking experience.
- **Simplification** – We are optimizing our processes and cost structure by simplifying the way we do business. We aim to remove paper from our processes, and we are investing in next generation compliance and frictionless key customer experiences.

2017 Highlights

First for Clients

Ever mindful that a key contributor to our business success rests in the advocacy of our clients, in 2017 our lines of business held steadfast to their mission of deepening client relationships and enhancing value to the client.

Retail & Business Banking

- We continuously strive to deliver on our promise of providing our clients a Personalized, Responsive and Easy banking experience. This has resulted in Retail & Business Banking delivering 11 consecutive quarters of productive loan growth. Lending sales grew 15% over fiscal 2016. Of special note was the strong performances across the region in auto financing, driven by our 48 hour turn-around -service target, which recorded a 68% and 56% growth in loan volumes and value respectively over fiscal 2016.
- The CIBC FirstCaribbean Home & Auto Insurance program was expanded during the year to Sint Maarten. The program is now available in nine countries - Antigua, Barbados, Cayman, Grenada, St. Lucia, St. Kitts, Sint Maarten , St. Vincent and TCI providing our clients with an integrated one-stop experience.
- Strategic expansion of our physical footprint in key jurisdictions remains a significant priority. During the year we opened our second location in Trinidad & Tobago, an ultra-modern branch in Chaguanas offering Platinum and Business Banking services. Over in Sint Maarten, in order to meet the growing needs of our clients and providing greater convenience, we relocated our Phillipsburg branch to new banking premises at Emmaplein.
- As we continue to provide Banking That Fits Your Life™ to our clients through innovation, we launched leading technologies in both cards and mobile banking during the year. Our CHIP and PIN cards now provide an enhanced level of security to our clients and we were the first regional bank in the Caribbean to add the convenient feature of contactless "tap and go" payments. Our new, no fee, cash back credit card is also a first to the market giving our clients even more options from our award-winning suite of cards. We also upgraded our award-winning mobile banking app in July 2017 to offer clients touch ID login. This is another first in the region.
- We are continuously expanding our ABM network, giving our clients more locations to access their funds.
- A number of key awards based on our performance, innovative banking solutions and enhanced client experience were also captured during the year. Our Barbados operations was named "Best Retail Bank in Barbados" by leading print and online magazine Global Banking and Finance Review with our mobile banking app and credit card products named best in the region by International Finance Magazine (IFM) in its International Finance Awards.
- Recognition for quality service and sales climaxed with the Branch of the Year Award which was renamed the Joy Callender Branch of the Year Award, in memory of a long-serving and dedicated member of the Retail family we lost during the fiscal. This prestigious title was awarded to Portmore Branch in Jamaica

Wealth Management

- In 2017 we continued our primary focus on building sustainable, dedicated client relationships that are personalized and responsive using our knowledge of the local and international markets. We do this through our integrated client service model, using our strengths in trust & wealth planning, core banking, investment advice and discretionary portfolio management to ensure we deliver a holistic approach to our client's needs, as demonstrated when we were selected by World Finance as the Best Wealth Management Provider in the Bahamas.
- Our experience in building strong, long-term client relationships enables us to increase share of wallet by retaining our existing clients and attracting additional wealth management business across the four pillars, as well as receiving referrals to potential new clients. Our wealth management business also benefits from the strong relationships we have in Retail & Business Banking and Corporate and Investment Banking, encouraging organic cross-selling as the managers that use those products also have a need for the services of personal wealth management or international corporate, as evidenced when Barbados Asset management was selected as Dealer Manager for two Institutional Corporate deals for a combined value in excess of US$50 million.
- In 2017 we also launched our Investment Advisor platform providing clients with access to a dedicated Investment Advisor and access to world class tools to provide personalized portfolio management. The platform provides advisors with access to global research, new issues, key market data and international equities, fixed income and mutual funds. The mobile app provides advisors to real time client information and market data regardless of where they are further providing clients with up to date, responsive service. This platform is a key tool that helps our wealth management business continue to differentiate itself in terms of client focus and service offering.
- Key to our success is to provide client experience excellence by refining our coverage models, strengthening sales management, dedicated business development and training and coaching. This was well reflected in CIBC Bank and Trust Company (Cayman) Limited being selected as best Fund Administrator (under US$30 billion) by AsiaPac Media and AMST Barbados named Broker of the year for the third consecutive year.

We continue to roll out sales training programs to ensure that our sales force is best equipped to deliver our promise to our clients.

Corporate & Investment Banking

- Corporate & Investment Banking continues to make client centricity its top priority by striving to provide exceptional service and deepen client relationships in an effort to become our clients' leading financial partner. We have launched several initiatives to simplify products and processes to speed-up our response times and improve the customer experience.
- During the year, the Corporate & Investment Banking team was involved in structuring and arranging just over US$1.3 billion of financing transactions for our clients across the Caribbean in a broad range of industries including Energy, Infrastructure, Utilities, Hospitality, Telecommunications, Real Estate and Government. Our Investment Banking team, executed some significant advisory and capital markets mandates and won multiple awards which included the prestigious IJ Global '2016 North America Port Deal of the Year Award' for its role in the US$265 million Kingston Container Terminal transaction completed last year, and the Caribbean Renewal Energy Forum (CREF) 2017 'Best Project Financing' award for its role in leading the Entropy Solar project's debt financing.
- During the last quarter of the fiscal, five of the territories in which we operate were adversely impacted by hurricanes Irma and Maria. With the support of our dedicated teams, we were able to reopen for business in all of the impacted countries within a short period to continue to meet the most urgent needs of our clients. In addition to donating money and supplies to the relief efforts, we also worked quickly to put in place special finance options for our Corporate and Investment Banking clients to assist them in their recovery and rebuilding efforts. These options included payment moratoriums as well as flexible loan financing terms to pre-fund insurance settlements for property repair, asset restoration and temporary financing to facilitate recommencement of business operations.
- We continue to build and promote our brand through local and regional outreach campaigns, such as our regional full-page newsprint advertisements which are this year focusing on our core business areas, successful partnerships in Corporate & Investment Banking and our Forex & Derivatives Sales teams. Over the past year, CIBC FirstCaribbean sponsored various regional conferences such as the Green Aruba VII held in November 2016, in which we partnered as a Growth Path Sponsor, and the Caribbean Association of Banks Conference in Curacao in November 2016, as a Silver Sponsor and Exhibitor. We were the Title Sponsor and co-host of the Caribbean Infrastructure Forum held December 2016 in the Bahamas. In May 2017, we joined the CARILEC CEO & Finance Conference in St. Lucia as Silver Sponsor and Exhibitor. We are again sponsoring and co-hosting this year's Caribbean Infrastructure Finance Forum in Montego Bay, Jamaica in December 2017.

First For Employees

In 2017 we continued to drive forward our 'people agenda' focusing on making our bank a great place to work for our employees as they in turn continued to make our bank a great place for our clients to do business.

Culture & Engagement

- To further drive our shift towards a more client centric and relationship based culture which we embarked on in 2016, we held our first Senior Leadership Team conference in over five years, in March 2017. At this conference, we brought our senior leadership team from across our bank together to show the impact that our organizational culture has on our client experience, and to focus on how, we as leaders, can bring our corporate values and behaviors to life in a practical way with our teams.
- We also commenced a refresh of all our key people programs such as employee recognition, performance management and recruitment to reinforce our client centric culture through embedding our corporate behaviors and values at the heart of each program. These changes will be rolled out in 2018 and will ensure that we reward and recognize employees who demonstrate the values and behaviors that we are looking for to drive our culture, and that we hire into our bank, talent whose mindset and approach is aligned with our culture and values.

Training & Development

- Providing banking that is personalized, responsive and easy for our clients is key to us being able to deliver on our brand promise of Banking That Fits Your Life®. The most important thing that allows us to do this is building strong and enduring relationships with our clients so that we can provide them with banking solutions that really meet their needs. Throughout 2017, we expanded our training programs for our relationship managers and sales specialists across all of our business lines, focused on building and maintaining relationships whilst improving their sales and service techniques. Over 175 employees have undergone this training, and a sustainment program has been established to help them build on their learning in a practical way.
- To help our sales staff in Retail Banking reach their full potential, we have completed over 200 assessments to identify their key strengths and development opportunities and provided each of them with a Skills Enhancement Plan to assist them with their personal development.
- Creating opportunities for our employees to develop and progress through the organization is hugely important to us. In 2017, we provided our employees across the region

with the opportunity to participate in career planning sessions. These were aimed at helping them to assess what they want from their careers, plan what they need to do to get themselves ready for their next role within our bank and prepare themselves for any opportunities that arise.

Employee Survey

- Our employees' views are critical to us and in 2017 over 2,100 employees completed our annual employee survey. Many of our key indicators showed marked improvements in 2017.
- Our employee Net Promoter Score increased by 23 points to +27 this year, demonstrating that a large majority of our employees recommend us as a place to work and a place to do business.
- Our Employee Commitment Index was 78% up from 75% last year.
- Our Manager of People Index rose by 2 percentage points to 74%.
- Our Learning and Development Index increased from 69% to 73%.
- The work we have been doing to change the culture within our bank is clearly making an impression on our employees with 72% of them indicating that they are seeing our bank make progress on our vision of being the leader in client relationships, an increase of 7% from last year.
- In relation to our corporate values, we saw increases of 3% to 5% in each area – our highest ever scores.
- One of the most important things for us is to create an environment where our employees understand the risks that we face as an organization, and feel encouraged to raise issues and concerns. This year we saw a marked improvement in this area with 67% of our employees indicating that they felt encouraged to speak about risks and issues; this was up from 56% last year.

First For Communities

Over the past year CIBC FirstCaribbean was once again deeply engaged with the communities where the bank operates. We partnered with scores of organisations and individuals across the region with one sole aim – making a positive difference in the lives of people.

Nowhere was that commitment more evident than in September when two catastrophic hurricanes – Irma and Maria – roared through the region leaving scores dead and great swaths of destruction in their wake. Joined by CIBC Canada, the FirstCaribbean ComTrust Foundation donated a total of US$550 000 to assist communities in Antigua and Barbuda, Anguilla, The British Virgin Islands, The Bahamas, Sint Maarten, Dominica and The Turks and Caicos Islands.

In addition, staff members in unaffected islands rallied to the aid of their colleagues, their families and the wider affected communities donating thousands of dollars-worth of relief supplies.

- We contributed US$1.4 million for corporate social responsibility projects across the region ranging from Memoranda of Understanding to one-off donations to small groups. As has been our practice, approximately 50% of our funding was allocated to our country management teams to assist worthy causes at the local level, while the other 50% was allocated for regional projects and disaster relief.
- Our flagship event Walk for the Cure was a phenomenal success again this year, despite being affected by hurricanes Irma and Maria. We raised just over US$400 000 for public awareness and the care and support of those living with the disease.
- As Nursing Training partner for the SickKids Caribbean Initiative, CIBC FirstCaribbean provided funding for the first cohort of Caribbean nurses – drawn from The Bahamas, Jamaica, St. Lucia and St. Vincent and the Grenadines and Barbados to begin a specialised one-year Nursing Training Programme at the University of the West Indies School of Nursing in El Dorado, Trinidad and Tobago.
- The SickKids Caribbean Initiatiative aims to improve the care of children in the Caribbean diagnosed with cancer. The first cohort of 13 nurses successfully completed the programme in June 2017. A second cohort also consisting of 13 nurses started training in May.
- Our relationship with the University of the West Indies continues. We continued to be the largest provider of undergraduate scholarships awarding fifteen to students across a range of disciplines and faculties at the University of the West Indies. We also offered support for graduate research in topics related to Banking and Finance and a number of business forums were held in conjunction with the university, where topics affecting the Caribbean business community were ventilated.
- This year also saw scores of our staff members continue to support our Adopt-A-Cause Programme. More than 25 projects were undertaken by our branches and other offices which used funding provided by the bank and donated their time to these community projects.
- For example, in Jamaica, The FirstCaribbean International Securities Limited Jamaica team provided personal care items and toiletries to Bethlehem Home in Kingston operated by Missionaries of the Poor. The home caters to 80 disabled children between the ages of 2 and 14 years.
- Additionally, staffers at the Marsh Harbour branch in the Bahamas threw their support behind the Wildhawgs Youth Flag Football Association assisting with the purchasing of equipment and volunteering to serve as coaches with the club for their football season.
- Operational Risk staff in Barbados adopted the students of the Eagle Hall Primary School donating much needed back to school supplies to students as well as giving motivational talks to the students and holding reading sessions with them.

2017 HIGHLIGHTS

Financial Highlights

US $ millions, except per share amounts, as at or for the year ended October 31		2017	2016	2015	2014	2013
Common share information						
Per share (US cents)	- basic and diluted earnings/(loss)	8.7	8.9	6.0	(9.3)	(1.3)
	- adjusted basic and diluted earnings	9.4	8.9	7.6	5.2	2.2
	- regular dividends	5.0	4.5	3.5	3.0	3.0
	- special dividend	-	-	6.3	-	-
Share price (US cents)	- closing	129	113	86	88	114
Shares outstanding (thousands)	- end of the period	1,577,095	1,577,095	1,577,095	1,577,095	1,577,095
Market capitalisation		2,035	1,789	1,363	1,395	1,798
Value measures						
Dividend yield (dividends per share/share price)		3.9%	4.0%	4.0%	3.4%	2.6%
Dividend payout ratio (dividends/net income)		57.2%	50.7%	58.3%	n/m	n/m
Adjusted Dividend payout ratio (dividends/net income)		53.5%	50.7%	45.9%	58.2%	n/m
Financial results						
Total revenue		547	534	522	529	530
Loan loss impairment		24	17	42	206	151
Impairment of intangible assets		-	-	-	116	-
Operating expenses		372	357	370	349	397
Net income/(loss)		142	143	98	(148)	(22)
Adjusted net income		151	143	123	83	35
Financial measures						
Efficiency ratio (operating expenses/total revenue)		68.0%	67.0%	70.9%	66.0%	74.9%
Return on equity (net income/average equity)		10.0%	10.4%	7.2%	(10.3%)	(1.4%)
Adjusted Return on equity (net income/average equity)		10.7%	10.4%	9.1%	5.8%	2.2%
Net interest margin (net interest income/average total assets)		3.3%	3.4%	3.4%	3.3%	3.3%
Statement of Financial Position information						
Loans and advances to customers		6,358	6,212	6,005	6,140	6,329
Total assets		12,251	10,966	10,689	10,779	11,430
Deposits & other borrowed funds		10,372	9,156	8,699	9,200	9,623
Debt securities in issue		213	198	209	31	30
Total equity		1,442	1,375	1,381	1,338	1,532
Statement of Financial Position quality measures						
Equity to risk weighted assets		20%	21%	24%	22%	27%
Risk weighted assets		7,134	6,461	5,745	5,955	5,668
Tier I capital ratio		18%	19%	22%	20%	23%
Tier I and II capital ratio		20%	21%	23%	21%	24%
Other information						
Employees (#)		3,013	2,991	3,055	3,053	3,427

n/m - Not Meaningful

Focused on our clients

David Ritch OBE, J.P
Chair of the Board

Developments in advanced economies over the past two years influenced the dynamics of Caribbean economies in 2017. While economic growth has thus far remained positive across most markets, cruise tourism expanded noticeably more than in the dominant stay-over tourism sector as generally weaker growth from the United Kingdom and Venezuela curtailed faster expansion in stay-over arrivals. In contrast, notwithstanding lower public capital expenditure in some markets, stronger private sector-led construction, particularly in tourism-related investment, boosted construction output throughout the region. However, while weak demand for loans continues to keep excess liquidity elevated, banks' non-performing loans continue to trend downward.

The region's economic outlook continues to depend on fortunes in its major trading partners, but also on the effects of hurricane damage sustained during 2017. The IMF has revised 2017 economic growth projections for the USA and UK downward, but Canada's better than anticipated performance so far this year has improved its short-term economic growth prospects.

Consequently, as most markets in the Caribbean depend mostly on either the USA or the UK for the majority of their stay-over arrivals, the pace of economic growth in tourism-dependent markets may slow relative to previous expectations. Moreover, Anguilla, the British Virgin Islands, Dominica, Sint Maarten, and the Turks & Caicos Islands which were materially affected by hurricanes Irma and Maria will likely experience sharp declines in economic activity in 2017 as damage to crops and infrastructure reduces output in agriculture and tourism. However, the anticipated acceleration in reconstruction during 2018 should boost economic activity in these markets in the medium-term.

Against this background of ongoing challenges, the bank remains in a strong position as evidenced by our recorded income of $141.5 million. Although this represents a 1% decline over the previous year, our results were impacted by a non-recurring provision of $9.8 million, representing loan loss impairment expense and other costs following the passage of the hurricanes previously mentioned.

Your board is pleased to announce that, based on our earnings per share of eight point seven cents ($0.087), we have fixed a final dividend of two point five cents ($0.025) per share, representing a total dividend to five cents ($0.05) for the year.

Our bank continues its focus on client service. Under the leadership of our CEO, Gary Brown, we completed the revision of our corporate brand to better deliver on our promise of delivering a banking experience that fits the life of our clients. With input from our employees across the region, we introduced new revised corporate behaviours and values, to make the bank an easier place for our clients to do business and also to improve the work life experience of our employees.

I am pleased to report that this initiative has borne fruit, and we have started to cement a culture of putting our clients at the center of everything we do. Increased client satisfaction has resulted in improved sales, particularly in the area of retail banking, where we are emerging as a force to be reckoned with in non-mortgage loans.

Part and parcel of an improved experience for all our stakeholders is the idea of simplifying how we do things, and we have put the power in the hands of our employees to make changes, and to suggest changes to the way we do business.

We continue to make inroads into the Dutch Caribbean market, with our businesses in Aruba and Curacao making important contacts with potential clients in those markets. We also continued to make strategic investments that will allow us to elevate our level of service to our clients, two examples being our new offices in Aruba and Trinidad.

You will not be surprised to hear that the hurricanes presented a huge challenge to our staff in the five islands affected. It is a testament to the resilience of our people around the region that we were able to resume operations in most affected markets in a matter of days, even as our staff faced some very difficult personal conditions as a result of the damage done to their homes by the storms. We were able to respond to the crisis created by Irma and Maria and, together with our parent CIBC, donated a total of US $550,000 towards the restoration efforts in the affected islands. We also made a significant donation to the people of Barbuda, which suffered major damage from Irma.

CIBC FirstCaribbean has cemented its place as a leading corporate citizen through its continuing involvement in the community. Our $1.4 million dollar commitment through the FirstCaribbean International Comtrust Foundation to worthy causes across the Caribbean in this fiscal supported many projects aimed at improving the lives of our Caribbean neighbors.

I am also pleased to report that during the 2017 fiscal year the Board met seven times. The Finance, Risk, Conduct & Review Committee met seven times, the Audit & Governance Committee met seven times while the Change, Operations, Technology & Human Resources Committee met four times. I should also mention that our annual meeting will be held on March 29th, 2018. The notice of the meeting, the directors' report, the management proxy circular and the proxy which you would normally receive with the annual report will be mailed separately at a later date in compliance with statutory requirements.

During the year Ms. Lynne Kilpatrick, CIBC's Executive Vice President, Client Experience & Marketing joined the board, replacing Mr. David Arnold, who resigned his directorship due to additional responsibilities arising from his new position at CIBC.

After the close of the financial year there were a number of director changes. Mr. Blair Cowan, Senior Vice President Corporate Finance, Commercial Banking at CIBC joined the board, replacing Ms. Christina Kramer who resigned due to additional responsibilities arising from her new position at CIBC. Mr. Rik Parkhill, who served as CEO until the end of 2015, and a director since 2011, resigned due to increasing personal time commitments. Directors appointed Ms. Colette Delaney, our Managing Director & Head of Regional Country Management, Strategy & Marketing, to fill the casual vacancy created by Mr. Parkhill's resignation.

Sir Allan Fields has reached his 15 year term limit and will not be standing for re-election. Shareholders will be asked to elect a replacement independent director at the annual meeting. Sir Allan was one of the original independent directors of the bank dating back to 2002, when the merger of the CIBC and Barclays Caribbean businesses created CIBC FirstCaribbean. I wish to thank Sir Allan for his years of service to the board.

I also wish to sincerely thank David, Christina and Rik for their contribution to the board and to CIBC FirstCaribbean. I would also like to place on record my sincere thanks to Gary and the senior management of the bank, and all employees across the region who have contributed to the continued success of CIBC FirstCaribbean.

David Ritch OBE, J.P
Chair of the Board

Building on our momentum

Gary Brown
Chief Executive Officer

2017 proved to be another rapidly changing and challenging year. However, against the backdrop of a subdued economic outlook across the Caribbean, low interest rates and the passage of two severe weather systems, CIBC FirstCaribbean was able to build on its momentum and end the year in a strong position.

This was not only reflected in our financial performance, but also in the progress we made delivering against our key strategic priorities which emphasize, focus on clients, innovation to meet client needs, and simplifying the way we do business. We reported net income of $141.5 million for fiscal 2017, down $1.8 million or 1% compared to the prior year. However, excluding $9.8 million in a non-recurring provision for potential credit losses and other costs related to the impact of hurricanes Irma and Maria, adjusted net income was $151.3 million, up $8.0 million or 6% compared to last year. Our earnings were driven by solid performing loan growth across all three of our business segments resulting in a 3% increase over the prior year. In addition, reported and adjusted return on equity were 10% and 11%, respectively, and we maintained strong capital levels with Tier 1 and Total Capital ratios of 18% and 20%, well in excess of applicable regulatory requirements. Our 2017 financial performance demonstrates the success of a well-executed, client focused strategy and a diversified business model where all three of our strategic business segments delivered solid performances this year.

Total revenue rose to $547.4 million from $533.8 million, with net interest income up $9.4 million or 3% higher than the prior year largely due to interest earnings from our loan portfolio. Additionally, operating income was up $4.2 million or 3% higher than last year which contributed to the revenue performance in 2017.

Operating expenses of $372.1 million were up $14.6 million or 4% compared with prior year's expenses primarily as a result of salary adjustments, higher business taxes along with increased depreciation expenses from technology investments. We continue to adapt to operating conditions with increased investment in technology to simplify the client experience and improve our competitive positioning; while at the same time managing our controllable expenses to gain efficiencies in high cost markets.

Loan loss impairment expense of $24.5 million was up $7.2 million or 41% compared with the same period in the prior year. However, after adjusting for $8.6 million in hurricane related credit provisions, adjusted loan loss impairment expense was $15.9 million, down $1.4 million or 8% from the prior year largely due to an improved credit loss experience. Non-performing loans declined $85.5 million or 20% from the prior year. The Bank continues to place significant emphasis on maintaining the credit quality of its loan portfolio.

The Directors have approved a final dividend for the year of $0.025 per share, bringing the total dividend to $0.050 per share for the year, an increase of $0.005 per share or 11% over 2016. The Bank is focused on delivering sustained earnings to create long-term value for its shareholders. The dividend will be paid on January 26th, 2018 to the shareholders of record on December 21st, 2017.

Client Relationships

We are dedicated to growing our share of wallet with our existing clients, attracting new clients by further improving our sales and service capability by making it personalised, responsive and easy. In April we opened a new banking and financial centre in Chaguanas, Trinidad – a market we have targeted for accelerated growth – to cater to the strong demand in that market for our services. And, we completed refurbishments to both the Leeward Highway branch in the Turks and Caicos Islands and Emmaplein Branch in Sint Maarten to enhance client experience.

Our recently launched investment advisor platform provides our wealth management clients with a dedicated investment advisor and access to world class tools to provide personalized portfolio management. The platform provides advisors with access to global research, new issues, market data and international equities, fixed income and mutual funds. This platform is a key tool that helps our wealth management business continue to differentiate itself in terms of client focus and service offering.

Modern Digital Banking Experience

We are building digital capabilities across our sales and delivery channels to provide our clients with a modern omni-channel, banking experience. Following the launch of our award winning mobile banking app for smartphones last year, this year we added additional conveniences to the app including fingerprint authentication. In our cards portfolio, we began issuing chip, PIN and contactless credit and debit cards. These enhancements not only improve security and protection for our clients, but they also significantly improve convenience and enhance overall experience.

Simplification

We seek to optimize our processes and cost structure by simplifying the way we do business. Accordingly, our client focused processes are continually being enhanced. We aim to remove paper from our processes and are investing in next generation compliance and frictionless customer experiences. We stopped delivering paper account statements for accounts with no activity during the review period.

Corporate Social Responsibility

This year we contributed US$1.4 million for corporate social responsibility across the region. The hurricane season was especially difficult this year with Irma which ravaged Antigua and Barbuda, Anguilla, British Virgin Islands, Sint Maarten and Turks and Caicos Islands and Maria which devastated Dominica. I am extremely proud of our teams in the affected countries who did an amazing job getting our operations back up and running as quickly as possible. The leadership shown in-country when communications were down and basic necessities were out of reach was nothing short of remarkable. Joined by CIBC Canada, the FirstCaribbean ComTrust Foundation donated a total of $550,000 to assist the hurricane affected communities. And, our staff all across the region continue donation drives for relief supplies.

Despite the disruption of fundraising and the cancellation of walks in territories hardest hit by hurricanes Irma and Maria, our flagship event Walk for the Cure still had phenomenal success again this year and raised just over $400,000 for public awareness and the care and support of those living with the disease.

We are into the fourth year of our Memorandum of Understanding (MOU) with the Hospital for Sick Children in Toronto, whose Caribbean Initiative established by its SickKids Foundation aims to improve the care and diagnosis of children in the Caribbean affected by cancer and blood diseases. Our commitment to the SickKids Caribbean Initiative is to provide $1 million commitment over a seven-year period.

We signed two new MOUs: a three-year agreement to support the work of Healthy Caribbean Coalition, a regional medical initiative aimed at combatting the scourge of chronic non-communicable diseases, and a three-year agreement with Ten Habitat, a Barbados-based regional enterprise focused on jump-starting entrepreneurship in the region.

Our longstanding relationship with the University of the West Indies, which was first established in 2003, continues. We are still the largest sponsor of undergraduate scholarships with fifteen awards to students across a range of disciplines and faculties at the University of the West Indies. We also offered support for graduate research in topics related to Banking and Finance and a number of business forums were held in conjunction with the university, where topics affecting the Caribbean business community were ventilated.

This year also saw scores of our staff members coming together and seeking out and supporting causes that are dear to them in their communities as part of our Adopt-A-Cause Programme.

I would like to thank our shareholders, clients and employees for their continued support in building this great franchise here in the Caribbean.

Gary Brown
Chief Executive Officer

DAVID RITCH OBE, J.P
Chair of the Board
The Cayman Islands
Independent

Mr. Ritch is the Senior Partner in the law firm of Ritch & Conolly in the Cayman Islands. He was admitted in 1976 in England as a Barrister-at-Law and in the Cayman Islands as an Attorney-at-Law. He is a graduate of the University of the West Indies, (LL.B) (Hons), and the Inns of Court School of Law, Inner Temple, London, England. He has served as a Clerk of Courts, Crown Counsel and Senior Crown Counsel with the Cayman Islands Government from January 1977 - November 1979.

Mr. Ritch is a Past President of the Cayman Islands Law Society.

In 2003, he was made an Officer of the Most Excellent Order of the British Empire by Her Majesty, Queen Elizabeth II.

Year Joined Board	2017 Meeting Attendance	
	Overall Attendance	Special Meetings
2002	4/4	3/3
Current Board Committee Memberships		
• Audit & Governance Committee	4/4	3/3
• Change, Operations, Technology & Human Resources Committee	4/4	Nil
• Finance, Risk & Conduct Review Committee	4/4	3/3

Interlocking/Other Current Directorships	Other Former Positions Held in the Cayman Islands
Caribbean Utilities Company, Ltd. – Chair	Planning Appeals Tribunal – Chair
FirstCaribbean International Bank (Cayman) Limited	Cayman Islands Currency Board - Member
	Labour Law Appeals Tribunal - Chair
	Port Authority of the Cayman Islands - Chair
	Trade & Business Licensing Board - Chair
	Immigration Board – Chair
	Work Permit Board - Chair
	Caymanian Protection Board - Chair
	Constitutional Commission - Chair

GARY BROWN
Barbados
Non-Independent

Gary Brown was appointed Chief Executive Officer of CIBC FirstCaribbean with effect from January 1st, 2016.

Prior to this, he was Global Head of Corporate Banking with CIBC. In that role, Mr. Brown had responsibility for corporate and institutional banking activities at CIBC, including lending to large corporates, real estate finance, global banking, international lending and certain non-core portfolio activities. Additionally, he served as a member of the Capital Markets Management Committee and the Investment Committee, and CIBC's Operating Committee. Mr. Brown remains a member of the Operating Committee in his role as Chief Executive Officer of CIBC FirstCaribbean.

Immediately prior to assuming that position, from 2004 to 2013 Mr. Brown was President and CEO of CIBC World Markets Corp., the bank's U.S. broker-dealer and was responsible as U.S. Region Head for all business and governance functions under a U.S. regional management structure.

Mr. Brown began his banking career in 1976 with The Chase Manhattan Bank and became a lending officer in the Commodity Finance division. From 1980 to 1999, he held a number of increasingly senior business and risk management positions with UBS AG, including New York Branch Manager and Head of the Structured Finance division, one of six operating divisions of UBS in the Americas. In 1998, Mr. Brown was appointed Chief Credit Officer — Americas. Immediately prior to joining CIBC in 2001, he served as President and Director for K2 Digital, Inc., an Internet professional services company.

Mr. Brown received a BSc in Business Administration from Oral Roberts University and has attended executive programs at the Salzburg Institute and Harvard Business School. He served as Chairman of the Board of Trustees of Mercy College, on the Board of Trustees of Oral Roberts University, the Executive Committee of the Board of Mercy Ships International and the Board of Directors of the Foreign Policy Association in New York.

Year Joined Board	2017 Meeting Attendance	
	Overall Attendance	Interim Meetings
2016	4/4	3/3
Current Board Committee Memberships		
• Audit & Governance Committee	Not a Member	Not a Member
• Change, Operations, Technology & Human Resources Committee	4/4	Nil
• Finance, Risk & Conduct Review Committee	4/4	3/3

Interlocking/Other Current Directorships	Former Directorships
FirstCaribbean International Bank (Barbados) Limited	K2 Digital Inc.
FirstCaribbean International Trust & Merchant Bank (Barbados) Limited	Sefar Americas, Inc.
FirstCaribbean International Wealth Management Bank (Barbados) Limited	
FirstCaribbean International Finance Corporation (Leeward & Windward) Limited	
FirstCaribbean International Bank (Bahamas) Limited	
FirstCaribbean International Bank (Cayman) Limited	

BRIAN CLARKE QC
Barbados
Non-Independent

Brian Clarke is CIBC FirstCaribbean's General Counsel and Corporate Secretary reporting to CEO Gary Brown. Brian serves on the Bank's Executive Committee and oversees all legal matters, corporate governance, securities compliance and privacy. Brian also chairs the Bank's Reputation and Legal Risk Committee. Brian joined CIBC FirstCaribbean in June 2012 from the largest law firm in Barbados, Clarke Gittens Farmer. Over the 26 years he was at Clarke & Co, which merged with Evelyn Gittens & Farmer to become CGF, Brian advised and represented a wide range of clients including regional and international banks, insurance companies, public utilities and hotels. Brian graduated from the University of the West Indies in 1984, the Norman Manley Law School in 1986, and was made a Queen's Counsel in 2013.

Brian was a lieutenant in the Barbados Coast Guard Reserve, served on the Pensions Committee of the Barbados Defence Force and is a former member of the Barbados Salvation Army Advisory Board.

Year Joined Board	2017 Meeting Attendance	
	Overall Attendance	Special Meetings
2014	4/4	3/3

Current Board Committee Memberships	Committee Attendance	Interim Committee Meetings
None	N/A	N/A

Interlocking/Other Current Directorships	Former Directorships
None	Salvation Army Advisory Board

SIR ALLAN FIELDS
Barbados
Independent

Sir Allan is the chair of Cable & Wireless (Barbados) Ltd. and Tower Hill Merchants PLC (UK). Sir Allan returned to Barbados in 1966 after studying mechanical engineering in Glasgow, Scotland. He worked at the Barbados Light & Power Company until 1978. He then joined Lucas Industries Barbados' operations (Tropical Battery Co.) as Managing Director. This company was subsequently taken over by Neal & Massy in the 80's.

He then joined Banks (Barbados) Breweries Ltd. as Managing Director in 1988. He was appointed Chair in 1999 when he resigned to take up the post of Managing Director of BS&T. He was appointed Chair of BS&T in 2004.

He was Barbados' Ambassador to The People's Republic of China and an independent Senator in the Parliament of Barbados from 2003 until 2008.

He is a Past President of The Master Brewers Association of the Americas and a founding member of the Caribbean Brewers Association. He is a Past President of The Barbados Manufactures Association and the Barbados Employers Confederation.

He was awarded a Knighthood by Queen Elizabeth II in 2005.

Sir Allan serves on many Boards in Barbados. He is also a Past President of the Private Sector Organization.

Sir Allan is a former Board member of the Commonwealth Business Council based in the U.K.

Year Joined Board	2017 Meeting Attendance	
	Overall Attendance	Interim Meetings
2002	4/4	3/3
Current Board Committee Memberships		
• Audit & Governance Committee	4/4	3/3
• Change, Operations, Technology & Human Resources Committee	4/4	Nil
• Finance, Risk & Conduct Review Committee	4/4	3/3

Interlocking/Other Current Directorships	Former Directorships
Mark Anthony International SRL – Executive Chair	Banks Holdings Ltd.
Cable & Wireless (Barbados) Limited – Chair	Barbados Dairy Industries Ltd.
Tower Hill Merchants Plc	Barbados Employers Confederation
FirstCaribbean International Bank (Barbados) Limited	Barbados Farms Ltd.
FirstCaribbean International Trust & Merchant Bank (Barbados) Limited	Barbados National Insurance Scheme
FirstCaribbean International Wealth Management Bank (Barbados) Limited	Caribbean Broadcasting Corporation
	YMCA

LYNNE KILPATRICK
Canada
Non-Independent

Ms. Kilpatrick is an Executive Vice-President at CIBC and Head of Marketing, Client Experience and Client Strategy for the bank. Her team is accountable for leading the bank's focus on improving client experience and for building a strong and differentiated CIBC brand.

In her prior role, she was Senior Vice President, Distribution Strategy & Planning, responsible for the development and implementation of CIBC's integrated omni-channel strategic roadmap for Canadian retail banking. Her team was accountable for branch and ATM strategy and planning, digital channels, contact centre strategy, network transformation and resource allocation.

Prior to joining CIBC in 2013, she was Senior Vice President, Retail Banking at another Canadian bank. She has a deep background in financial services at senior levels with extensive experience in retail banking, channel strategy, retail client strategies, marketing, communications, brand, client segmentation, data management, digital banking, and sales effectiveness.

Ms. Kilpatrick began her career in journalism with reporting assignments at The Wall Street Journal and The Financial Times of Canada.

She holds an MA from University of Western Ontario and a BBA from Acadia University.

Year Joined Board	2017 Meeting Attendance	
	Overall Attendance	Interim Meetings
2017^	1/4	0/3*
Current Board Committee Memberships		
• Audit & Governance Committee	1/4	0/3*
• Change, Operations, Technology & Human Resources Meeting	1/4	Nil

Interlocking/Other Current Directorships	Former Directorships
None	None

* Directors residing in Canada cannot participate in meetings from Canada, and could not arrange to attend in person due to short notice given for the interim meetings.

^Ms Kilpatrick was appointed a director at the end of the Q3 Board of Directors meeting.

CHRISTINA KRAMER
Canada
Non-Independent

Ms. Kramer is the Executive Vice President, Retail Distribution and Channel Strategy, responsible for all of CIBC's client-facing Retail banking services across Canada. This includes leading over 22,000 sales and service employees across CIBC's broad distribution network - banking centers, mobile advice, ATMs, digital channels, contact centres and President's Choice Financial (PCF).

Since joining CIBC in 1987, Ms. Kramer has held progressively more Senior Executive roles and has been key in developing CIBC's channel strategies and innovation into mobile banking. Prior to this, she held various leadership roles within CIBC's Human Resources division and was a member of the Human Resources Professionals Association of Ontario.

Ms. Kramer is also director on the board of Princess Margaret Cancer Foundation, and formerly a director of INTRIA Items Inc. She was the Executive Sponsor of the CIBC Women's Network, CIBC United Way Campaign Co-Chair, Co-Chair of the YWCA Women of Distinction Awards, Co-Chair and founder of the Canadian Breast Cancer Foundation, Ontario Leaders Program, and a former participant of The Judy Project at the Rotman School of Management, University of Toronto. Ms. Kramer is the CIBC Executive Sponsor of the Canadian Breast Cancer Foundation CIBC Run for the Cure, which has raised $45 million over the past 20 years.

She is the recipient of the Governor General of Canada's Caring Canadian award, has been named one of the "Top 100 Most Powerful Women in Canada" four times by the Women's Executive Network (WXN) and has been inducted into the WXN Hall of Fame. Ms. Kramer has a Bachelor of Commerce degree from Ryerson University in Toronto.

Year Joined Board	2017 Meeting Attendance	
	Overall Attendance	Interim Meetings
2011	1/4	0/3*

Current Board Committee Memberships	Committee Attendance	Interim Committee Meetings
• Change, Operations, Technology & Human Resources Committee	2/4	Nil

Interlocking/Other Current Directorships	Former Directorships
Princess Margaret Cancer Foundation	INTRIA Items Inc.

*Directors residing in Canada cannot participate in meetings from Canada, and could not arrange to attend in person due to short notice given for the interim meetings.

BRIAN McDONOUGH
Canada
Non-Independent

Mr. McDonough is Executive Vice-President & Chief Risk Officer, Global Credit Risk Management at CIBC. He leads CIBC's Corporate and Business Banking Adjudication globally for CIBC and is responsible for assessment, adjudication, monitoring and overall governance oversight of Corporate and Business credit risk.

Mr. McDonough joined CIBC in 1983, has held various senior positions in Risk Management and was appointed to his current position in July 2008.

He is a graduate of McGill University, University of Alberta and University of Toronto.

Year Joined Board	2017 Meeting Attendance	
	Overall Attendance	Interim Meetings
2013	4/4	0/3*

Current Board Committee Memberships	Committee Attendance	Interim Committee Meetings
• Finance, Risk & Conduct Review Committee – Chair	4/4	0/3*

Interlocking/Other Current Directorships	Former Directorships
None	None

*Directors residing in Canada cannot participate in meetings from Canada, and could not arrange to attend in person due to short notice given for the interim meetings.

RIK PARKHILL
Canada
Non-Independent

Mr. Parkhill is an experienced business leader with a record of innovation and profitable business expansion. He currently serves as a director on several public and private company boards and provides advisory services to corporations and institutional investors on strategy, capital markets and banking issues.

Rik's previous positions include: CEO, CIBC FirstCaribbean International Bank; Managing Director, Head of Cash Equities and Capital Markets Sales, CIBC and Co-Chief Executive Officer TMX Group.

He is a graduate of Queen's University.

Year Joined Board	2017 Meeting Attendance	
	Overall Attendance	Interim Meetings
2011 + 2016	3/4**	0/3*

Current Board Committee Memberships	Committee Attendance	Interim Committee Meetings
• Audit & Governance Committee	3/4**	0/3*
• Change, Operations, Technology & Human Resources Committee	3/4**	Nil
• Finance, Risk & Conduct Review Committee	3/4**	0/3*

Interlocking/Other Current Directorships	Former Directorships
CIBC Cayman Bank Limited	CIBC Children's Foundation CIBC Mellon Asset Management Market Regulation Services FirstCaribbean International Bank (Barbados) Limited - Chair FirstCaribbean International Trust & Merchant Bank (Barbados) Limited - Chair FirstCaribbean International Wealth Management Bank (Barbados) Limited - Chair FirstCaribbean International Finance Corporation (Leeward & Windward) Limited - Chair FirstCaribbean International Bank (Bahamas) Limited - Chair FirstCaribbean International Bank (Cayman) Limited - Chair

*Directors residing in Canada cannot participate in meetings from Canada, and could not arrange to attend in person due to short notice given for the interim meetings.

** Director could not attend Q3 Board of Directors meeting due to travel restrictions as a result of hurricane Irma.

PAULA RAJKUMARSINGH
Trinidad & Tobago
Independent

Ms. Rajkumarsingh is an Executive Director and Group Chief Financial Officer of Massy Holdings Limited formerly Neal & Massy Holdings Ltd. She is a Corporate Financial Executive, with over 20 years of experience at a senior management level.

Year Joined Board	2017 Meeting Attendance	
	Overall Attendance	Interim Meetings
2008	4/4	3/3

Current Board Committee Memberships	Committee Attendance	Interim Committee Meeting
• Audit & Governance Committee	4/4	3/3
• Change, Operations, Technology & Human Resources Committee	4/4	Nil
• Finance, Risk & Conduct Review Committee	4/4	2/3

Interlocking/Other Current Directorships	Former Directorships
Massy Holdings Limited FirstCaribbean International Bank (Trinidad & Tobago) Limited Trinidad & Tobago Chamber of Industry and Commerce Cluny Schools Board of Management	Sugar Manufacturing Company DevCap - A private Equity Fund

G. DIANE STEWART
The Bahamas
Independent

Mrs. Stewart is a Partner in the law firm McKinney, Bancroft & Hughes in the Bahamas. She is an experienced litigation partner, and a member of the firm's Executive Committee, whose areas of expertise include Commercial and Civil Litigation, Liquidations, Banking, Trusts, Insurance and Family Law.

Following her education at York University in Toronto, Canada and the University of the West Indies, Mrs. Stewart entered articles of clerkship with Mr. Winston Saunders and was called to the Bahamas Bar in 1985.

Mrs. Stewart regularly advises the firm's institutional as well as individual clients on domestic and cross border disputes and on administrative and public law matters. She has frequently appeared before the Courts of first instance and the Bahamian Appellate courts in a broad range of commercial and civil matters. Mrs. Stewart also has an extensive family law practice. She has served as an Acting Justice of the Supreme Court and as a Stipendiary Magistrate.

Mrs. Stewart is a former Associate Lecturer and tutor at the Eugene Dupuch Law School. Further, she has regularly been throughout her career the guest speaker and presenter of papers on varied public and private law issues.

She is presently the Vice-Chancellor of the Anglican Diocese of the Bahamas & Turks & Caicos Islands.

Mrs. Stewart is a recipient of many awards including the Kiwanis Service to Youth Award, the Zontian of the Year Award, the Appreciation Award of the College of the Bahamas Union of Students and the Ministry of Health & Environment Family Planning Secretariat Award.

Year Joined Board	2017 Meeting Attendance	
	Overall Attendance	Interim Meetings
2008	3/4 **	3/3

Current Board Committee Memberships	Committee Attendance	Interim Committee Meeting
• Audit & Governance Committee	3/4**	3/3
• Change, Operations, Technology & Human Resources Committee	3/4**	Nil
• Finance, Risk & Conduct Review Committee	3/4**	2/3

Interlocking/Other Current Directorships	Former Directorships
FirstCaribbean International Bank (Bahamas) Limited FirstCaribbean Finance Corporation Capital Life Insurance Company Bahamas Limited	None

** Director could not attend Q3 Board of Directors meeting due to travel restrictions as a result of hurricane Irma

GARY BROWN
Barbados
Executive Committee
Senior Executive Team

Gary Brown was appointed Chief Executive Officer of CIBC FirstCaribbean in January 2016.

Prior to this, he was Global Head of Corporate Banking with CIBC. In that role, Mr. Brown had responsibility for corporate and institutional banking activities at CIBC, including lending to large corporates, real estate finance, global banking, international lending and certain non-core portfolio activities. Additionally, he served as a member of the Capital Markets Management Committee and the Investment Committee and CIBC's Operating Committee. Mr. Brown remains a member of the Operating Committee in his role as Chief Executive Officer of CIBC FirstCaribbean.

Immediately prior to assuming that position, from 2004 to 2013 Mr. Brown was President and CEO of CIBC World Markets Corp., the bank's U.S. broker-dealer and was responsible as U.S. Region Head for all business and governance functions under a U.S. regional management structure.

Mr. Brown began his banking career in 1976 with The Chase Manhattan Bank and became a lending officer in the Commodity Finance division. From 1980 to 1999, he held a number of increasingly senior business and risk management positions with UBS AG, including New York Branch Manager and Head of the Structured Finance division, one of six operating divisions of UBS in the Americas. In 1998, Mr. Brown was appointed Chief Credit Officer — Americas. Immediately prior to joining CIBC in 2001, he served as President and Director for K2 Digital, Inc., an Internet professional services company.

Mr. Brown received a BSc in Business Administration from Oral Roberts University and has attended executive programs at the Salzburg Institute and Harvard Business School. He served as Chairman of the Board of Trustees of Mercy College, on the Board of Trustees of Oral Roberts University, the Executive Committee of the Board of Mercy Ships International and the Board of Directors of the Foreign Policy Association in New York.

NEIL BRENNAN
Barbados
Executive Committee
Senior Executive Team

Neil Brennan was appointed Managing Director, Human Resources in June 2015.

Neil joined FirstCaribbean International Bank in 2004 and served in the position of Director, Compensation, Benefits & HR Operations until 2009. He returned to CIBC FirstCaribbean in 2012 to the position of Director, Financial Integration and Operations, Human Resources. In this role, he was responsible for all of the Bank's Compensation and Benefits programmes, management of the Bank's pension plans and for delivering HR operational support across the Caribbean.

Neil has more than 25 years' experience working in Human Resources, both in a consulting capacity and in corporate environments, and has worked in the Caribbean, North America, Europe and Asia in a variety of roles covering all areas of Human Resources.

Prior to returning to CIBC FirstCaribbean in 2012 Neil was Global Vice President, Human Resources at AET, one of the world's largest petroleum logistics companies. Prior to this he has held increasingly senior positions in HR across a variety of industries, among them Consulting Actuary, Hymans Robertson, Head of UK Benefits Practice for Arthur Andersen and HR Consulting Services Director, Jardine Lloyd Thompson.

Neil graduated from Heriot-Watt University, Edinburgh, in 1989 with a BEng in Electrical and Electronic Engineering. He is a Fellow of the Faculty of Actuaries and an Associate of the Pensions Management Institute.

BRIAN CLARKE
Barbados
Executive Committee
Senior Executive Team

Brian Clarke was appointed General Counsel & Corporate Secretary in June 2012.

Brian Clarke is CIBC FirstCaribbean's General Counsel and Corporate Secretary reporting to CEO Gary Brown. Brian serves on the Bank's Executive Committee and oversees all legal matters, corporate governance, securities compliance and privacy. Brian also chairs the Bank's Reputation and Legal Risk Committee. Brian joined CIBC FirstCaribbean in June 2012 from the largest law firm in Barbados, Clarke Gittens Farmer. Over the 26 years he was at Clarke & Co, which merged with Evelyn Gittens & Farmer to become CGF, Brian advised and represented a wide range of clients including regional and international banks, insurance companies, public utilities and hotels. Brian graduated from the University of the West Indies in 1984, the Norman Manley Law School in 1986, and was made a Queen's Counsel in 2013.

Brian was a lieutenant in the Barbados Coast Guard Reserve, served on the Pensions Committee of the Barbados Defence Force and is a former member of the Barbados Salvation Army Advisory Board.

COLETTE DELANEY
Barbados
Executive Committee
Senior Executive Team

Colette Delaney was appointed Managing Director and Head of Regional Country Management, Strategy and Marketing in May 2017.

Prior to that, she spent the previous two and a half years in the position of Chief Risk and Administrative Officer.

Colette is responsible for ensuring the Bank remains client focused with the appropriate mix of sales, client service and sound governance throughout the Caribbean. To that end, reporting to Colette are the Managing Directors of the regional operating companies - the Bahamas, Cayman, Jamaica, Barbados and Trinidad & Tobago. She also holds responsibility for our Marketing & Communications and Strategy teams.

Colette is a banking professional of over thirty years' experience, having started her career with CIBC in 1987, and prior to that with National Westminster Bank plc. She holds a Master of Arts degree from St. Anne's College, University of Oxford in the United Kingdom, an MBA from Cass Business School in London, and received the designation of Associate of the Chartered Institute of Bankers in the United Kingdom in 1989.

Prior to joining CIBC FirstCaribbean, she held the position of an Executive Vice President within Retail Banking at CIBC, accountable for Mortgage, Lending, Insurance and Deposit Products. She is a former Director of the Canadian Payments Association and Acxsys Corporation. She was also a Director of Skills for Change, a non-profit organization helping newcomers to Canada.

PATRICK McKENNA
Barbados
Executive Committee
Senior Executive Team

Patrick McKenna was appointed Chief Risk Officer in May 2017.

As Chief Risk Officer, Patrick oversees risk for CIBC FirstCaribbean. Prior to joining CIBC FirstCaribbean, Patrick was Senior Vice President overseeing risk for CIBC's Wealth Management Business.

Patrick has over 25 years of banking experience in a variety of Front Office and Risk Management roles. Prior to joining CIBC, he was the CRO and subsequently the Chief Oversight and Control Executive for JP Morgan Asset Management. Prior to that, he held a variety of Senior Risk Management positions at Deutsche Bank including CRO for the Americas, Co-head of the Asset Reduction and Restructuring program, and Global Credit Risk Head for a variety of Business areas (including Hedge Funds, FIs, Securitization, Private Clients, and Emerging Markets). He is a past member of several Risk Management organizations including: the RMA New York Chapter Board of Governors, the CRO Buy Side Risk Managers Forum and The Professional Risk Managers' International Association.

Patrick graduated from University of California at Los Angeles (UCLA) with a B.A. in Political Science and completed the Columbia Senior Executive Program (CSEP) in 2003.

JUDE PINTO
Barbados
Executive Committee
Senior Executive Team

Jude Pinto was appointed Chief Information Officer and Managing Director, Technology, Operations & Corporate Services in May 2013.

Jude currently serves as the firm's Chief Information Officer and MD TO&CS with responsibility for Technology, Projects, Operations, Security, Sourcing and Real Estate management activities. He has worked in the Financial Services industry for the past 29 years, 23 years with CIBC, including the past 5 years with CIBC FirstCaribbean. As an experienced banker, Jude has held a variety of positions within CIBC spanning Insurance, Audit, Finance, Retail Strategy, Electronic Channels, Operational Risk, Business Transformation Programs, Sourcing, Real Estate, Security, Operations, and Technology.

Jude serves as Chair of CIBC FirstCaribbean's Barbados and Curacao operating company Boards and is also the Vice Chair of CIBC Reinsurance, Barbados and Chair of its Compensation Committee. He has also in the past served on the Canadian Juvenile Diabetes Research Foundation Financial Services Fundraising Board, the Arthritis Association of Canada Ontario Chapter Board and the Ontario Tourism Education Corporation Board.

Jude has a Master of Business Administration from the Rotman School of Business, University of Toronto (2002). He is a Chartered Public Accountant (1992), and has an Honours Bachelor of Business Administration from Wilfrid Laurier University (1989).

MARK ST. HILL
Barbados
Executive Committee
Senior Executive Team

Mark St. Hill was appointed Managing Director, Retail & Business Banking in May 2013.

Mark has responsibility for the development and growth of CIBC FirstCaribbean's Retail & Business Banking operations across 17 countries.

Previous to his current appointment, Mark was the Barbados Country Manager and Managing Director of CIBC FirstCaribbean's Barbados Operating Company. Previous to that he was the Director, International Banking with responsibility for the leadership and development of the International Banking (Personal & Corporate) offering across the six centers in Bahamas, Barbados, British Virgin Islands, Cayman, Curacao and Turks and Caicos Islands.

In addition to his executive portfolio, Mark serves as Chairman of the Trinidad and Jamaica operating companies – FirstCaribbean International Bank (Trinidad and Tobago) Limited : FirstCaribbean International Bank (Jamaica) Ltd. He is also a Director of the FirstCaribbean International ComTrust Foundation Ltd, a registered charitable foundation which manages the Bank's corporate giving program.

An experienced banker with over 27 years in various positions spanning Insurance Brokerage, Retail Banking, Corporate Banking, Credit Risk, International Banking and Wealth Management, Mark has also held senior management positions in several countries in the Caribbean such as Grenada, British Virgin Islands and Barbados.

Mark is a Fellow of the British Institute of Chartered Secretaries and Administrators, a graduate of the FirstCaribbean Executive Leadership Program with Wharton Business School and has recently completed the Masters Certificate Program in Financial Services Leadership in conjunction with Schulich School of Business and CIBC.

He is also the President of the Barbados Hockey Federation.

TREVOR TORZSAS
The Bahamas
Executive Committee
Senior Executive Team

Trevor Torzsas was appointed Managing Director, Cards & Customer Relationship Management in May 2012.

Trevor plays a pivotal role in maximizing sustainable revenues at the bank. He manages the Cards Issuing and Cash Management businesses and has responsibility for Product Development & Customer Analytics, Customer Research and Insights, Customer Experience and Alternate Channels.

In addition to his executive portfolio, Trevor serves on the Board of Directors of CIBC Bank and Trust Company (Bahamas) Ltd, FirstCaribbean International Bank (Bahamas) Limited and FirstCaribbean International Bank (Trinidad and Tobago) Limited. He also serves as a Director of the FirstCaribbean International ComTrust Foundation Ltd, a registered charitable foundation.

His service as co-chair of CIBC Miracle Day and as a donations committee member equipped him to establish and lead CIBC FirstCaribbean's Walk for the Cure in 2012. His involvement in charitable activity at CIBC FirstCaribbean includes contributing his expertise through serving as Executive co–chair for the Walk.

Trevor brings to the Bank extensive experience and a proven track record in customer relationship management from his tenure at CIBC in Canada. Prior to joining CIBC FirstCaribbean, he headed and developed CIBC's global relationship management program in Canada from 2008 to 2012 as Managing Director, Global Relationship Management within its cash equities group. He directly interfaced with institutional clients to drive a client-focused strategy. During that time, CIBC's overall quality of client service in the Cash Equities group improved to No.1 in Canada.

Prior to joining CIBC, Trevor spent four years at Desjardins Securities – two years as the Head of Equity Sales and two years as the Head of Business Development. Before joining Desjardins, he spent eight years as a partner at Brendan Wood International, leading its broker/dealer strategic advisory group and as a member of the firm's executive recruitment team.

PIM VAN DER BURG
Curaçao
Executive Committee
Senior Executive Team

Pim van der Burg was appointed Managing Director Corporate & Investment Banking in December 2015.

Prior to that Pim was the Managing Director for the Dutch Caribbean for CIBC FirstCaribbean and was responsible for the development of the businesses of the Bank in Curacao, Sint Maarten and Aruba.

Pim has over twenty years of banking experience and held a variety of international senior positions within the Dutch banking group ABN AMRO, in the areas of Corporate & Investment Banking and Wealth Management.

For that bank, he was responsible for implementation of the Transactional Banking concept in the Latin American region with a focus on the eastern part of South America and the Caribbean basin, and for the sale of the ABN AMRO businesses in the Dutch Caribbean. After the acquisition of the international activities of ABN AMRO in the region by CIBC FirstCaribbean in 2006, Pim joined CIBC FirstCaribbean and was responsible for the integration of the acquired organization.

Pim received a Law degree in business and civil law at Erasmus University Law School in Rotterdam, The Netherlands. He also participated in the Strategic Management in Banking programme at INSEAD, Fontainebleau, and is a graduate of the FirstCaribbean Executive Education programme at the Wharton School of the University of Pennsylvania.

DOUG WILLIAMSON
Barbados
Executive Committee
Senior Executive Team

Doug Williamson was appointed Chief Financial Officer in May 2017.

Doug has more than 15 years of financial experience in the banking sector. He is responsible for financial oversight, as well as reporting and planning for all legal entities within the CIBC FirstCaribbean Group. In addition, he is accountable for the Treasury Department, specifically for matters related to the composition and usage of CIBC FirstCaribbean's balance sheet resources. Doug also chairs the Asset and Liability Committee.

Doug joined CIBC in 2012, and since then, he has held multiple executive positions with increasing responsibility. Prior to his current role, he was Vice-President, Infrastructure CFO and Finance Shared Services, where he provided financial leadership and strategic advice to all functional groups, including Technology and Operations, Administration, Risk Management, and Finance. He was also responsible for Enterprise Management Reporting, General Accounting & Allocations, and Project Finance Centres of Excellence. In addition, he was a member of the Board of Directors for INTRIA Items Inc.

Doug holds a Bachelor of Commerce (Honours) degree from the DeGroote School of Business, McMaster University and an MBA from the Schulich School of Business, York University. He is a Certified Management Accountant and a Chartered Financial Analyst. Prior to joining CIBC, Doug was with Bank of Montreal for more than 10 years in a variety of roles across Finance, Technology, and Wealth Management.

DANIEL WRIGHT
The Cayman Islands
Executive Committee
Senior Executive Team

Daniel Wright was appointed Managing Director, Wealth Management in February 2014.

Dan, who joined CIBC FirstCaribbean in December 2012, as Director, Private Wealth Management, has since been leading the strategic initiative in support of an enhanced offer for the bank's high net worth clients. In October 2013, Dan assumed the position of Managing Director, Private Wealth Management to reflect his additional regional responsibilities for CIBC Trust Company (Bahamas) Limited and CIBC Bank and Trust Company (Cayman) Limited and in 2016 Dan took over responsibility for the Bank's international corporate business in six (6) countries.

Dan is an experienced wealth management and private banking leader. Prior to joining us, Dan worked as Senior Vice President & Head, International Wealth Management for Bank of Nova Scotia (BNS) in Toronto with specific responsibility for their private banking business in the Caribbean, Latin America and Asia. He was also Chair of the BNS Trust Company in the Bahamas and a Director of a number of Caribbean-based businesses in the Cayman Islands and Jamaica.

Dan holds a Bachelor's degree in Business Administration from Wilfrid Laurier University and a number of wealth management related certificates. In his role, Dan continues to leverage his strength in strategy planning and execution, as well as the management of teams of experts in a wide range of markets to further build our wealth management capability.

SENIOR EXECUTIVE TEAM

BEN DOUANGPRACHANH
Barbados
Senior Executive Team

Ben Douangprachanh was appointed Chief Auditor in July 2014.

Prior to joining, FirstCaribbean International Bank in July 2014 as Chief Auditor, Ben served as Senior Audit Director, Risk Management at CIBC. He brings over two decades of service in the financial services industry in Canada, US and Asia.

A Chartered Professional Accountant (CPA) and a Chartered Financial Analyst (CFA), Ben is an alumnus of the Wilfrid Laurier University and holds a Bachelor of Business Administration (1993). He is also a member of the Institute of Internal Auditors (IIA).

As Senior Audit Director, he was responsible for the audit mandate covering risk management enterprise wide, including capital markets risk management, retail risk management, and operational risk management.

Prior to joining CIBC, Ben was the Chief Auditor and Head of Corporate Security at CIBC Mellon and has worked in increasingly senior roles at PriceWaterhouseCoopers and Merrill Lynch in Canada, Asia and the U.S.

NIGEL HOLNESS
Jamaica
Senior Executive Team

Nigel Holness was appointed Managing Director of Jamaica in October 2010.

Nigel joined the FirstCaribbean family, formerly CIBC, in 1988 and has enjoyed a very successful career with this institution spanning twenty-eight years. His prior appointment saw him spearheading and rebuilding the Jamaica Treasury function, embedding new policies and governance structures that brought efficiency and diversification to the currency balance sheets.

Prior to returning to Jamaica, Nigel was part of the Regional Centralized Treasury team located in Barbados, and was responsible for managing the soft currency portfolios across numerous jurisdictions. He has been exposed to a number of formal training and development programmes locally and internationally such as International Cash & Treasury Risk Management, Bourse Game, Consultancy Skills and Employee Relations, to name a few.

His training has been complemented by valuable exposure gained through working in all major markets across the Caribbean. He has acquired considerable experience on the job, which has supported and enhanced his capability to perform with excellence thus earning him the Managing Directors Award for excellence in 1993.

Nigel also served on the Regional Consulting Methods and Organization Management Team responsible for branch re-engineering and restructuring, an initiative led by CIBC.

MARK McINTYRE
The Cayman Islands
Senior Executive Team

Mark McIntyre was appointed Managing Director, Cayman Islands, BVI and Platinum Banking in January 2012. Effective November 1, 2017 Mark was appointed Managing Director, Cayman Operating Company and given the increased responsibility for the day to day oversight of the Cayman Islands, British Virgin Islands and the Dutch Caribbean comprising Aruba, Curacao and Sint Maarten.

Mark, an experienced financial services executive and dynamic leader, has a proven track record of developing high-performance teams and achieving consistent results in very demanding and competitive environments. He brings to CIBC FirstCaribbean a reputation as an excellent negotiator and problem-solver, experienced in the delivery of exceptional customer service.

Mark developed a deep and diverse career within the Caribbean Capital Markets and Financial Services industry over the past three decades. He has held appointments of increasing seniority across all business segments of the Bank. His professional experience honed his skills in Retail, Corporate and International Banking, Wealth Management, Strategic Management, Executive Negotiation and People Management. Mark also previously served as Corporate Secretary for the Cayman Operating Company Board of Directors and Wealth Management Director for CIBC FirstCaribbean in the Cayman Islands and BVI, before being headhunted by HSBC in 2007 to establish its banking presence in the Cayman Islands where he served as both Head of Corporate Banking and Head of Business Development - Caribbean Markets before returning to CIBC FirstCaribbean to assume the role of Managing Director early in 2012. Mark also currently serves on the Board of Directors of several CIBC subsidiaries domiciled in the Cayman Islands and Barbados.

Mark, an MBA graduate, has also benefitted from a number of executive development and specialized training programmes with several international academic organizations and institutions including the Chartered Institute of Bankers in the United Kingdom, Euromoney, The Wharton School, University of Pennsylvania where he was awarded a Certificate of Professional Development and participated on the FirstCaribbean Executive Development Programme and most recently at the Schulich School of Business, York University, where he is currently completing the Masters Certificate in Financial Services Leadership.

MARIE RODLAND-ALLEN
The Bahamas
Senior Executive Team

Marie Rodland-Allen was appointed Managing Director of the Bahamas & Turks and Caicos Islands in September 2010.

Marie joined CIBC FirstCaribbean International Bank from Citigroup, where she began her career in the late 1990s as an Investment Banking Analyst in both New York and Paris. She later accepted a position in her hometown of Nassau, Bahamas as a Corporate Banker before returning to New York to work in the Office of the CEO of The Citigroup Private Bank. In her last assignment prior to joining CIBC FirstCaribbean, Mrs. Rodland-Allen was the Senior Vice President and Global Head of Special Investments for Citigroup's global trust business.

Mrs. Rodland-Allen is the recipient of several awards including Celebrating Women International's 2017 "Women of Distinction" award and the "40 under 40 Award" by the Bahamas Government's Ministry of Youth, Sports and Culture in conjunction with Jones Communications which recognizes outstanding performance and contribution to The Bahamas. She has also been recently nominated for the Bahamas Financial Service Industry's 2017 "Executive of the Year" award.

Mrs. Rodland-Allen holds a Bachelor's of Science in Finance and International Business from New York University's Stern School of Business and a dual Masters of Business Administration degree from Cornell University and Queen's University. She is a member of the Young Presidents' Organization (YPO) and a Member of the Society of Trust and Estate Practitioners (TEP).

ANTHONY SEERAJ
Trinidad
Senior Executive Team

Anthony Seeraj was appointed Managing Director of the Trinidad Operating Company in April 2015.

He has over 33 years' experience in corporate banking and has been a key contributor to the development of the Corporate footprint and the bank's profile in Trinidad, bringing several new key relationships to the bank.

Anthony first joined the Corporate Investment Banking team in January 2008 and prior to this, worked for two large local banks as a Senior Manager with responsibility for state enterprises, regional business and energy financing.

He is responsible for structuring and arranging large deals for the Government of the Republic of Trinidad and Tobago, several state enterprises and large corporations in the Caribbean, meeting the Bank's clients' complex financial needs and providing them with access to various innovative solutions. He has worked on both syndicated loan and capital market transactions for large regional public and private corporations.

Prior to his appointment as Managing Director, Anthony served as Director, Corporate and Investment Banking, Trinidad & Dutch Antilles. He is an Associate of the Chartered Institute of Bankers (UK) and holder of an MBA with specialization in Finance from the University of Lincoln. He also serves on the Trade and Investment Committee at the American Chamber of Commerce.

DONNA WELLINGTON
Barbados
Senior Executive Team

Donna Wellington was appointed Managing Director, Barbados and the Eastern Caribbean in June 2013.

Donna Wellington joined CIBC FirstCaribbean International Bank in 2005, after working 15 years in the financial services industry at Sagicor, EY Caribbean and PricewaterhouseCoopers in Barbados. At CIBC FirstCaribbean she has progressed through various positions in the Corporate and Investment Banking segment, culminating in her current position as the Managing Director – Barbados Operating Company in June 2013.

In this position Donna has responsibility for revenue generation and regulatory affairs across all key segments of the banking operations of the Barbados Operating Company in 8 countries (Barbados, seven countries in the OECS). A seasoned corporate banker with 28 years' experience in the financial services sector, Donna also has a strong accounting background with a BSc in Accounting from the University of the West Indies and is a member of the Certified General Accountant Association registered under the Chartered Professional Accountants Association of Canada (CPA, CGA) and holds a Masters Certificate in Financial Leadership from Schulich Business School, York University.

Donna is the President of the Barbados Bankers' Association.

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, 2017, 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 United States dollars. Certain comparative amounts have been reclassified to conform to the presentation adopted in the current year.

Overview

CIBC 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, Corporate and Investment Banking, Wealth Management and Administration. Our business segments service clients in seventeen (17) countries through our eight (8) operating companies located in Bahamas, Barbados, Cayman, Jamaica and Trinidad.

The business segments and geographic operating companies are supported by the Administration segment which includes Finance, Human Resources, Risk, Technology & Operations, Treasury, and other support units. Highlights and commentary on business segments can be found in the 2017 Highlights Section of this annual report.

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

Nature of the business

The Group offers traditional banking solutions that fit our clients' lives 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 main geographic markets in which the Group operates and where it is regarded as one of the largest banks are Barbados, The Bahamas, The Cayman Islands and The Eastern Caribbean Islands. The macroeconomic environments in these territories influence the Group and its results. The Group is also affected by the global macroeconomic environment to the extent they affect the drivers of financial risks to which the bank is exposed such as credit and liquidity risk and other market risks such as currency risk, interest rate risk and pricing risk.

Objectives and strategies

The Group continues to focus on three strategic priorities to address market trends: Focusing on our clients relationships, building our technology base to create a regionally leading digital experience for our clients and simplifying the way we do business.

Resources, risks and relationships

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

Using the capital provided by shareholders and other funding from clients, the Group, through the work of its employees is able to provide a stable affordable source of funding to its clients, contributing to building the communities in which the Group resides. The risks faced by the Group (including credit, market, compliance, operational, and liquidity) and approach to managing risk are discussed further under the heading "Risk Management Approach" in this discussion and analysis.

Review of results, performance measures and indicators

Review of the Consolidated Statement of Income

$ Millions except per share amounts, as at or for the year ended October 31	2017	2016
Total revenue	547	534
Net income for the year	142	143
Adjusted net income for the year	151	143
Net income attributable to the equity holders of the parent	138	140
Adjusted net income attributable to equity holders of the parent	147	140
Total assets	12,251	10,966
Basic earnings per share (cents)	8.7	8.9
Adjusted basic earnings per share (cents)	9.4	8.9
Dividend per share (cents)	5.0	4.5
Closing share price per share (cents)	129	113
Return on equity	10.0%	10.4%
Adjusted return on equity	10.7%	10.4%
Efficiency ratio	68%	67%
Tier I capital ratio	18%	19%
Total capital ratio	20%	21%

Net income for the year was $142 million, compared to $143 million in 2016. Excluding $10 million in non-recurring loan loss impairment expense and other costs related to the impact of hurricanes Irma and Maria, adjusted net income was $151 million.

The components of $10 million is as follows:

- Loan loss impairment expense $9 million
- Asset write-down and relief costs $2 million
- Taxation and minority interest $(1) million

There were no adjusting items in 2016.

The year over year results were affected by certain significant items as follows:

2017

- $7 million increase in loan loss impairment expense largely due to non recurring impact of hurricanes Irma and Maria.
- $15 million increase in operating expenses primarily related to salary adjustments, higher depreciation due to system technology investment and higher business taxes due to core business operations.
- $9 million increase in net interest income primarily due to loan growth and the impact of LIBOR rates offset by margin compression and a mandated prime rate reduction in Bahamas.
- $4 million increase in other income primarily due to higher service based fees.

Net interest income and margin

$ millions for the year ended October 31	2017	2016
Average total assets	11,608	10,828
Net interest income	379	370
Net interest margin	3.3%	3.4%

Net interest income increased year-on-year by $9 million (3%) largely due to higher productive loan earnings partially offset by margin compression and mandated Bahamas prime rate reduction.

Operating income

$ millions for the year ended October 31	2017	2016
Net fee and commission income	116	107
Foreign exchange earnings	50	50
Net gains	-	3
Other	2	4
	168	164

Operating income increased year-on-year by $4 million (3%) primarily due to higher service based fees.

Operating expenses

$ millions for the year ended October 31	2017	2016
Staff costs		
Salaries	144	141
Benefits & other	35	37
	179	178
Property and equipment expenses	44	43
Depreciation	23	18
Business taxes	46	40
Professional fees	19	17
Communications	10	9
Other	51	52
	372	357

Operating expenses increased year-on-year by $15 million (4%) primarily due to salary adjustments, higher depreciation due to system technology investment and higher business taxes due to core business operations.

Loan loss impairment

$ millions for the year ended October 31	2017	2016
Individual impairment charge		
Mortgages	8	13
Personal	5	13
Business & Sovereign	1	(10)
	14	16
Collective impairment charge	10	1
	24	17

Loan loss impairment increased by $7 million (42%) year-on-year. The collective allowances increased by $9 million primarily due to a non-recurring provision related to hurricanes Irma and Maria.

The ratio of loan loss provision to gross loans was 4.0% compared with 4.6% at the end of 2016. Non-performing loans to gross loans declined to 5.1% at the end of 2017 compared to 6.5% as at 2016.

Income tax expense

$ millions for the year ended October 31	2017	2016
Income tax expense	9	16
Income before taxation	151	159
Effective tax rate	6.2%	9.9%

Income tax expense has decreased year-on-year by $7 million (44%). The decrease in taxes is largely due to lower taxable income in taxable jurisdictions.

Review of the Consolidated Statement of Comprehensive Income

$ millions for the year ended October 31	2017	2016
Net Income for the year	142	143
Other comprehensive income		
Net (losses)/gains on available-for-sale investment securities	(1)	6
Net exchange gains/(losses)on translation of foreign operations	1	(13)
Re-measurement gains on retirement benefit plans	5	21
Other Comprehensive income	5	14
Total Comprehensive income	147	157

The Bank conducts business in two jurisdictions Jamaica and Trinidad, that have functional currencies that float against the United States (US) dollar. The Jamaica dollar strengthened by 2% year-on-year, while the Trinidad dollar remained relatively stable. The exchange gains impact was a gain of $1 million for the year compared to losses of $13 million in the prior year when the Jamaica dollar weakened by 8%.

Review of the Consolidated Statement of Financial Position

$ millions for the year ended October 31	2017	2016
Assets		
Cash and balances with banks	2,933	1,999
Investment securities	2,376	2,203
Loans and advances to customers:		
Mortgages	2,134	2,149
Personal	629	569
Business & Sovereign	3,829	3,771
Other	27	23
Provision for impairment (net of recoveries and write-offs)	(261)	(299)
	11,667	10,415
Other assets	584	551
	12,251	10,966
Liabilities and equity		
Customer deposits		
Individuals	4,171	3,264
Business & Sovereign	6,076	5,805
Banks	111	77
Interest Payable	13	10
	10,371	9,156
Debt securities in issue	213	198
Other liabilities	224	237
Non-controlling interest	30	28
Equity attributable to equity holders of the parent	1,413	1,347
	12,251	10,966

Total assets increased by $1.3 billion (12%) primarily due to increased loans and advances and higher cash and balances with banks.

Total customer deposits increased by $1.2 billion (13%) predominately due to increased funds placed in the trust companies.

Equity attributable to equity holders of the parent has increased year-on-year by $66 million (5%) due mainly to net income for the year of $142 million, other comprehensive income of $5 million offset by dividends of $78 million.

Our capital strength protects our depositors and creditors from risks inherent in our business, allows us to absorb unexpected losses and enables us to take advantage of attractive business opportunities. The Group continues to maintain strong capital ratios of Tier I and Tier I & II of 18% and 20% respectively at the end of 2017, well in excess of regulatory requirements.

Business Segment Overview

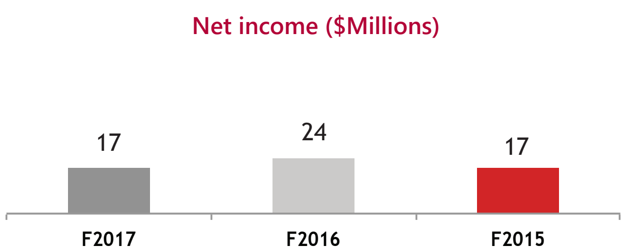
Management monitors the operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment. During the year, the economic profit/(loss) measure was changed to net income to better align with enterprise-wide financial analysis and capital optimization models. The changes impacted the segment results, however there was no impact on consolidated net income resulting from these reclassifications. Prior period amounts were reclassified accordingly.

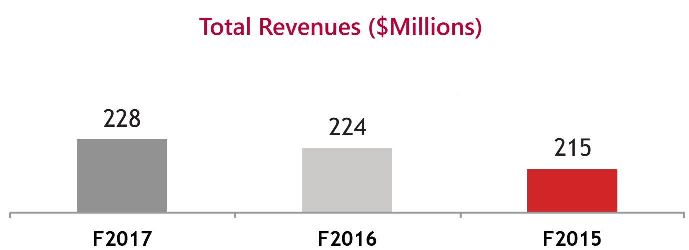
Transactions between the business segments are on normal commercial terms and conditions.

Retail & Business Banking

Retail & Business Banking includes the Retail, Business Banking and Cards businesses. The 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. Cards offering include both the issuing and acquiring business.

Total revenues increased year-on-year by $4 million or 2% primarily due to higher card fee based income partially offset by mandated prime rate reduction in Bahamas. Net income for the year decreased year-on-year by $7 million as a result of the mandated prime rate reduction in Bahamas, higher operating expenses and loan loss impairment expense.

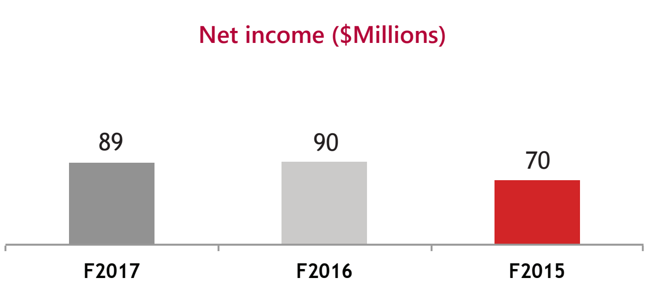


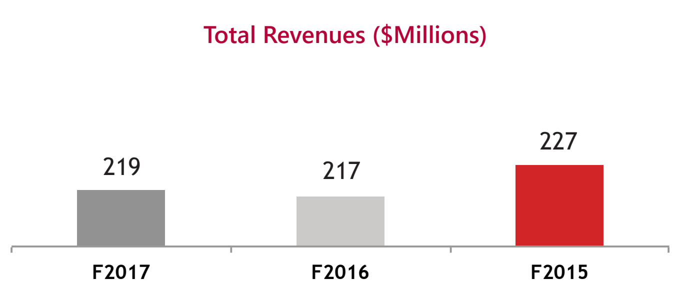


Corporate & Investment Banking

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

Total revenues increased year-on-year by $2 million or 1% primarily due to higher loan earnings. Net income for the year decreased year-on-year by $1 million as a result of higher indirect expenses partially offset by higher loan earnings.



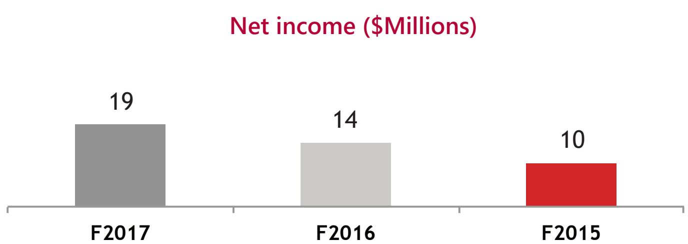


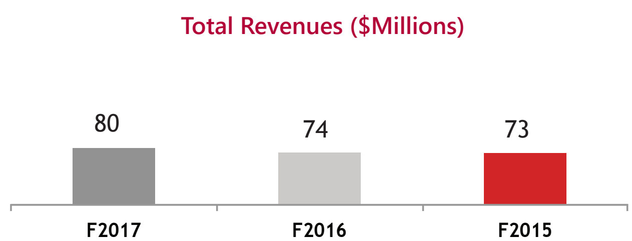
Wealth Management

Wealth Management comprises Private Wealth Management, International Corporate Banking, Investment Management and CIBC Bank & Trust. Dedicated wealth management relationship managers provide traditional core banking, complex credit, investment advice, discretionary portfolio management, trust services and wealth planning to the high and ultra-high net worth clients. Our domestic investment management businesses in Barbados and Jamaica service the investment, pension and trust needs of local investors.

International Corporate Banking is a specialized business that services non domestic, international corporate and institutional clients (such as Offshore Mutual Funds, Hedge Funds, Captives and IBCs) in 6 jurisdictions with core banking, international payments & cash management, lending, standby letters of credits, and investment management alternatives.

Total revenue increased year-over-year by $6 million or 9% as a result of higher internal revenue partially offset by higher deposit interest expense. Net income for the year increased year-on-year by $5 million driven by higher internal revenues from increased deposits.





Administration

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

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

Risk Management Approach

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

The Group's approach to risk management is based on sound banking principles and a robust governance structure. Risk is managed within tolerance levels established by our management committees and approved by the Board of Directors and its committees (the Board). This is achieved through a comprehensive framework of measurement, monitoring and control policies, procedures and processes. Further information on credit, market and liquidity risks within the Group can be found in note 32 of the consolidated financial statements.

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

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

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

Credit Risk

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

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

Market Risk

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

The 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 Officer.

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

Compliance Risk

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

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

Operational Risk

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

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

Liquidity Risk

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

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

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

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF FIRSTCARIBBEAN INTERNATIONAL BANK

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of FirstCaribbean International Bank Limited ("the Bank") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at October 31, 2017, 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 notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at October 31, 2017 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF FIRSTCARIBBEAN INTERNATIONAL BANK

Report on the Audit of the Consolidated Financial Statements

Key Audit Matters (continued)

Key audit matter	***How our audit addressed the key audit matter***
Allowance for loan losses	
Related disclosures in the financial statements are included in Note 2.4, Significant accounting policies, Impairment of financial assets - Loans and receivables, Note 15, Loans and advances to customers and Note 32, Financial risk management. This is a key audit matter since it requires the application of judgement and use of subjective assumptions by management. The assessment of impairment involves the use of assumptions including the financial condition of the counterparty, the estimated timing and amount of expected future cash flows, valuation of collateral and the time and costs of collection of such collateral. Additionally, the use of different models in the determination of the specific and collective allowance could result in significantly different estimates. Management continually assesses the assumptions and models used to take account of current economic and real estate market conditions. The associated risk management disclosure is also complex and dependent upon high quality data.	• We assessed and tested the design and operating effectiveness of controls over individual and collective loan impairment calculations and the quality of underlying data and respective applications. • We evaluated management's methodologies and calculations for establishing the individually assessed (specific) allowance for credit losses and assessed the adequacy of the allowance established by reviewing a sample of loan files. • We involved our internal real estate specialists to assess the methodology used and values obtained for third party valuations of the underlying real estate held as collateral for loans. We also utilized our internal specialists to test the application and general controls over the respective systems used in generating data. • We assessed the effectiveness of the collective allowance methodology, and determined whether the application of the methodology is reasonable and in compliance with internal policies and International Accounting Standard 39 Financial Instruments: Recognition and Measurement (IAS 39). We reviewed the accuracy of the inputs used in the model, the reasonableness of management's assumptions and management's review of the outputs of the model. • We assessed the adequacy of the disclosures in the financial statements including credit risk disclosures in Note 32.

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF FIRSTCARIBBEAN INTERNATIONAL BANK

Report on the Audit of the Consolidated Financial Statements

Key Audit Matters (continued)

Key audit matter	***How our audit addressed the key audit matter***
Goodwill	
Related disclosures in the financial statements are included in Note 2.4, Summary of significant accounting policies, Goodwill and Note 19, Intangible assets. Goodwill represents the excess of the cost of an acquisition over the fair value of the net identifiable assets of the acquired subsidiary undertaking and in accordance with IAS 36, management is required to annually test goodwill for impairment. Goodwill is deemed to be impaired if the carrying amount of a cash generating unit (CGU) to which goodwill has been allocated, is in excess of its recoverable amount. This is a key audit matter since impairment testing requires significant estimation and judgement relative to assumptions used for projected cash flows for CGUs (e.g. growth rates), terminal values and discount rates. This impairment testing is sensitive to variations in estimates and assumptions that can result in significantly different conclusions.	• We assessed the reasonableness of key assumptions used by management in the determination of cash flow projections and discount rates. We compared these assumptions to historical performance, growth rates in light of future economic conditions and independent sources of information. • We evaluated whether the impairment testing methodology and related financial statement disclosures met the requirements of International Accounting Standard 36, Impairment of Assets. • We assessed the sensitivity of the assumptions to reasonable possible changes that could result in the carrying value of CGUs exceeding their recoverable amount. • We assessed the accuracy of management's historic forecasting performance in light of actual results. • We involved an internal valuation specialist to assist us in evaluating the reasonableness of the methodology and assumptions used by management in performing the impairment test.

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF FIRSTCARIBBEAN INTERNATIONAL BANK

Report on the Audit of the Consolidated Financial Statements

Key audit matters (continued)

Key audit matter	***How our audit addressed the key audit matter***
Fair value of investment securities, derivative financial instruments and hedge accounting	
Related disclosures in the financial statements are included in Note 2.4, Derivative financial instruments and hedge accounting, available-for-sale financial assets and impairment of financial assets – AFS debt instruments and AFS equity instruments, Note 12, Derivative financial instruments, Note 14, Investment securities and Note 32,Financial risk management. This is a key audit matter due to the complexity of valuation models used to determine fair value of financial instruments with higher estimation uncertainty. These valuation models can be subjective in nature and involve observable and unobservable data and various assumptions. The use of different valuation techniques and assumptions could result in significantly different estimates of fair value. Inaccurate application of hedge accounting rules could result in incorrect classification and could have a significant impact on the statement of comprehensive income. The associated risk management disclosure is also complex and dependent upon high quality data.	• We tested the effectiveness of controls over valuation and monthly hedge effectiveness ensuring all hedge accounting criteria were met and in compliance with IAS 39. • We reviewed the market prices applied to the Group's debt securities by comparing the prices used to an independent external source. • We involved internal valuation specialists who tested the reasonableness of hedge effectiveness and the fair value of all derivatives held by the Group. We also used internal valuation specialists to assess the reasonableness of the fair value of investment securities which did not have observable market prices. • We assessed the adequacy of the disclosures in the financial statements, including the disclosure of valuation sensitivity and the fair value hierarchy in Note 32.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF FIRSTCARIBBEAN INTERNATIONAL BANK

Report on the Audit of the Consolidated Financial Statements

Other information included in the Group's 2017 Annual Report

Management is responsible for the other information. The other information consists of the Chairman's and Chief Executive Officer's messages and Management's Discussion and Analysis included in the Group's 2017 Annual Report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

The Audit and Governance Committee (Audit Committee) is responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Building a better working world

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF FIRSTCARIBBEAN INTERNATIONAL BANK

Report on the Audit of the Consolidated Financial Statements

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF FIRSTCARIBBEAN INTERNATIONAL BANK

Report on the Audit of the Consolidated Financial Statements

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

From the matters communicated to the Audit Committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matter

This report is made solely to the Bank's shareholders, as a body, in accordance with Section 147 of the Companies Act of Barbados. Our audit work has been undertaken so that we might state to the Bank's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law and subject to any enactment or rule of law to the contrary, we do not accept or assume responsibility to anyone other than the Bank and the Bank's shareholders as a body, for our audit work, for this report, or for the opinion we have formed.

The engagement partner on the audit resulting in this independent auditor's report is Maurice Franklin.

Ernst & Young Ltd

Bridgetown
BARBADOS
December 7, 2017

Consolidated Statement of Income

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

	Notes	2017	2016
Interest and similar income		$ 443,673	$ 431,574
Interest and similar expense		64,394	61,721
Net interest income	3	379,279	369,853
Operating income	4	168,094	163,927
		547,373	533,780
Operating expenses	5	372,079	357,440
Loan loss impairment	15	24,459	17,305
		396,538	374,745
Income before taxation		150,835	159,035
Income tax expense	6	9,311	15,699
Net income for the year		$ 141,524	$ 143,336
Net income for the year attributable to:			
Equity holders of the parent		$ 137,851	$ 140,005
Non-controlling interests		3,673	3,331
		$ 141,524	$ 143,336
Basic and diluted earnings per share attributable to the equity holders of the parent for the year (expressed in cents per share)	7	8.7	8.9

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

Consolidated Statement of Comprehensive Income

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

	Notes	2017	2016
Net income for the year		$ 141,524	$ 143,336
Other comprehensive loss (net of tax) to be reclassified to net income or loss in subsequent periods			
Net (losses)/gains on available-for-sale investment securities		(1,384)	5,619
Net exchange gains/(losses) on translation of foreign operations		1,165	(13,297)
Net other comprehensive loss (net of tax) to be reclassified to net income or loss in subsequent periods	8,9	(219)	(7,678)
Other comprehensive income (net of tax) not to be reclassified to net income or loss in subsequent periods			
Re-measurement gains on retirement benefit plans	24	5,286	21,149
Net other comprehensive income (net of tax) not to be reclassified to net income or loss in subsequent periods		5,286	21,149
Other comprehensive income for the year, net of tax		5,067	13,471
Comprehensive income for the year, net of tax		$ 146,591	$ 156,807
Comprehensive income for the year attributable to:			
Equity holders of the parent		$ 143,041	$ 152,895
Non-controlling interests		3,550	3,912
		$ 146,591	$ 156,807

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

Consolidated Statement of Financial Position

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

	Notes	2017	2016
Assets			
Cash and balances with Central Banks	10	$ 1,004,102	$ 962,602
Due from banks	11	1,929,375	1,035,980
Derivative financial instruments	12	5,828	8,889
Other assets	13	81,140	58,912
Taxation recoverable		25,489	24,044
Investment securities	14	2,375,641	2,202,593
Loans and advances to customers	15	6,358,000	6,212,267
Property and equipment	16	158,661	153,922
Deferred tax assets	17	11,476	10,674
Retirement benefit assets	18	82,496	76,821
Intangible assets	19	218,961	218,961
Total assets		$ 12,251,169	$ 10,965,665
Liabilities			
Derivative financial instruments	12	$ 25,913	$ 51,890
Customer deposits	20	10,371,531	9,155,510
Other liabilities	21	160,719	145,072
Taxation payable		7,375	8,879
Deferred tax liabilities	17	8,260	7,651
Debt securities in issue	22	213,001	198,297
Retirement benefit obligations	18	22,160	22,973
Total liabilities		$ 10,808,959	$ 9,590,272
Equity attributable to equity holders of the parent			
Issued capital	23	$ 1,193,149	$ 1,193,149
Reserves	24	(226,135)	(243,062)
Retained earnings		445,507	397,159
		1,412,521	1,347,246
Non-controlling interests		29,689	28,147
Total equity		1,442,210	1,375,393
Total liabilities and equity		$ 12,251,169	$ 10,965,665

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

Approved by the Board of Directors on December 7, 2017

Sir Allan Fields
Director

Gary Brown
Chief Executive Officer

Consolidated Statement of Changes in Equity

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

	Notes	Attributable to equity holders of the parent				
		Issued capital	Reserves	Retained earnings	Non-controlling interests	Total equity
Balance at October 31, 2015		$ 1,193,149	$ (273,471)	$ 434,925	$ 25,998	$ 1,380,601
Net income for the year		-	-	140,005	3,331	143,336
Other comprehensive income for the year, net of tax		-	12,890	-	581	13,471
Total comprehensive income		-	12,890	140,005	3,912	156,807
Transfer to reserves	24	-	17,506	(17,506)	-	-
Acquisition of additional interest in subsidiary		-	13	-	(37)	(24)
Equity dividends	25	-	-	(160,265)	-	(160,265)
Dividends of subsidiaries		-	-	-	(1,726)	(1,726)
Balance at October 31, 2016		$1,193,149	$ (243,062)	$ 397,159	$ 28,147	$ 1,375,393
Net income for the year		-	-	137,851	3,673	141,524
Other comprehensive income for the year, net of tax		-	5,190	-	(123)	5,067
Total comprehensive income			5,190	137,851	3,550	146,591
Transfer to reserves	24	-	11,668	(11,668)	-	-
Acquisition of additional interest in subsidiary		-	69	-	(282)	(213)
Equity dividends	25	-	-	(77,835)	-	(77,835)
Dividends of subsidiaries		-	-	-	(1,726)	(1,726)
Balance at October 31, 2017		$ 1,193,149	$ (226,135)	$ 445,507	$ 29,689	$ 1,442,210

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

Notes to the Consolidated Statement of Cash Flows

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

	2017	2016
Cash flows from operating activities		
Income before taxation	$ 150,835	$ 159,035
Loan loss impairment	24,459	17,305
Depreciation of property and equipment	22,977	17,917
Net (gains)/losses on disposals of property and equipment	(3,320)	1,394
Net gains on disposals and redemption of investment securities	(317)	(1,814)
Net hedging gains	(1,296)	(4,183)
Interest income earned on investment securities	(65,040)	(67,065)
Interest expense incurred on other borrowed funds and debt securities	8,402	7,575
Net cash flows from operating income before changes in operating assets and liabilities	136,700	130,164
Changes in operating assets and liabilities:		
- net decrease/(increase) in due from banks	62,995	(64,509)
- net increase in loans and advances to customers	(160,739)	(181,709)
- net increase in other assets	(8,556)	(10,666)
- net increase in customer deposits	1,216,768	323,144
- net decrease in other liabilities	(27,372)	(31,529)
Income taxes paid	(13,716)	(4,597)
Net cash from operating activities	1,206,080	160,298
Cash flows from investing activities		
Purchases of property and equipment	(35,071)	(32,777)
Proceeds from disposal of property and equipment	10,675	293
Purchases of investment securities	(1,944,834)	(1,867,567)
Proceeds from disposals and redemption of investment securities	1,755,286	2,005,646
Interest income received on investment securities	66,898	67,058
Acquisition of additional interest in subsidiary	(213)	(24)
Net cash (used in)/from investing activities	(147,259)	172,629
Cash flows from financing activities		
Net proceeds/(repayments) on other borrowed funds and debt securities	14,211	(10,419)
Interest expense paid on other borrowed funds and debt securities	(7,909)	(7,749)
Dividends paid to equity holders of the parent	(77,835)	(160,265)
Dividends paid to non-controlling interests	(1,726)	(1,726)
Net cash used in financing activities	(73,259)	(180,159)
Net increase in cash and cash equivalents for the year	985,562	152,768
Effect of exchange rate changes on cash and cash equivalents	1,165	(13,297)
Cash and cash equivalents, beginning of year	1,525,868	1,386,397
Cash and cash equivalents, end of year (note 10)	$ 2,512,595	$ 1,525,868

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

Note 1 General Information

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

The Bank has a primary listing on the Barbados Stock Exchange, with further listings in Trinidad and the Eastern Caribbean. These consolidated financial statements have been authorised for issue by the Board of Directors on December 7, 2017. 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

2.1 Basis of preparation

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

The consolidated financial statements provide comparative information in respect of the previous period. In addition, the Group 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 Group 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, 2017 (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 33.

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

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

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

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

Prior to November 1, 2009, losses incurred by the Group were attributed to the non-controlling interests until the balance was reduced to nil. Any further excess losses were attributable to the parent, unless the non-controlling interests had a binding obligation to cover these. With effect from November 1, 2009, losses are attributed to the non-controlling interests even if that results in a deficit balance.

Transactions with non-controlling interests

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

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

Transactions with jointly controlled entities

IFRS 3 Business Combinations does not apply to a business combination of entities or businesses under common control. A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory.

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

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

2.2 Significant accounting judgements and estimates

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

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

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

- Capital management Note 23
- Financial risk management and policies Note 32
- Sensitivity analyses disclosures Notes 18,19,32

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

Fair value of financial instruments

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

Impairment losses on loans and advances

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

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

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

Retirement benefit obligations

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

In determining the appropriate discount rate, management considers the interest rates of government bonds, in the absence of corporate bonds, in currencies consistent with the currencies of the post-employment benefit obligation with at least an 'AA' rating or above, as set by an internationally acknowledged rating agency, and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation. The mortality rate is based on publicly available mortality tables for the specific countries. Future salary increases and pension increases are based on expected future inflation rates for the respective countries. Further details about pension obligations are given in Note 18.

Income taxes

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

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

Impairment of available-for-sale investments

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

Intangible assets

The Group's financial statements include goodwill arising from acquisitions. In accordance with IAS 36, goodwill is reviewed for impairment annually using the "value-in-use" method. This requires the use of estimates for determination of future cash flows expected to arise from each cash-generating unit and an appropriate discount rate to calculate present value.

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 affected 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 2017 that affect the annual consolidated financial statements of the Group.

2.4 Summary of significant accounting policies

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

Foreign currency translation

Each entity in the Group determines its own functional currency, and items included in the financial statements of each entity are measured using that currency. The functional currency of the Bank is Barbados dollars; however, these consolidated financial statements are presented in United States dollars as this currency is universally accepted and recognised in all the territories in which the Group operates. Effective November 1, 2017 the functional currency of the Bank was changed to United States dollars.

Transactions and balances

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

Group companies

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

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

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

Derivative financial instruments and hedge accounting

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

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

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

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

  At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

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

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

• Fair value hedge

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

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

• Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the statement of income. Amounts accumulated in other comprehensive income are recycled to the statement of income in the periods in which the hedged item will affect profit or loss (for example, when the forecast sale that is hedged takes place). When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in other comprehensive income at that time remains in other comprehensive income and is recognised when the forecast transaction is ultimately recognised in the statement of income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to the statement of income.

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

Interest income and expense

Interest income and expense are recognised in the statement of income for all interest-bearing instruments on an accrual basis using the effective interest method based on the actual purchase price or estimated recoverable amount. Interest income includes coupons earned on fixed income 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. Loan origination fees, which have a high probability of being drawn down, are deferred (together with related direct costs) and recognised as an adjustment to the effective interest yield on the loan. Commission and fees arising from negotiating, or participating in the negotiation of a transaction for a third party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses, are recognized on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts. Asset management fees related to investment funds are recognised proportionately over the period the service is provided. The same principle is applied for wealth management, financial planning and custody services that are continuously provided over an extended period of time.

Customer loyalty programmes

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

Financial instruments

The Group recognises financial instruments on its consolidated balance sheet 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 the profit or loss, are measured at amortised cost. Derivatives and financial liabilities at fair value through the profit or loss are measured at fair value. Interest expense is recognised on an accrual basis using the effective interest method.

Financial assets and liabilities at fair value through profit or loss

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

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

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

Loans and receivables

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

Available-for-sale financial assets

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

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

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

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

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

Offsetting financial instruments

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

Sale and repurchase agreements

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

Impairment of financial assets

Loans and receivables

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

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

If there is objective evidence that an impairment loss on loans and advances carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the carrying amount and the recoverable amount, being the estimated present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate. Credit cards are not classified as impaired and are fully written off at the earlier of the notice of bankruptcy, settlement, proposal or when the payment is contractually 180 days in arrears.

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

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

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 recognized by reclassifying the cumulative unrealized losses in other comprehensive income to the consolidated statement of income. Impairment losses previously recognized 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 recognized.

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 recognized by reclassifying the cumulative unrealized losses on other comprehensive income to the consolidated statement of income. Impairment losses previously recognized in the consolidated statement of income cannot be subsequently reversed. Further decreases in fair value subsequent to the recognition of an impairment loss are recognized directly in the consolidated statement of income, and subsequent increases in fair value are recognized in other comprehensive income.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. An intangible asset is only recognised when its cost can be reliably measured and it is probable that the expected future economic benefits attributable to it will flow to the Group. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level.

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

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the net identifiable assets of the acquired subsidiary undertaking at the date of acquisition and is reported in the statement of financial position as an intangible asset. Goodwill is tested annually for impairment at 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.

Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probably. They are stated at the lower of carrying amount and fair value less costs to sell.

Property and equipment

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

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

The annual rates used are:

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

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

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

Financial guarantees

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

Financial guarantee contracts issued by the Group that are not classified as insurance contracts are initially recognized 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 amortization, 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 statement of cash flows, cash and cash equivalents comprise balances with less than 90 days maturity from the date of acquisition including cash balances, non-restricted deposits with Central Banks (excluding mandatory reserve deposits), treasury bills and other money market placements.

Provisions

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

Restructuring provisions

Restructuring provisions are recognised only when the recognition criteria for provisions are fulfilled. The Group 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 Group operates a number of pension plans, the assets of which are generally held in separate trustee-administered funds. The pension plans are generally funded by payments from the relevant Group companies, taking account of the recommendations of independent qualified actuaries. The Group has both defined benefit plans and defined contribution plans. A defined benefit plan is a pension plan that defines an amount of pension benefit to be provided, usually as a function of one or more factors such as age, years of service or compensation. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

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

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 retained earnings through Other Comprehensive Income 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 Group recognises restructuring-related costs

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

Other post-retirement obligations

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

Deferred tax

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

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

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

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

Borrowings

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

Share capital

Share issue costs

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

Dividends on common shares

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

Earnings per share

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

Fiduciary activities

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

Segment reporting

Business segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the business segments of an entity. The Group has determined the Group's Executive Committee 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 Group 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 32. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

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

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

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 Group 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 categorized 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 Group 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 Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

IFRS 9 Financial Instruments

Introduction

IFRS 9 "Financial Instruments" (IFRS 9) replaces IAS 39 "Financial Instruments: Recognition and Measurement" and is effective for annual periods beginning on or after January 1, 2018, which for us would have been on November 1, 2018. However, the Group will adopt the new standard early, effective November 1, 2017 in keeping with its parent CIBC, who has elected to early adopt due to an Office of the Superintendent of Financial Institutions (OSFI) issued advisory on the early adoption of IFRS 9 for Domestically Systemically Important Banks (D-SIBS).

IFRS 9 is required to be applied on a retrospective basis, with certain exceptions. As permitted, we will not restate our prior period comparative consolidated financial statements when we adopt the requirements of the new standard. Differences in the carrying amounts of financial instruments resulting from the adoption of IFRS 9 will be recognized in our opening November 1, 2017 retained earnings and accumulated other comprehensive income (AOCI) as if we had always followed the new requirements.

As permitted, we have elected to continue to apply the hedge accounting requirements of IAS 39. The key changes to our accounting policies and the expected impact resulting from the adoption of IFRS 9 are described below.

The application of IFRS 9 is expected to reduce our shareholders' equity by approximately $32 million on an after tax basis as at November 1, 2017. The impact to our regulatory capital is not expected to be material.

Classification and measurement

The IFRS 9 classification and measurement model requires that all debt instrument financial assets that do not meet a "solely payment of principal and interest" (SPPI) test, including those that contain embedded derivatives, be classified at initial recognition as fair value through profit or loss (FVTPL). The intent of the SPPI test is to ensure that debt instruments that contain non-basic lending features, such as conversion options and equity linked pay-outs, are measured at FVTPL. Subsequent measurement of instruments classified as FVTPL under IFRS 9 operates in a similar manner to trading under IAS 39.

For debt instrument financial assets that meet the SPPI test, classification at initial recognition will be determined based on the business model under which these instruments are managed. Debt instruments that are managed on a "held for trading" or "fair value" basis will be classified as FVTPL. Debt instruments that are managed on a "hold to collect and for sale" basis will be classified as fair value through OCI (FV-OCI) for debt. Debt instruments that are managed on a "hold to collect only" basis will be classified as amortized cost. Subsequent measurement of instruments classified at FV-OCI and amortized cost classifications under IFRS 9 operate in a similar manner to AFS for debt securities and loans and receivables, respectively, under existing IAS 39, except for the impairment provisions which are discussed below.

For those debt instrument financial assets that would otherwise be classified as FV-OCI or amortized cost, an irrevocable designation can be made at initial recognition to instead measure the debt instrument at FVTPL under the fair value option (FVO) if doing so eliminates or significantly reduces an accounting mismatch.

All equity instrument financial assets are required to be classified at initial recognition as FVTPL unless an irrevocable designation is made to classify the instrument as FV-OCI for equities. Unlike AFS for equity securities under IAS 39, the FV-OCI for equities category results in all realized and unrealized gains and losses being recognized in OCI with no recycling to profit and loss. Only dividends will continue to be recognized in profit and loss.

The classification and measurement of financial liabilities remain essentially unchanged from the current IAS 39 requirements, except that changes in fair value of FVO liabilities attributable to changes in own credit risk are to be presented in OCI, rather than profit and loss.

Derivatives will continue to be measured at FVTPL under IFRS 9.

As a result of the application of the classification and measurement requirements of IFRS 9, we concluded:

- The loans and advances to customers that are classified as loans and receivables under IAS 39 are expected to be measured at amortized cost under IFRS 9
- The debt securities classified as available for sale under IAS 39 are expected to be measured at FV-OCI

Impairment

The new impairment guidance sets out an expected credit loss (ECL) model applicable to all debt instrument financial assets classified as amortized cost or FV-OCI. In addition, the ECL model applies to loan commitments and financial guarantees that are not measured at FVTPL.

Expected Credit Loss Methodology

The application of ECL will significantly change our credit loss methodology and models. ECL allowances represent credit losses that reflect an unbiased and probability-weighted amount which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. ECL allowances will be measured at amounts equal to either: (i) 12-month ECL; or (ii) lifetime ECL for those financial instruments which have experienced a significant increase in credit risk (SICR) since initial recognition or when there is objective evidence of impairment. The present incurred loss model incorporates a single best estimate, the time value of money and information about past events and current conditions and recognizes lifetime credit losses when there is objective evidence of impairment and also allowances for incurred but not identified credit losses.

Stage Migration and Significant Increase in Credit Risk

Financial instruments subject to the ECL methodology are categorized into three stages.

For non-impaired financial instruments

Stage 1 is comprised of all non-impaired financial instruments which have not experienced a SICR since initial recognition. Entities are required to recognize 12 months of ECL for stage 1 financial instruments. In assessing whether credit risk has increased significantly, entities are required to compare the risk of a default occurring on the financial instrument as at the reporting date, with the risk of a default occurring on the financial instrument as at the date of initial recognition.

Stage 2 is comprised of all non-impaired financial instruments which have experienced a SICR since initial recognition. Entities are required to recognize lifetime ECL for stage 2 financial instruments. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a SICR since initial recognition, then entities shall revert to recognizing 12 months of ECL.

For impaired financial instruments

Financial instruments are classified as stage 3 when there is objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with a negative impact on the estimated future cash flows of a loan or a portfolio of loans. The ECL model requires that lifetime ECL be recognized for impaired financial instruments, which is similar to the current requirements under IAS 39 for impaired financial instruments.

For our business and government portfolios, the individually assessed allowances for impaired instruments recognized under IAS 39 will generally be replaced by stage 3 allowances under IFRS 9, while the collective allowances for non-impaired financial instruments will generally be replaced by either stage 1 or stage 2 allowances under IFRS 9. For our retail portfolios, the portion of our collective allowances that relate to impaired financial instruments under IAS 39 will generally be replaced by stage 3 allowances, while the non-impaired portion of our collective allowances will generally be replaced by either stage 1 or stage 2 allowances under IFRS 9.

Forward looking information

The Group will also incorporate forward-looking information in both the assessment of SICR and the measurement of ECL by evaluating a range of probability weighted scenarios. The Group considers forward-looking information as macroeconomic factors (e.g. unemployment, GDP growth and interest rates) other economic forecasts and trend analysis.

IFRS 15 Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, effective for periods beginning on 1 January 2018 with early adoption permitted. IFRS 15 defines principles for recognising revenue and will be applicable to all contracts with customers.

However, interest and fee income integral to financial instruments and leases will continue to fall outside the scope of IFRS 15 and will be regulated by the other applicable standards (e.g., IFRS 9, and IFRS 16 Leases).

Revenue under IFRS 15 will need to be recognised as goods and services are transferred, to the extent that the transferor anticipates entitlement to goods and services. The standard will also specify a comprehensive set of disclosure requirements regarding the nature, extent and timing as well as any uncertainty of revenue and corresponding cash flows with customers.

The Group does not anticipate early adoption of IFRS 15 and is currently evaluating its impact.

IFRS 16 Leases

The new standard does not significantly change the accounting for leases for lessors. However, it does require lessees to recognise most leases on their balance sheets as lease liabilities, with the corresponding right of-use assets. Lessees must apply a single model for all recognised leases, but will have the option not to recognise ‘short-term’ leases and leases of ‘low-value’ assets. Generally, the profit or loss recognition pattern for recognised leases will be similar to today’s finance lease accounting, with interest and depreciation expense recognised separately in the statement of profit or loss.

IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Early application is permitted provided the new revenue standard, IFRS 15, is applied on the same date. Lessees must adopt IFRS 16 using either a full retrospective or a modified retrospective approach.

The Group does not anticipate early adoption of IFRS 16 and is currently evaluating its impact.

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. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. This amendment is effective for annual periods beginning on or after January 1, 2017 and is not expected to have a significant impact on the Group.

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

The amendments clarify that 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.

These amendments are effective for annual periods beginning on or after January 1, 2017 with early application permitted. If an entity applies the amendments for an earlier period, it must disclose that fact. The Group is currently assessing the impact of these amendments and plans to adopt on the required effective date.

IFRIC Interpretation 22 - Foreign Currency Transactions and Advance Consideration

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.

The amendments are intended to eliminate diversity in practice, when recognising the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration received or paid in a foreign currency.

These amendments are effective for annual periods beginning on or after January 1, 2018 and early application is permitted. Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognised on or after: (i) The beginning of the reporting period in which the entity first applies the interpretation or (ii) The beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation. The Group will assess the potential effect of these amendments in 2018.

IFRIC Interpretation 23 - Uncertainty over Income Tax Treatments

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The Interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax. The Interpretation specifically addresses (i) Whether an entity considers uncertain tax treatments separately (ii) The assumptions an entity makes about the examination of tax treatments by taxation authorities (iii) How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates (iv) How an entity considers changes in facts and circumstances. An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

The Interpretation is effective for annual reporting periods beginning on or after January 1, 2019, but certain transition reliefs are available. Applying the Interpretation could be challenging for entities, particularly those that operate in more complex multinational tax environments. Entities may also need to evaluate whether they have established appropriate processes and procedures to obtain information on a timely basis that is necessary to apply the requirements in the Interpretation and make the required disclosures. The Group will assess the potential effect of these amendments in 2018.

Annual Improvements 2014 - 2016 Cycle

The improvements in this cycle 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 Group.

For the year ended October 31, 2017
(Expressed in thousands of United States dollars)

Note 3 Net interest income

	2017	2016
Interest and similar income		
Cash, balances with Central Banks and due from banks	$ 7,077	$ 3,387
Investment securities	65,040	67,065
Loans and advances to customers	371,556	361,122
	443,673	431,574
Interest and similar expense		
Customer deposits	48,184	42,346
Debt securities in issue	8,402	7,575
Other	7,808	11,800
	64,394	61,721
	$ 379,279	$ 369,853

Note 4 Operating income

	2017	2016
Net fee and commission income	$ 115,753	$ 106,988
Foreign exchange commissions	44,605	44,003
Foreign exchange revaluation net gains	4,968	6,302
Net trading losses	(1,580)	(2,869)
Net gains on disposals and redemption of investment securities (note 8)	317	1,814
Net hedging gains	1,296	4,183
Other operating income	2,735	3,506
	$ 168,094	$ 163,927

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

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

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

Analysis of net fee and commission income:

	2017	2016
Underwriting	$ 4,196	$ 4,818
Deposit services	45,840	42,807
Credit services	10,172	8,793
Card services	22,178	19,606
Fiduciary & investment management	29,293	27,266
Other	4,074	3,698
	$ 115,753	$ 106,988

For the year ended October 31, 2017
(Expressed in thousands of United States dollars)

Note 5 Operating expenses

	2017	2016
Staff costs	$ 178,554	$ 177,884
Property and equipment expenses	43,455	43,430
Depreciation (note 16)	22,977	17,917
Other operating expenses	127,093	118,209
	$ 372,079	$ 357,440

Analysis of staff costs:

	2017	2016
Salaries	$ 144,313	$ 140,785
Pension costs - defined contribution plans (note 18)	5,159	4,922
Pension costs - defined benefit plans (note 18)	1,518	3,791
Post-retirement medical benefits charge (note 18)	1,744	2,953
Other share and cash-based benefits	1,247	1,094
Risk benefits	8,642	8,657
Other staff related costs	15,931	15,682
	$ 178,554	$ 177,884

Analysis of other operating expenses:

	2017	2016
Business taxes	$ 46,035	$ 39,683
Professional fees	18,873	16,765
Advertising and marketing	3,894	3,904
Business development and travel	4,401	3,871
Communications	10,161	9,412
Net (gains)/losses on sale of property and equipment	(3,320)	293
Consumer related expenses	5,117	3,709
Non-credit losses	3,828	4,030
Outside services	11,239	9,837
Other	26,865	26,705
	$ 127,093	$ 118,209

Note 6 Income tax expense

	2017	2016
The components of income tax expense for the year are:		
Current tax charge	$ 11,410	$ 13,559
Deferred tax (credit)/charge	(2,243)	2,140
Prior year tax charge	144	-
	$ 9,311	$ 15,699

(Expressed in thousands of United States dollars)

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

	2017	2016
Income before taxation	$ 150,835	$ 159,035
Tax calculated at the statutory tax rate of 25%	37,709	39,759
Effect of different tax rates in other countries	(14,071)	(11,106)
Effect of income not subject to tax	(96,285)	(93,321)
Effect of income subject to tax at 12.5%	5,392	1,679
Under provision of prior year deferred tax liability	821	136
Under/(over) provision of current year corporation tax liability	303	(286)
Movement in deferred tax asset not recognised	19,776	20,650
Effect of expenses not deductible for tax purposes	55,666	58,188
	$ 9,311	$ 15,699

Note 7 | Earnings per share

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

Basic and diluted earnings per share

	2017	2016
Net income attributable to equity holders of the parent	$ 137,851	$ 140,005
Weighted average number of common shares (thousands)	1,577,095	1,577,095
Basic and diluted earnings per share (expressed in cents per share)	8.7	8.9

There are no potentially dilutive instruments

For the year ended October 31, 2017
(Expressed in thousands of United States dollars)

Note 8 Components of other comprehensive loss, net of tax

	2017	2016
Available-for-sale investment securities, net of tax:		
Net (losses)/gains arising during the year	$ (1,067)	$ 7,433
Reclassification adjustments for gains included in the consolidated statement of income	(317)	(1,814)
	(1,384)	5,619
Attributable to:		
Equity holders of the parent	(1,384)	5,539
Non-controlling interests	-	80
	(1,384)	5,619
Net exchange losses on translation of foreign operations, net of tax		
Attributable to:		
Equity holders of the parent	1,165	(13,272)
Non-controlling interests	-	(25)
	1,165	(13,297)
Other comprehensive loss for the year, net of tax	$ (219)	$ (7,678)

Note 9 Income tax effects relating to other comprehensive loss

	2017	2016
Available-for-sale investment securities, net of tax:		
Before	$ (1,341)	$ 6,458
Tax (charge)/credit	(43)	(839)
After tax	(1,384)	5,619
Net exchange losses on translation of foreign operations, net of tax		
Before and after tax	1,165	(13,297)
Other comprehensive loss for the year, net of tax	$ (219)	$ (7,678)

(Expressed in thousands of United States dollars)

Note 10 Cash and balances with Central Banks

	2017	2016
Cash	$ 101,844	$ 94,460
Deposits with Central Banks - interest bearing	119,874	52,777
Deposits with Central Banks - non-interest bearing	782,384	815,365
Cash and balances with Central Banks	1,004,102	962,602
Less: Mandatory reserve deposits with Central Banks	(340,515)	(320,923)
Included in cash and cash equivalents as per below	$ 663,587	$ 641,679

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

Cash and cash equivalents

	2017	2016
Cash and balances with Central Banks as per above	$ 663,587	$ 641,679
Due from banks (note 11)	1,849,008	884,189
	2,512,595	$ 1,525,868

Note 11 Due from banks

	2017	2016
Included in cash and cash equivalents (note 10)	$ 1,849,008	$ 884,189
Greater than 90 days maturity from date of acquisition	80,367	151,791
	$ 1,929,375	$ 1,035,980

The average effective yield on these amounts during the year was 0.9% (2016 – 0.5%).

For the year ended October 31, 2017
(Expressed in thousands of United States dollars)

Note 12 Derivative financial instruments

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

2017	Notional amount	Assets	Liabilities
Interest rate swaps	$ 836,618	$ 4,675	$ 24,799
Foreign exchange forwards	43,374	250	237
Interest rate options	82,980	903	877
	$ 962,972	$ 5,828	$ 25,913

2016	Notional amount	Assets	Liabilities
Interest rate swaps	$ 940,018	$ 7,716	$ 51,632
Foreign exchange forwards	25,000	909	-
Interest rate options	16,392	264	258
	$ 981,410	$ 8,889	$ 51,890

The Group has positions in the following types of derivatives:

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

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

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

Cash collateral pledged with counterparties that have one-way collateral posting arrangements represent $11,422 (2016- $20,993)

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

During the year, the Group recognised gains on effective hedges of $1,296 (2016 - $4,183) due to gains on hedging instruments of $16,971 (2016 – $5,831), and losses on hedged items attributable to the hedged risk of $15,675 (2016 - $1,648). These gains are included within operating income as net hedging gains.

In 2017 and 2016, the Group did not recognise any 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 United States dollars)

Note 13 Other assets

	2017	2016
Prepayments and deferred items	$ 12,140	$ 10,016
Other accounts receivable	69,000	48,896
	$ 81,140	$ 58,912

Note 14 Investment securities

	2017	2016
Available-for-sale		
Equity securities – unquoted	$ 1,043	$ 823
Government debt securities	1,382,703	1,237,470
Other debt securities	976,082	946,629
	2,359,828	2,184,922
Add: Interest receivable	15,813	17,671
	$ 2,375,641	$ 2,202,593

The average effective yield during the year on debt securities and treasury bills was 2.9% (2016 - 2.9%). The Group has a regulatory reserve requirement to maintain a percentage of deposit liabilities in cash or in the form of Government securities. At October 31, 2017 the reserve requirement amounted to $498,229 (2016 - $466,262) of which $340,515 (2016 - $320,923) is included within cash and balances with Central Banks (note 10).

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

	2017	2016
Balance, beginning of year	$ 2,184,922	$ 2,313,348
Additions (purchases, changes in fair value and foreign exchange)	1,930,192	1,954,359
Disposals (sales and redemptions)	(1,755,286)	(2,082,785)
Balance, end of year	$ 2,359,828	$ 2,184,922

(Expressed in thousands of United States dollars)

Note 15 Loans and advances to customers

	Mortgages	Personal Loans	Business & Sovereign	2017
Performing loans	$ 1,956,846	$ 588,196	$ 3,713,700	$ 6,258,742
Impaired loans	176,889	41,107	114,950	332,946
Gross loans	2,133,735	629,303	3,828,650	6,591,688
Less: Provisions for impairment	(113,819)	(43,814)	(103,253)	(260,886)
	$ 2,019,916	$ 585,489	$ 3,725,397	$ 6,330,802
Add: Interest receivable				53,004
Less: Unearned fee income				(25,806)
				$ 6,358,000

	Mortgages	Personal Loans	Business & Sovereign	2016
Performing loans	$ 1,940,367	$ 515,994	$ 3,612,878	$ 6,069,239
Impaired loans	208,203	52,560	157,656	418,419
Gross loans	2,148,570	568,554	3,770,534	6,487,658
Less: Provisions for impairment	(129,234)	(50,804)	(118,752)	(298,790)
	$ 2,019,336	$ 517,750	$ 3,651,782	$ 6,188,868
Add: Interest receivable				50,079
Less: Unearned fee income				(26,680)
				$ 6,212,267

Movement in provisions for impairment is as follows:

	Mortgages	Personal Loans	Business & Sovereign	2017
Balance, beginning of year	$ 129,234	$ 50,804	$ 118,752	$ 298,790
Individual impairment	7,953	5,844	804	14,601
Collective impairment	(1,267)	355	10,770	9,858
Recoveries and write-offs	(14,460)	(10,899)	(21,115)	(46,474)
Interest accrued on impaired loans	(7,641)	(2,290)	(5,958)	(15,889)
Balance, end of year	$ 113,819	$ 43,814	$ 103,253	$ 260,886

Movement in provisions for impairment is as follows:

	Mortgages	Personal Loans	Business & Sovereign	2016
Balance, beginning of year	$ 147,821	$ 50,883	$ 151,547	$ 350,251
Individual impairment	12,562	13,189	(9,621)	16,130
Collective impairment	(702)	(587)	2,464	1,175
Recoveries and write-offs	(20,006)	(9,262)	(23,604)	(52,872)
Interest accrued on impaired loans	(10,441)	(3,419)	(2,034)	(15,894)
Balance, end of year	$ 129,234	$ 50,804	$ 118,752	$ 298,790

For the year ended October 31, 2017
(Expressed in thousands of United States dollars)

Ageing analysis of past due but not impaired loans:

	Mortgages	Personal Loans	Business & Sovereign	2017
Less than 30 days	$ 80,931	$ 10,162	$ 85,995	$ 177,088
31 – 60 days	82,646	11,254	52,669	146,569
61 – 89 days	41,876	3,816	12,356	58,048
	$ 205,453	$ 25,232	$ 151,020	$ 381,705

Ageing analysis of past due but not impaired loans:

	Mortgages	Personal Loans	Business & Sovereign	2016
Less than 30 days	$ 85,418	$ 10,894	$ 63,628	$ 159,940
31 – 60 days	49,679	5,460	22,417	77,556
61 – 89 days	31,773	2,923	9,463	44,159
	$ 166,870	$ 19,277	$ 95,508	$ 281,655

The average interest yield during the year on loans and advances was 6.0% (2016 – 6.0%). Impaired loans as at October 31, 2017 amounted to $332,946 (2016 - $418,419) and interest taken to income on impaired loans during the year amounted to $5,811 (2016 – $5,328).

Loans and advances to customers include finance lease receivables:

	2017	2016
No later than 1 year	$ 5,499	$ 5,818
Later than 1 year and no later than 5 years	6,841	11,782
Gross investment in finance leases	12,340	17,600
Unearned finance income on finance leases	(1,064)	(2,205)
Net investment in finance leases	$ 11,276	$ 15,395

During the year ended October 31, 2017 $768 (2016 - $1,124) of lease income was recorded in net income.

For the year ended October 31, 2017
(Expressed in thousands of United States dollars)

Note 16 Property and equipment

	Land and buildings	Equipment, furniture and vehicles	Leasehold improvements	2017
Cost				
Balance, beginning of year	$ 102,502	$ 292,248	$ 40,594	$ 435,344
Purchases	2,235	28,329	4,507	35,071
Disposals	(11,025)	(187)	(1,050)	(12,262)
Net transfers/write-offs *	787	(3,285)	(411)	(2,909)
Balance, end of year	$ 94,499	$ 317,105	$ 43,640	$ 455,244
Accumulated depreciation				
Balance, beginning of year	$ 40,073	$ 210,942	$ 30,407	$ 281,422
Depreciation	2,471	17,670	2,836	22,977
Disposals	(5,501)	(187)	(1,050)	(6,738)
Net transfers/write-offs *	(47)	(527)	(504)	(1,078)
Balance, end of year	$ 36,996	$ 227,898	$ 31,689	296,583
Net book value, end of year	$ 57,503	$ 89,207	$ 11,951	$ 158,661

	Land and buildings	Equipment, furniture and vehicles	Leasehold improvements	2016
Cost				
Balance, beginning of year	$ 100,966	$ 266,565	$ 38,104	$ 405,635
Purchases	1,407	29,256	3,162	33,825
Disposals	-	(559)	(424)	(983)
Net transfers/write-offs *	129	(3,014)	(248)	(3,133)
Balance, end of year	$ 102,502	$ 292,248	$ 40,594	$ 435,344
Accumulated depreciation				
Balance, beginning of year	$ 37,595	$ 198,676	$ 29,663	$ 265,934
Depreciation	2,519	14,196	1,202	17,917
Disposals	-	(279)	(336)	(615)
Net transfers/write-offs *	(41)	(1,651)	(122)	(1,814)
Balance, end of year	$ 40,073	$ 210,942	$ 30,407	$ 281,422
Net book value, end of year	$ 62,429	$ 81,306	$ 10,187	$ 153,922

Included as part of equipment, furniture and vehicles is an amount for $28,977 (2016 - $32,951) relating to systems development costs and work in progress which is incomplete, not yet in operation and on which no depreciation has been charged.

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

Sale and lease back of certain retail branches

During 2017, the Group sold and leased back two (2) retail branches located in Barbados and recognised a gain of $4,647 on proceeds of $10,000.

(Expressed in thousands of United States dollars)

Note 17 Deferred tax assets/(liabilities)

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

	2017	2016
Net deferred tax position, beginning of year	$ 3,023	$ 7,442
Deferred tax credit/(charge) to statement of income for the year	2,243	(2,140)
Deferred tax charge to other comprehensive income for the year	(2,050)	(2,279)
Net deferred tax position, end of year	$ 3,216	$ 3,023

Represented by:

	2017	2016
Deferred tax assets	$ 11,476	$ 10,674
Deferred tax liabilities	(8,260)	(7,651)
Net deferred tax position, end of year	$ 3,216	$ 3,023

The components of the net deferred tax position are:

	2017	2016
Decelerated tax depreciation	$ (727)	$ (354)
Loan loss provisions	5,581	5,628
Other provisions	3,948	890
Tax losses carried forward	3,553	4,067
Pension and other post-retirement benefit assets	(9,340)	(7,119)
Changes in fair value of available-for-sale investment securities in other comprehensive income	201	(89)
	$ 3,216	$ 3,023

The deferred tax assets include assets established on tax losses carried forward of $11,541 (2016 - $12,431), none will expire over the next seven years (2016 - $ nil). The Group has tax losses of $858,242 (2016 - $820,405) for which no deferred tax assets have been recognized due to uncertainty of their recoverability. These losses will expire over the next seven years.

Note 18 Retirement benefit assets and obligations

The Group has insured group health plans and a number of pension schemes established and regulated by relevant legislation in the territories in which the Group operates. The pension schemes are a mixture of defined benefit and defined contribution plans.

Plan characteristics, funding and risks

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

Benefit changes

There were no material changes to the terms of the Group's defined benefit pension or post-retirement medical benefit plans in 2017 or 2016.

Risks

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

Plan governance

The Group is responsible for the establishment of the plans and oversight of their administration. The Bank'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 recognized 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 Group operates.

The total expense relating to the contributory plans charged for the year was $5,159 (2016 - $4,922), which represents contributions to defined contribution plans by the Group at rates specified in the rules of the plan. Refer to note 5.

For the year ended October 31, 2017
(Expressed in thousands of United States dollars)

	Defined benefit pension plans		Post-retirement medical benefits	
	2017	2016	2017	2016
Fair value of the plan assets	$ 394,949	$ 364,813	$ -	$ -
Present value of the obligations	(312,453)	(287,992)	(22,160)	(22,973)
Net retirement benefit assets/(obligations)	$ 82,496	$ 76,821	$ (22,160)	$ (22,973)

The pension plan assets include the Bank's common shares with a fair value of $1,428 (2016 - $1,255).

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

	2017	2016
Opening fair value of plan assets	$ 364,813	$ 315,287
Interest income on plan assets	40,132	33,362
Contributions by employer	1,341	34,235
Benefits paid	(10,841)	(14,385)
Foreign exchange translation losses	944	(1,923)
Assets transferred out	(684)	(873)
Plan administration costs	(756)	(890)
Closing fair value of plan assets	$ 394,949	$ 364,813

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

	2017	2016
Opening obligations	$ (287,992)	$ (275,374)
Interest cost on defined benefit obligation	(19,909)	(19,188)
Current service costs	(6,668)	(6,335)
Benefits paid	10,841	14,385
Foreign exchange translation (losses)/gains	(363)	1,585
Actuarial (losses)/gains on obligations	(8,362)	(3,065)
Closing obligations	$ (312,453)	$ (287,992)

For the year ended October 31, 2017
(Expressed in thousands of United States dollars)

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

	2017	2016
Opening obligations	$ (22,973)	$ (37,518)
Interest costs	(1,485)	(2,465)
Current service costs	28	(488)
Curtailment loss	(231)	-
Benefits paid	1,197	979
Foreign exchange translation gains	6	49
Actuarial gains on obligations	1,354	16,470
Closing obligations	$ (22,160)	$ (22,973)

The Bank expects to contribute $450 (2016 - $4,291) to its defined benefit pension plan in the following year.
The Plan Actuary of the Bank has recommended a Defined Benefit contribution holiday for the next three years. The contribution holiday is expected to last for six years if the existing surplus is to be fully amortized, and will be re-evaluated in the plans next triennial valuation.

The amounts recognized in the consolidated statement of income were as follows:

	Defined benefit pension plans		Post-retirement medical benefits	
	2017	2016	2017	2016
Current service costs	$ 6,668	$ 6,335	$ (28)	$ 488
Interest costs on defined benefit obligation	19,909	19,188	1,485	2,465
Interest income on plan assets	(25,815)	(22,614)	-	-
Curtailment (gains)/losses	-	-	231	-
Plan administration costs	756	882	-	-
Total amount included in staff costs (note 5)	$ 1,518	$ 3,791	$ 1,744	$ 2,953
Actual return on plan assets	$ 39,660	$ 33,362	$ -	$ -

The net re-measurement gain recognized in statement of other comprehensive income was as follows:

	Defined benefit pension plans		Post-retirement medical benefits	
	2017	2016	2017	2016
Actuarial gain on defined benefit obligation arising from:				
- Financial assumptions	$ 10,911	$ 2,890	$ 300	$ 527
- Experience adjustments	(2,548)	175	(1,654)	(16,997)
- Return on plan assets excluding interest income	(14,324)	(10,817)	-	-
Net re-measurement gain recognized in OCI	$ (5,961)	$ (7,752)	$ (1,354)	$ (16,470)

For the year ended October 31, 2017
(Expressed in thousands of United States dollars)

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

	Defined benefit pension plans		Post-retirement medical benefits	
	2017	2016	2017	2016
Balance, beginning of year	$ 76,821	$ 39,913	$ (22,973)	$ (37,518)
Charge for the year	(1,518)	(3,791)	(1,744)	(2,953)
Contributions by employer	1,341	34,235	-	-
Benefits paid	-	-	1,197	979
Foreign exchange translation gains/(losses)	575	(415)	6	49
Transfer of assets	(684)	(873)	-	-
Effect on statement of Other Comprehensive Income	5,961	7,752	1,354	16,470
Balance, end of year	$ 82,496	$ 76,821	$ (22,160)	$ (22,973)

The breakdown of the gross obligations between active members and inactive and retired members is as follows:

	Defined benefit pension plans		Post-retirement medical benefits	
	2017	2016	2017	2016
Active members	$ (164,329)	$ (148,714)	$ (562)	$ (83)
Inactive and retired members	(148,124)	(139,278)	(21,598)	(22,890)
	$ (312,453)	$ (287,992)	$ (22,160)	$ (22,973)

The average duration of the net asset/(obligations) at the end of the reporting year

	Defined benefit pension plans		Post-retirement medical benefits	
	2017	2016	2017	2016
Average duration, in years	17	17	13	11

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

	Main				Bahamas				Jamaica				Bahamas Trust			
	2017	2017	2016	2016	2017	2017	2016	2016	2017	2017	2016	2016	2017	2017	2016	2016
	$	%	$	%	$	%	$	%	$	%	$	%	$	%	$	%
Quoted Equity instruments																
- Canada	-	-	-	-	-	-	-	-	72	-	57	-	-	-	-	-
- U.S	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- International	96	-	3,453	2%	-	-	997	1%	6,577	8%	3,862	8%	-	-	-	-
Quoted Debt instruments																
- Government bonds	6,797	3%	23,848	11%	665	1%	712	1%	7,387	39%	10,961	39%	507	8%	1,366	25%
- Corporate bonds	-	-	35,082	16%	-	-	-	-	2,811	1%	551	1%	-	-	-	-
- Inflation Adj. bonds	-	-	18,382	8%	-	-	-	-	-	-	1,363	4%	-	-	-	-
Investment Funds																
- U.S Equity	91,115	39%	-	-	80,110	69%	11,232	10%	-	-	-	-	4,434	70%	2,690	49%
- International Equity	48,747	21%	116,933	54%	994	1%	69,524	64%	-	-	-	-	-	-	-	-
- Fixed Income	67,899	29%	-	-	32,348	28%	22,014	20%	-	-	-	-	-	-	-	-
Other																
- Cash and Cash equiv.	20,700	9%	20,679	9%	2,597	2%	3,319	4%	9,159	26%	7,975	26%	1,382	22%	1,417	26%
- Other	-	-	-	-	-	-	-	-	8,948	22%	8,396	22%	-	-	-	-
	235,354	100%	28,377	100%	116,714	100%	107,798	100%	36,559	100%	33,165	100%	6,323	100%	5,473	100%

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

	Defined benefit pension plans	
	2017	2016
Discount rate	3.75 - 9.0%	3.7 - 9.0%
Future salary increases	4.0 - 7.5%	4.0 - 7.5%
Future pension increases	0.0 - 5.5%	0.0 - 5.5%

	Post-retirement medical benefits	
	2017	2016
Discount rate	3.75 - 9.0%	4.05 - 9.0%
Premium escalation rate	6.0 - 8.0%	5.0 - 6.0%
Existing retiree age	60 - 65	60 - 65

For the year ended October 31, 2017
(Expressed in thousands of United States dollars)

A quantitative sensitivity analysis for significant assumptions as at October 31, 2017 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%	(48,147)	61,949	(2,481)	2,652
Future salary increases	0.50%	8,485	(7,903)	n/a *	n/a *
Future pension increases	0.50%	18,428	(16,675)	n/a *	n/a *
Premium escalation rate	1%	n/a *	n/a *	2,875	(2,389)
Existing retiree age	1	8,863	n/a *	3,492	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 sensitivity 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 the future years out of the defined benefit plan obligation:

	2017	2016
Within the next 12 months	$ 8,032	$ 7,648
Between 2 and 5 years	39,956	37,217
Between 5 and 10 years	75,661	70,437
Total expected payment	$ 123,649	$ 115,302

FirstCaribbean International Bank Limited Retirement Plan
The last actuarial valuation was conducted as at November 1, 2016 and revealed a fund surplus of $26,289.

FirstCaribbean International Bank (Bahamas) Limited Retirement Plan
The last actuarial valuation was conducted as at November 1, 2016 and revealed a fund surplus of $21,133.

FirstCaribbean International Bank (Jamaica) Limited Retirement Plan
The last actuarial valuation was conducted as at November 1, 2015 and revealed a fund surplus of $14,226.

CIBC Trust Company (Bahamas) Limited Retirement Plan
The last actuarial valuation was conducted as at November 1, 2015 and revealed a fund deficit of $397.

(Expressed in thousands of United States dollars)

Note 19 | Intangible assets

Goodwill	2017	2016
Cost, beginning and end of year	$ 218,961	$ 218,961
Net book value, end of year	$ 218,961	$ 218,961

Impairment tests for goodwill

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

	2017	2016
Barbados (Wealth Management Operations)	$ 17,040	$ 17,040
Bahamas	62,920	62,920
Cayman	105,369	105,369
Trinidad	4,260	4,260
Curaçao	29,372	29,372
	$ 218,961	$ 218,961

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 recognized 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.

Based on the impairment testing performed during the fourth quarter of fiscal 2017, we have determined that the estimated recoverable amount of the CGU's was in excess of their carrying amounts. As a result, no impairment charge was recognized during 2017.

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 does not exceed the long-term average growth rate for the country in which the CGU operates.

For the year ended October 31, 2017
(Expressed in thousands of United States dollars)

	Discount Rate (%)		Growth Rate (%)	
	2017	2016	2017	2016
Barbados (Wealth Management Operations)	16	15	1	1
Bahamas	13	13	1	2
Cayman	10	10	3	3
Trinidad	6	13	1	1
Curaçao	13	13	1	1

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 recoverable values of Bahamas, Barbados, Cayman, Trinidad and Curacao CGU's to result in any goodwill impairment at October 31, 2017. The recoverable value of Barbados (Wealth Management Operations) CGU would reduce by $3,907 and $2,396 based on the sensitivity scenarios presented.

These sensitivities are indicative only and should be considered with caution, as the effect of the variation in each assumption on the estimated recoverable amount is calculated in isolation without changing any other assumptions. In practice, changes in one factor may result in changes in another, which may magnify, counteract or obfuscate the disclosed sensitivities.

(Expressed in thousands of United States dollars)

Note 20 Customer deposits

	Payable on demand	Payable after notice	Payable at a fixed date	2017	2016
Individuals	$ 922,753	$ 1,957,650	$ 1,290,632	$ 4,171,035	$ 3,263,893
Business & Sovereign	3,512,070	917,791	1,646,320	6,076,181	5,804,636
Banks	34,550	9	76,492	111,051	77,049
	4,469,373	2,875,450	3,013,444	10,358,267	9,145,578
Add: Interest payable	619	276	12,369	13,264	9,932
	$ 4,469,992	$ 2,875,726	$ 3,025,813	$ 10,371,531	$ 9,155,510

The average effective rate of interest on customer deposits during the year was 0.5% (2016 - 0.5%).

Note 21 Other liabilities

	2017	2016
Accounts payable and accruals	$ 153,411	$ 127,254
Restructuring costs	1,691	3,765
Amounts due to related parties	5,617	14,053
	$ 160,719	$ 145,072

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

During 2013, the Group 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 $566 (2016 - $1,555) and other costs of $ Nil (2016 - $334). The movement in the provision during the year related primarily to accrual adjustments and payments made by the Group.

Note 22 Debt securities in issue

	2017	2016
Senior unsecured notes issued	$ 182,092	$ 167,715
Subordinated notes issued	29,159	29,325
Add: Interest payable	1,750	1,257
	$ 213,001	$ 198,297

(Expressed in thousands of United States dollars)

The Group holds four debt issues which are outstanding guaranteed obligations. The TT$195 million issue is subordinated to the claims of depositors and other creditors. The terms and conditions of the notes issued are as follows:

Subsidiary	Description	Contractual maturity date	Interest rate	2017	2016
FirstCaribbean (Trinidad & Tobago) Limited	TT$195 million term notes	September 23, 2018	Fixed (1)	$ 29,159	$ 29,325
FirstCaribbean (Trinidad & Tobago) Limited	TT$480 million senior bonds	October 20, 2018 December 22, 2017	Fixed (2)	143,554	144,369
FirstCaribbean (Jamaica) Limited	J$3 billion senior bonds	January 31, 2018	Fixed (3)	23,716	23,346
FirstCaribbean (Jamaica) Limited	J$1.875 billion senior bonds	December 9, 2019	Fixed (4)	14,822	-
				$ 211,251	$ 197,040

(1) The interest on the notes was fixed for the first two years at 7.90%; then fixed for the next three years at 8.15%; thereafter fixed at 8.75% for the remaining term. Effective September 2012, the subordinated notes were amended, and the maturity date was extended to September 2018 and the interest was reduced to 4.35% per annum for the remaining term. The average effective interest rate was 4.35% (2016 - 4.35%).

(2) Two medium term notes were issued during 2016 for TT$480 million each. The interest rate was 2.25% and 3.45% for three years while the average effective interest rate was 2.33% and 3.55% respectively. These notes are guaranteed by CIBC.

(3) The interest rate is fixed at 9.25% for one year and variable at 6 month weighted average Treasury bill yield plus 190bps per annum for year two-three. The average effective interest rate was 8.05% (2016 - 8.16%). This note is guaranteed by CIBC.

(4) Two medium term notes were issued during 2017 for J$1.875 billion. The effective interest rate was 7.65%. These notes are guaranteed by CIBC.

The Group has not had any defaults of principal, interest or other breaches with respect to these instruments during the years ended 2017 and 2016.

Note 23 Issued capital

	2017	2016
Balance, beginning and end of year	$ 1,193,149	$ 1,193,149

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

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

Capital

Objectives, policies and procedures

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

No changes were made in the objectives, policies or processes for managing capital during the years ended October 31, 2017 and 2016.

Regulatory requirements

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

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

Regulatory capital

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

As at October 31, 2017, Tier I and Tier I & Tier II capital ratios were 18% and 20% respectively (2016 - 19% and 21% respectively).

(Expressed in thousands of United States dollars)

Note 24 Reserves

	2017	2016
Statutory and general banking reserves	$ 297,503	$ 285,835
Revaluation reserve – available-for-sale investment securities	(7,395)	(6,011)
Revaluation reserve – buildings	2,846	2,846
Translation reserve	(65,489)	(66,722)
Contributed surplus reserve	3,119	3,119
Retirement benefit reserve	6,910	1,499
Reverse acquisition reserve	(463,628)	(463,628)
Total reserves	$ (226,134)	$ (243,062)

Statutory and general banking reserves

	2017	2016
Balance, beginning of year	$ 285,835	$ 268,329
Transfers from retained earnings	11,668	17,506
Balance, end of year	$ 297,503	$ 285,835

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

Revaluation reserve – available-for-sale investment securities

	2017	2016
Balance, beginning of year	$ (6,011)	$ (11,550)
Net (losses)/gains on available-for-sale investment securities	(1,384)	5,539
Balance, end of year	$ (7,395)	$ (6,011)

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

Revaluation reserve – building

	2017	2016
Balance, beginning and end of year	$ 2,846	$ 2,846

This reserve represents the carrying amount arising on revaluation of buildings recognised in other comprehensive income.

For the year ended October 31, 2017
(Expressed in thousands of United States dollars)

Translation reserve

	2017	2016
Balance, beginning of year	$ (66,722)	$ (53,450)
Net exchange gains/(losses) on translation of foreign operations	1,233	(13,272)
Balance, end of year	$ (65,489)	$ (66,722)

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

Contributed surplus reserve

	2017	2016
Balance, beginning and end of year	$ 3,119	$ 3,119

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

Retirement benefit reserve

	2017	2016
Balance, beginning of year	$ 1,499	$ (19,123)
Re-measurement gains on retirement benefit plans	5,286	21,149
Non-controlling interest in subsidiary	125	(527)
Balance, end of year	$ 6,910	$ 1,499

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

Reverse acquisition reserve

	2017	2015
Balance, beginning and end of year	$ (463,628)	$ (463,628)

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

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

Note 25 Dividends

As at October 31, 2017, the Directors recommended for approval a final common share dividend, which is not reflected in these financial statements, of two point five cents ($0.025) per common share (2016 - $0.025), bringing the total dividend for 2017 to five cents $0.05 per common share (2016 - $0.045).

Note 26 | Other employee benefits

Long-term incentive plan

The Group operates a long-term incentive plan, whereby under the rules of the plan, cash based awards are granted to employees on a discretionary basis and vest over varying periods. The awards granted in 2017 amounted to $4,664 (2016 - $2,663). The amounts expensed during the year related to these cash awards were $3,649 (2016 - $3,131).

Employee share purchase plan

Under our employee share purchase plan, qualifying employees can choose each year to have up to 10% of their eligible earnings withheld to purchase common shares in the Bank. The Bank matches 50% of the employee'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 $1,247 in 2017 (2016 - $1,094).

Note 27 | Related party transactions and balances

The Group's major shareholder is CIBC.

A number of banking transactions are entered into with related parties in the normal course of business. The key related party balances and transactions included in the Group's financials are disclosed below. During 2012, the Group loaned a wholly-owned US subsidiary of the major shareholder $500 million in order to deploy excess liquidity. The loan matured on April 16, 2017 and was replaced with another $500 million loan to a CIBC owned Cayman Islands subsidiary, CIBC Capital Funding (Cayman) LLC.This new loan will mature on April 30, 2022 and yields 3 Month LIBOR plus 3.25%.

The loan may be prepaid by the borrower at its option, in whole or in part, on any business day on giving not less than five (5) business days notice to the Group.

For the year ended October 31, 2017
(Expressed in thousands of United States dollars)

	Directors and key management personnel		Major shareholder	
	2017	2016	2017	2016
Asset balances:				
Cash and due from banks	$ -	$ -	$ 1,210,745	$ 439,260
Loans and advances to customers	5,597	6,384	505,893	500,770
Derivative financial instruments	-	-	3,922	2,078
Liability balances:				
Customer deposits	8,697	7,561	38,997	14,422
Derivative financial instruments	-	-	13,475	36,661
Due to banks	-	-	19,304	14,053
Revenue transactions:				
Interest income earned	175	248	22,412	18,440
Other revenue	3	3	609	516
Other income from derivative relationship	-	-	18,078	4,595
Expense transactions:				
Interest expense incurred	95	103	14,156	11,672
Other expenses for banking and support services	-	-	9,959	7,322

The Group obtains a number of services through its parent, CIBC. These services include infrastructure and web hosting, corporate credit and operational support, cards application support, project management, information security management and other miscellaneous services. The cost of these services amounted to $9,959 (2016 - $7,322).

Key management compensation	2017	2016
Salaries and other short-term benefits	$ 8,050	$ 7,800
Post-employment benefits	314	259
Long-term incentive benefits	2,304	2,117
	$ 10,668	$ 10,176

Non-executive directors' remuneration

A listing of the members of the Board of Directors is included within the Group's Annual Report. In 2017, the total remuneration for the non-executive directors was $350 (2016 - $370). The executive director's remuneration is included under key management compensation.

For the year ended October 31, 2017
(Expressed in thousands of United States dollars)

Note 28 Commitments, guarantees and contingent liabilities

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

	2017	2016
Letters of credit	$ 143,033	$ 165,342
Loan commitments	646,844	641,608
Guarantees and indemnities	68,968	65,066
	$ 858,845	$ 872,016

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

Note 29 Future rental commitments under operating leases

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

	2017	2016
Not later than 1 year	$ 12,042	$ 10,813
Later than 1 year and less than 5 years	30,924	28,025
Later than 5 years	13,905	6,023
	$ 56,871	$ 44,861

Note 30 Fiduciary activities

The Group provides custody and trustee discretionary investment management services to third parties. Those assets that are held in a fiduciary capacity are not included in these financial statements. At the reporting date, the Group had investment assets under administration on behalf of third parties amounting to $50,388,956 (2016 - $50,006,353).

For the year ended October 31, 2017
(Expressed in thousands of United States dollars)

Note 31 Business segments

The Group's operations are organized into four segments: Retail, Business and International Banking ("RBB"), Corporate and Investment Banking ("CIB") and Wealth Management ("WM"), which are supported by the functional units within the Administration ("Admin") segment (which includes Treasury, Finance, HR, Technology & Operations, Risk and Other). The Administration segment results include credits or capital charges for Treasury market-based cost of funds on assets, liabilities and capital; the offset of the same for RBB, CIB, and WM earnings unattributed capital remains in Administration.

Management monitors the operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment. During the year, the economic profit/(loss) measure was changed to net income to better align with enterprise-wide financial analysis and capital optimization models. The changes impacted the segment results, however there was no impact on consolidated net income resulting from these reclassifications. Prior period amounts were reclassified accordingly.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties. We review our transfer pricing methodologies on an ongoing basis to ensure they reflect changing market environments and industry practices.

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

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

Changes made to business performance measurement

The following changes were made during 2017:

- Cost allocation methodology updated from a direct or indirect expense allocation to a service model allocation.
- Earnings on capital measure included to fund transfer of excess earnings from legal capital to SBU's.
- Income taxes allocation included to assign the effective corporation tax impact to the SBU's.

2017 Segment reporting

	RBB	CIB	WM	Admin	2017
External revenue	$ 145,541	$ 166,565	$ (8,640)	$ 75,813	$ 379,279
Internal revenue	16,043	6,694	42,206	(64,943)	-
Net interest income	161,584	173,259	33,566	10,870	379,279
Operating income	66,360	46,037	46,699	8,998	168,094
	227,944	219,296	80,265	19,868	547,373
Depreciation	8,882	790	830	12,475	22,977
Operating expenses	90,266	26,684	30,848	201,304	349,102
Indirect expenses	92,280	88,169	29,832	(210,281)	-
Loan loss impairment	18,772	5,556	131	-	24,459
Income before taxation	17,744	98,097	18,624	16,370	150,835
Income tax expense	433	9,304	(469)	43	9,311
Net income/(loss) for the year	$ 17,311	$ 88,793	$ 19,093	$ 16,327	$ 141,524

For the year ended October 31, 2017
(Expressed in thousands of United States dollars)

Total assets and liabilities by segment are as follows:

	RBB	CIB	WM	Admin	2017
Segment assets	$ 2,504,136	$ 3,388,698	$ 59,122	$ 6,044,449	$ 11,996,405
Unallocated assets	-	-	-	254,764	254,764
Total assets					12,251,169
Segment liabilities	$ 3,555,560	$ 3,253,424	$ 3,649,574	$ 335,529	$ 10,794,087
Unallocated liabilities	-	-	-	14,872	14,872
Total liabilities					$ 10,808,959

2016 Segment reporting

	RBB	CIB	WM	Admin	2016
External revenue	$ 143,158	$ 163,082	$ (4,855)	$ 68,468	$ 369,853
Internal revenue	16,805	10,611	33,534	(60,950)	-
Net interest income	159,963	173,693	28,679	7,518	369,853
Operating income	63,584	43,168	45,165	12,010	163,927
	223,547	216,861	73,844	19,528	533,780
Depreciation	6,713	850	988	9,366	17,917
Operating expenses	91,171	25,668	31,435	191,249	339,523
Indirect expenses	85,697	86,707	28,208	(200,612)	-
Loan loss impairment	14,233	3,439	(367)	-	17,305
Income before taxation	25,733	100,197	13,580	19,524	159,035
Income tax expense	1,594	9,900	(143)	4,348	15,699
Net income for the year	$ 24,139	$ 90,297	$ 13,723	$ 15,176	$ 143,336

Total assets and liabilities by segment are as follows:

	RBB	CIB	WM	Admin	2016
Segment assets	$ 2,428,642	$ 3,336,040	$ 43,772	$ 4,903,535	$ 10,711,989
Unallocated assets	-	-	-	253,676	253,676
Total assets					$ 10,965,665
Segment liabilities	$ 3,403,483	$ 3,082,200	$ 2,745,119	$ 342,939	$ 9,573,741
Unallocated liabilities	-	-	-	16,531	16,531
Total liabilities					$ 9,590,272

Note 32 Financial risk management

Introduction

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

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

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

Credit risk

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

Process and control

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

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

Credit risk limits

Credit risk limits are established for all loans (mortgages, personal, business & sovereign) for the purposes of diversification and managing concentration. Limits are also established for individual borrowers, groups of related borrowers, industry sectors, individual countries 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 one counterparty including banks and brokers is further restricted by sub-limits, which include exposures not recognised in the statement of financial position, and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily.

Exposure to credit risk is managed through regular analysis of the ability of borrowers 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.

For the year ended October 31, 2017
(Expressed in thousands of United States dollars)

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

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

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

Geographic distribution

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

	Drawn	Undrawn	Gross maximum exposure 2017	Drawn	Undrawn	Gross maximum exposure 2016
Barbados	$ 1,342,293	$ 139,386	$ 1,481,679	$ 1,315,616	$ 178,767	$ 1,494,383
Bahamas	1,901,482	103,158	2,004,640	1,859,083	118,755	1,977,838
Cayman	1,080,000	138,403	1,218,403	1,131,028	125,562	1,256,590
Eastern Caribbean	663,626	106,211	769,837	667,526	90,393	757,919
Jamaica	404,402	73,190	477,592	351,586	34,408	385,994
BVI	158,145	30,920	189,065	145,420	44,446	189,866
Curaçao	231,743	9,642	241,385	245,854	2,890	248,744
Trinidad	352,906	18,563	371,469	329,191	14,957	344,148
Other	457,091	27,371	484,462	442,354	31,430	473,784
	$ 6,591,688	$ 646,844	$ 7,238,532	$ 6,487,658	$ 641,608	$ 7,129,266

For the year ended October 31, 2017
(Expressed in thousands of United States dollars)

Exposures by industry groups

The following table provides an industry-wide breakdown 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 2017	Drawn	Undrawn	Gross maximum exposure 2016
Agriculture	$ 16,688	$ 1,266	$ 17,954	$ 12,878	$ 1,188	$ 14,066
Sovereign	940,886	15,113	955,999	1,046,709	11,001	1,057,710
Construction	319,976	48,090	368,066	308,887	12,778	321,665
Distribution	427,548	145,813	573,361	413,442	133,524	546,966
Education	380	-	380	481	-	481
Electricity, gas & water	156,684	35,074	191,758	185,336	45,791	231,127
Fishing	3,737	2,949	6,686	11,306	934	12,240
Health & social work	30,977	1,785	32,762	27,403	-	27,403
Hotels & restaurants	217,724	12,015	229,739	220,859	24,080	244,939
Individuals & individual trusts	2,328,216	268,916	2,597,132	2,225,250	252,689	2,477,939
Manufacturing	120,116	23,495	143,611	109,454	34,172	143,626
Mining & quarrying	9,036	284	9,320	9,310	173	9,483
Miscellaneous	825,001	55,840	880,841	714,365	66,466	780,831
Other depository corporations	-	3,900	3,900	-	3,900	3,900
Other financial corporations	576,803	17,199	594,002	566,677	30,652	597,329
Real estate, renting & other activities	480,128	11,481	491,609	511,411	20,104	531,515
Recreational, personal & community work	5,058	102	5,160	-	-	-
Transport, storage & communications	132,730	3,522	136,252	123,890	4,156	128,046
	$ 6,591,688	$ 646,844	$ 7,238,532	$ 6,487,658	$ 641,608	$ 7,129,266

Derivatives

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

Master-netting arrangements

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

Credit-related instruments

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

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

Maximum exposure to credit risk

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

For the year ended October 31, 2017
(Expressed in thousands of United States dollars)

	Gross maximum exposure	
	2017	2016
Balances with Central Banks	$ 902,258	$ 868,142
Due from banks	1,929,375	1,035,980
Derivative financial instruments	5,828	8,889
Investment securities		
- Government debt securities	1,382,703	1,237,470
- Other debt securities	976,081	946,629
- Interest receivable	15,813	17,671
Loans and advances to customers		
- Mortgages	2,133,735	2,148,570
- Personal loans	629,303	568,554
- Business & Sovereign loans	3,828,650	3,770,534
- Interest receivable	53,004	50,079
Other assets	69,000	48,896
Total	$ 11,925,750	$ 10,701,414
Commitments, guarantees and contingent liabilities (Note 28)	858,845	872,016
Total credit risk exposure	$ 12,784,595	$ 11,573,430

Geographical concentration

The following table reflects additional geographical concentration information.

2017	Total assets	Total liabilities	Commitments, guarantees and contingent liabilities	External revenues	Capital expenditure *	Non-current assets **
Barbados	$ 5,030,489	$ 4,047,734	$ 201,290	$ 177,722	$ 25,404	$ 77,908
Bahamas	3,263,685	2,611,669	140,217	161,752	1,930	95,490
Cayman	2,852,541	2,533,901	187,212	84,286	706	155,624
Eastern Caribbean	1,022,182	1,027,900	121,064	57,607	1,754	24,758
Jamaica	710,572	620,404	108,693	39,649	2,695	11,884
BVI	659,229	539,998	33,383	18,160	543	5,026
Curacao	641,686	529,539	15,178	18,273	46	1,766
Trinidad	637,333	550,496	20,881	12,702	1,619	4,371
Other	1,196,983	1,072,223	30,927	39,809	374	13,269
	16,014,700	13,533,864	858,845	609,960	35,071	390,096
Eliminations	(3,763,531)	(2,724,905)	-	(62,586)	-	(12,474)
	$ 12,251,169	$ 10,808,959	$ 858,845	$ 547,374	$ 35,071	$ 377,622

For the year ended October 31, 2017
(Expressed in thousands of United States dollars)

2016	Total assets	Total liabilities	Commitments, guarantees and contingent liabilities	External revenues	Capital expenditure *	Non-current assets **
Barbados	$ 4,878,590	$ 3,861,255	$ 266,495	$ 290,772	$ 21,419	$ 81,729
Bahamas	2,861,880	2,247,392	174,045	157,822	3,905	95,655
Cayman	2,473,633	2,193,118	150,662	79,054	850	155,862
Eastern Caribbean	1,051,927	1,059,522	104,662	59,097	2,010	23,956
Jamaica	665,443	544,239	66,789	41,866	2,941	10,396
BVI	618,192	503,501	49,628	15,995	309	5,658
Curacao	598,493	495,414	8,422	17,427	219	625
Trinidad	653,312	570,764	17,071	11,158	206	1,418
Other	980,576	855,199	34,242	36,845	1,966	12,590
	14,782,046	12,330,404	872,016	710,036	33,825	387,889
Eliminations	(3,816,381)	(2,740,132)	-	(176,256)	-	(15,006)
	$10,965,665	$ 9,590,272	$ 872,016	$ 533,780	$ 33,825	$ 372,883

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

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

Credit quality

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

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

For the year ended October 31, 2017
(Expressed in thousands of United States dollars)

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

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

At the reporting date, investment securities were all rated standard or high grade. No securities were classified as 'impaired' in 2017 or in 2016. Cash balances and amounts due from banks are held with counterparties that are high grade including CIBC group entities.

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

	Notes	High grade	Standard	Substandard	Impaired	2017
Loans and advances to customers						
-Mortgages		$ 1,771,184	$ 138,784	$ 46,878	$ 176,889	$ 2,133,735
-Personal loans		567,526	16,853	3,817	41,107	629,303
-Business & Sovereign loans		3,570,266	136,081	7,353	114,950	3,828,650
Total	15	$ 5,908,976	$ 291,718	$ 58,048	$ 332,946	$ 6,591,688

	Notes	High grade	Standard	Substandard	Impaired	2016
Loans and advances to customers						
-Mortgages		$ 1,792,617	$ 115,355	$ 32,395	$ 208,203	$ 2,148,570
-Personal loans		501,392	11,678	2,924	52,560	568,554
-Business & Sovereign loans		3,508,795	95,243	8,840	157,656	3,770,534
Total	15	$ 5,802,804	$ 222,276	$ 44,159	$ 418,419	$ 6,487,658

For our Business & Sovereign loans, we employ risk ratings in managing our credit portfolio. Business 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, 2017, Early Warning List customers in the medium to high risk category amounted to $148,326 (2016 - $144,384).

For the year ended October 31, 2017
(Expressed in thousands of United States dollars)

Market risk

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

Policies and Standards

The 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 Finance, Risk and Conduct Review Committee. The Board limits, which are approved annually, are used by the Bank to establish explicit risk tolerances expressed in terms of the three main risk measures mentioned below. There is a three tiered approach to limits at the Bank. The highest level is set at the Board. The second tier is delegated by the Chief Risk Officer and the third tier to the Business Unit, which limits traders to specific products and size of deals. Trading limits are documented through formal delegation letters and monitored using the Group's trading system.

Process & 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 (P&L) measures are all measured daily whereas others such as stress tests and credit spread sensitivity are performed on a weekly or monthly basis. Detailed market risk compliance reports are produced and circulated to senior management on a monthly basis and a summary version supplied to the Board quarterly.

Risk Measurement

The 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 risk,
- Stress scenarios based upon a combination of theoretical situations and historical events.

Position

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

Sensitivity

The main two measures utilized by the Group are the DV01 (delta value of a 1 basis point move, also known as the PV01 or present value of a 1 basis point move) and the CSDV01 (credit spread delta of a 1 basis point move). The DV01 measure is calculated for a 1 basis point move down in the yield curve. This generates the change in economic value by individual currency of a parallel shift down in the related yield curve. As curves rarely move in a parallel fashion it is measured across different tenors to ensure that there is no further curve risk of having; for example, a long position in the short end of the curve offset by a short position in the longer tenors. This is then utilized 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 Group has two distinct approaches to this which are as follows:

- For the hard currency testing it utilizes the suite of measures that the parent company has developed. The stress testing measures the effect on the hard currency portfolio values over a wide range of extreme moves in market prices. The stress testing methodology assumes no actions are taken or are able to be taken during the event to mitigate the risk, reflecting the decreased liquidity that frequently accompanies market shocks. The scenario analysis approach again for the Group's hard currency exposures simulate an impact on earnings of extreme market events up to a period of one quarter. Scenarios are developed using actual historical data during periods of market disruption, or are based upon hypothetical occurrence of economic or political events or natural disasters and are designed by economists, business leaders and risk managers. These tests are run on a monthly basis.

- The local currency stress tests are designed on a similar but smaller scale. For interest rate stresses, Market Risk in conjunction with Treasury consider the market data over approximately the last 10 years and identify the greatest curve or data point moves over both sixty and single days. These are then applied to the existing positions/sensitivities of the Group. This is performed and reported on a monthly basis as they do not tend to change rapidly.

- For foreign exchange stresses, the Group considers what the effect of a currency coming off a peg would have on the earnings of the 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.

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 Group. (i) The risk of credit spreads widening in a similar fashion to the Credit Crisis of 2008 on bonds held within the investment portfolios, (ii) the low probability, high impact of a peg breaking between the USD and a local currency, particularly the BSD, impacting the structural long position of the bank. The largest interest rate risk run through multiple scenarios is that if the USD yield curve moves in a similar fashion to a 60 day period during the Subprime Crisis and Lehman Collapse. The following section highlights these key risks as well as some of the lesser ones that arise from the Group's ongoing banking operations.

Foreign Exchange Risk

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

The Group 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 change on the Group's net investment in foreign operations. Due to the size of investments in the Bahamas, Cayman, the Eastern Caribbean and Jamaica this significantly increases the Group's exposure to these currencies and is reflected in the "Total FX Position" columns.

The following table highlights the currencies that the Bank had significant exposures to at October 31, 2017. It also highlights the metrics used by the Group to measure, monitor and control that risk.

For the year ended October 31, 2017
(Expressed in thousands of United States dollars)

	2017				2016			
Currency	Trading Position (Short) Long vs USD	VaR	Stressed Loss	Structural Position	Trading Position (Short) Long vs USD	VaR	Stressed Loss	Structural Position
Cayman Islands dollars	$ (168,584)	Pegged	$ 13,487	$ 182,628	$ (122,953)	Pegged	$ 9,836	$ 173,771
Trinidad and Tobago dollars	(3,954)	41	316	73,828	595	6	149	62,789
Barbados dollars	4,794	Pegged	1,438	12,865	(31,037)	Pegged	2,483	16,167
Bahamian dollars	2,463	Pegged	739	665,184	(1,006)	Pegged	81	625,811
Jamaican dollars	6,100	16	2,440	56,895	1,048	11	419	56,864
Eastern Caribbean dollars	(117,693)	Pegged	9,415	73,108	(56,104)	Pegged	4,488	744

Interest Rate Risk

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

The following table shows the key measures for the Group:

	2017	2016
Market risk metrics		
Interest rate VaR – hard currency (HC)	$ 1,097	$ 1,180
Interest rate VaR – local currency (LC)	1,198	1,890
Interest rate VaR – total	1,934	1,380
Interest rate stress worst case loss of value – HC 1 day	454	318
Interest rate stress worst case loss of value – HC 60 days	34,347	22,137
Interest rate stress worst case loss of value – LC 1 day	2,744	2,588
Interest rate stress worst case loss of value – LC 60 days	17,456	17,148
DV01 HC	(166)	(105)
DV01 LC	(5)	43

(Expressed in thousands of United States dollars)

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

			2017			2016
Currency	DV01	VaR	60 day stressed loss	DV01	VaR	60 day stressed loss
United States dollars	$ (139)	$ 1,024	$ 28,972	$ (87)	$ 883	$ 22,137
Trinidad and Tobago dollars	(6)	7	2,426	20	294	1,343
Barbados dollars	(22)	65	8,713	(11)	139	9,117
Bahamian dollars	21	36	1,622	22	-	1,981
Jamaican dollars	(5)	79	1,530	2	132	1,172
Eastern Caribbean dollars	5	1,051	556	10	971	1,303
Cayman Islands dollars	(9)	-	1,805	(8)	-	1,502

*United States Dollar – 60 Day stressed loss represents the Hard Currency (USD/EUR/CAD) loss. VaR is conventionally reported as a positive number.

Credit Spread Risk

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

Credit spread risk by Operating Company (OPCO)

			2017						
	Locally Issued Hard Dollar Bonds			Non-Regional Hard Dollar Bonds			Total		
	Notional	Credit Spread DV01	Stress Loss	Notional	Credit Spread DV01	Stress Loss	Notional	Credit Spread DV01	Stress Loss
Bahamas	$ 65,923	$ 41	$ 13,836	$ 293,495	$ 38	$ 8,309	$ 359,418	$ 79	$ 22,145
Cayman	81,596	49	11,864	470,903	46	9,581	552,499	95	21,445
Barbados	148,711	49	11,047	63,470	4	887	212,181	53	11,934
Offshore	13,133	4	854	29,488	3	712	42,621	7	1,566
Trinidad	40,581	12	2,962	-	-	-	40,581	12	2,962
Jamaica	-	-	-	-	-	-	-	-	-
Total	$ 349,944	$ 155	$ 40,563	$ 857,356	$ 91	$ 19,489	$ 1,207,300	$ 246	$ 60,052

For the year ended October 31, 2017
(Expressed in thousands of United States dollars)

Credit spread risk by Operating Company (OPCO)

	2016								
	Locally Issued Hard Dollar Bonds			Non Regional Hard Dollar Bonds			Total		
	Notional	Credit Spread DV01	Stress Loss	Notional	Credit Spread DV01	Stress Loss	Notional	Credit Spread DV01	Stress Loss
Bahamas	$ 66,772	$ 52	$ 17,072	$ 244,740	$ 38	$ 8,281	$ 311,512	$ 91	$ 25,352
Cayman	84,101	62	14,689	466,301	66	14,003	550,402	128	28,692
Barbados	154,723	68	15,381	73,470	11	2,351	228,193	78	17,731
Offshore	13,550	5	1,224	24,488	4	823	38,038	9	2,048
Trinidad	46,626	17	4,248	-	-	-	46,626	17	4,248
Jamaica	-	-	-	-	-	-	-	-	-
Total	$ 365,772	$ 203	$ 52,614	$ 808,999	$ 119	$ 25,457	$ 1,174,771	$ 323	$ 78,072

At fiscal year end the weighted average rating of the positions in the regional hard currency portfolio remained BBB+. The average weighted maturity is 5.25 years. The weighted average rating of the positions in the non-regional hard currency portfolio remained AA+. The average weighted maturity is 0.4 years.

Derivatives held for ALM purposes

Where derivatives are held as hedges against either sizeable loans from core businesses or to reduce interest risk exposure to USD denominated local bond issues and if the transactions meet the regulatory criteria then the Bank applies for hedge accounting. Derivative hedges that do not qualify for hedge accounting treatment are considered to be economic hedges and are recorded at market value on the Statement of Financial Position with changes in the fair value reflected through the 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, 2017
(Expressed in thousands of United States dollars)

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

	EC	BDS	CAY	BAH	US	JA	Other	2017
Assets								
Cash and balances with Central Banks	$ 245,846	$ 159,829	$ 5,878	$ 136,885	$ 69,812	$ 111,462	$ 274,390	$ 1,004,102
Due from banks	2,369	9,958	5,363	7,717	1,458,467	543	444,958	1,929,375
Derivative financial instruments	-	-	-	-	5,546	-	282	5,828
Other assets	14,618	23,607	10,227	12,127	9,654	3,652	7,255	81,140
Taxation recoverable	23,891	511	765	-	(72)	-	394	25,489
Investment securities	42,703	511,694	4	429,540	1,204,051	41,343	146,306	2,375,641
Loans and advances to customers	491,191	702,978	286,570	1,164,263	3,169,945	197,875	345,178	6,358,000
Property and equipment	24,509	59,692	12,763	22,541	20,406	11,888	6,862	158,661
Deferred tax assets	4,811	29	-	-	(267)	3,223	3,680	11,476
Retirement benefit assets	19,228	35,000	(2,416)	20,703	1,492	6,061	2,428	82,496
Intangible assets	-	218,961	-	-	-	-	-	218,961
Total assets	$ 869,166	$1,722,259	$ 319,154	$1,793,776	$5,939,034	$ 376,047	$1,231,733	$12,251,169
Liabilities								
Derivative financial instruments	$ -	$ -	-	$ -	$ 24,133	$ -	$ 1,780	$ 25,913
Customer deposits	839,491	1,427,183	293,419	1,277,317	5,385,662	267,375	881,084	10,371,531
Other borrowed funds								
Other liabilities	(48,903)	(1,557)	(157,288)	(88,934)	345,104	10,420	101,877	160,719
Taxation payable	437	3,607	765	-	850	995	721	7,375
Deferred tax liabilities	2,790	5,017	-	-	136	69	248	8,260
Debt securities in issue	-	-	-	-	1	39,501	173,499	213,001
Retirement benefit obligations	2,243	2,395	(571)	7,710	9,400	599	384	22,160
Total liabilities	$ 796,058	$ 1,436,645	$ 136,325	$ 1,196,093	$5,765,286	$ 318,959	$ 1,159,593	$ 10,808,959
Net assets	$ 73,108	$ 285,614	$ 182,829	$ 597,683	$ 173,748	$ 57,088	$ 72,140	$ 1,442,210
Commitments, guarantees and contingent liabilities	$ 79,692	$ 92,226	$ 29,800	$ 50,186	$ 516,613	$ 57,607	$ 32,721	$ 858,845

For the year ended October 31, 2017
(Expressed in thousands of United States dollars)

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

	EC	BDS	CAY	BAH	US	JA	Other	2016
Assets								
Cash and balances with Central Banks	$ 285,953	$ 227,567	$ 3,841	$ 99,358	$ 59,769	$ 39,394	$ 246,720	$ 962,602
Due from banks	2,218	2,793	138	15,302	675,293	5,338	334,898	1,035,980
Derivative financial instruments	-	-	-	-	8,576	-	313	8,889
Other assets	7,914	20,638	8,886	8,403	(9,059)	5,555	16,575	58,912
Taxation recoverable	21,949	488	-	-	(51)	1,658	-	24,044
Investment securities	45,175	513,562	4	352,715	1,100,013	42,030	149,094	2,202,593
Loans and advances to customers	488,320	651,468	288,026	1,115,603	3,208,226	172,221	288,403	6,212,267
Property and equipment	23,707	60,975	12,950	22,705	20,623	10,400	2,562	153,922
Deferred tax assets	4,178	733	-	-	(280)	3,108	2,935	10,674
Retirement benefit assets	15,804	30,560		29,002	(5,901)	5,223	2,133	76,821
Intangible assets	-	218,961	-	-	-	-	-	218,961
Total assets	$ 895,218	$1,727,745	$ 313,845	$1,643,088	$5,057,209	$ 284,927	$1,043,633	$10,965,665
Liabilities								
Derivative financial instruments	$ -	$ -	$ -	$ -	$ 50,607	$ -	$ 1,283	$ 51,890
Customer deposits	819,977	1,473,696	249,994	1,140,293	4,543,747	224,107	703,696	9,155,510
Other liabilities	13,458	(41,612)	(112,378)	(73,493)	322,438	(22,990)	59,649	145,072
Taxation payable	369	6,360	-	-	1,284	436	430	8,879
Deferred tax liabilities	2,320	4,738	-	-	199	202	192	7,651
Debt securities in issue	-	-	-	-	-	23,813	174,484	198,297
Retirement benefit obligations	2,245	2,485	2,259	10,673	4,265	645	401	22,973
Total liabilities	$ 838,369	$1,445,667	$ 139,875	$1,077,473	$4,922,540	$ 226,213	$ 940,135	$ 9,590,272
Net assets	$ 56,849	$ 282,078	$ 173,970	$ 565,615	$ 134,669	$ 58,715	$ 103,498	$ 1,375,393
Commitments, guarantees and contingent liabilities	$ 60,299	$ 131,725	$ 30,526	$ 44,654	$ 536,222	$ 10,497	$ 58,093	$ 872,016

Cash flow and fair value interest rate risk

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

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

Liquidity risk

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

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

Process and control

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

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

Risk measurement

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

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

For the year ended October 31, 2017
(Expressed in thousands of United States dollars)

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

	0-3 months	3-12 months	1-5 years	Over 5 years	2017
Assets					
Cash and balances with Central Banks	$ 1,004,102	$ -	$ -	$ -	$ 1,004,102
Due from banks	1,762,007	167,192	176	-	1,929,375
Derivative financial instruments	758	109	2,724	2,237	5,828
Other assets	80,324	816	-	-	81,140
Taxation recoverable	13,717	11,772	-	-	25,489
Investment securities	1,058,630	519,501	511,721	285,789	2,375,641
Loans and advances to customers	851,088	269,589	2,011,794	3,225,529	6,358,000
Property and equipment	2,581	522	63,221	92,337	158,661
Deferred tax assets	-	-	5,900	5,576	11,476
Retirement benefit assets	-	-	-	82,496	82,496
Intangible assets	-	-	-	218,961	218,961
Total assets	$ 4,773,207	$ 969,501	$ 2,595,536	$ 3,912,925	$ 12,251,169
Liabilities					
Derivative financial instruments	$ 3,701	$ 39	$ 1,988	$ 20,185	$ 25,913
Customer deposits	9,274,688	1,049,720	31,093	16,030	10,371,531
Other liabilities	160,719	-	-	-	160,719
Taxation payable	6,485	890	-	-	7,375
Deferred tax liabilities	-	-	-	8,260	8,260
Debt securities in issue	96,557	101,621	14,823	-	213,001
Retirement benefit obligations	-	-	-	22,160	22,160
Total liabilities	$ 9,542,150	$ 1,152,270	$ 47,904	$ 66,635	$ 10,808,959
Net assets/(liabilities)	$ (4,768,943)	$ (182,769)	$ 2,547,632	$ 3,846,290	$ 1,442,210
Commitments, guarantees and contingent liabilities	$ 520,168	$ 105,033	$ 38,246	$ 195,398	$ 858,845

For the year ended October 31, 2017
(Expressed in thousands of United States dollars)

	0-3 months	3-12 months	1-5 years	Over 5 years	2016
Assets					
Cash and balances with Central Banks	$ 956,904	$ 5,698	$ -	$ -	$ 962,602
Due from banks	798,950	237,030	-	-	1,035,980
Derivative financial instruments	1,617	6,910	362	-	8,889
Other assets	81,063	1,139	-	(23,290)	58,912
Taxation recoverable	12,277	11,767	-	-	24,044
Investment securities	497,230	331,855	947,423	426,085	2,202,593
Loans and advances to customers	568,897	1,226,230	818,178	3,598,962	6,212,267
Property and equipment	2,998	251	57,852	92,821	153,922
Deferred tax assets	-	-	5,820	4,854	10,674
Retirement benefit assets	-	-	-	76,821	76,821
Intangible assets	-	-	-	218,961	218,961
Total assets	$ 2,919,936	$ 1,820,880	$ 1,829,635	$ 4,395,214	$ 10,965,665
Liabilities					
Derivative financial instruments	$ 31,226	$ -	$ 6,106	$ 14,558	$ 51,890
Customer deposits	7,592,854	1,503,082	56,490	3,084	9,155,510
Other liabilities	145,072	-	-	-	145,072
Taxation payable	8,872	-	-	7	8,879
Deferred tax liabilities	-	-	-	7,651	7,651
Debt securities in issue	583	674	197,040	-	198,297
Retirement benefit obligations	-	-	-	22,973	22,973
Total liabilities	$ 7,778,607	$ 1,503,756	$ 259,636	$ 48,273	$ 9,590,272
Net assets/(liabilities)	$ (4,858,671)	$ 317,124	$ 1,569,999	$ 4,346,941	$ 1,375,393
Commitments, guarantees and contingent liabilities	$ 441,218	$ 214,359	$ 60,834	$ 155,605	$ 872,016

For the year ended October 31, 2017
(Expressed in thousands of United States dollars)

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 categorized 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 at and disclosed at fair value on the consolidated balance sheet, are categorized.

	Level 1	Level 2	Level 3	Total	Total
	Quoted market price	Valuation technique-observable market input	Valuation technique-non-observable market input	2017	2016
Financial assets					
Cash and balances with Central Banks*	$ 1,004,102	$ -	$ -	$ 1,004,102	$ 962,602
Due from banks*	1,929,375	-	-	1,929,375	1,035,980
Derivative financial instruments	-	5,828	-	5,828	8,889
Investment securities		2,374,598	1,043	2,375,641	2,202,593
Loans and advances to customers	-	-	6,333,823	6,333,823	6,201,956
Total Financial assets	$ 2,933,477	$ 2,380,426	$ 6,334,866	$ 11,648,769	$10,412,020
Financial liabilities					
Derivative financial instruments	$ -	$ 25,913	$ -	$ 25,913	$ 51,890
Customer deposits	-	-	10,385,477	10,385,477	9,163,319
Debt securities in issue	-	214,420	-	214,420	199,003
Total Financial liabilities	$ -	$ 240,333	$ 10,385,477	$ 10,625,810	$ 9,414,212

*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, we transferred $6,201,956 of loans and advances to customers and $9,163,319 of customer deposits from level 2 to level 3 due to reduced observability in the inputs used to value these instruments.

There were no transfers during the year.

For the year ended October 31, 2017
(Expressed in thousands of United States dollars)

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:

	2017				Range of inputs	
As at October 31,	Amortised cost	Fair value	Valuation technique	Key non-observable inputs	Low	High
Loans and advances to customers	$ 6,358,000	$ 6,333,823	Market proxy or direct broker quote	Market proxy or direct broker quote	3.6%	34%
Customer Deposits	$ 10,371,351	$10,385,477	Market proxy or direct broker quote	Market proxy or direct broker quote	-	1.5%
Investment Securities	$ 1,043	$ 1,043	n/a	n/a	n/a	n/a

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 Group's estimate of assumptions that a market participant would make when valuing the instruments:

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

- *Available-for-sale investment securities*
  Available-for-sale investment securities valued using a valuation technique or pricing models primarily consist of debt securities. These assets are valued using models which sometimes only incorporate data observable in the market and at other times use both observable and non-observable data. The non-observable inputs to the models include assumptions about liquidity and price disclosure, counterparty credit spreads and sector specific risks.

Fair value of financial instruments not carried at fair value

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

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

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

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

Financial assets and liabilities with carrying values that approximate fair value

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

Note 33 Principal subsidiary undertakings

FirstCaribbean International Bank Limited	Barbados
FirstCaribbean International Wealth Management Bank (Barbados) Limited	Barbados
FirstCaribbean International Bank (Barbados) Limited	Barbados
FirstCaribbean International Trust and Merchant Bank (Barbados) Limited	Barbados
FirstCaribbean International Land Holdings (Barbados) Limited	Barbados
FirstCaribbean International Operations Centre Limited	Barbados
FirstCaribbean International Finance Corporation (Leeward & Windward) Limited	St. Lucia
FirstCaribbean International Bank (Bahamas) Limited (95.2%)	Bahamas
FirstCaribbean Insurance Agency (Bahamas) Limited	Bahamas
FirstCaribbean International (Bahamas) Nominees Company Limited	Bahamas
CIBC Trust Company (Bahamas) Limited	Bahamas
March Limited	Bahamas
Commerce Services Limited	Bahamas
Corporate Associates Limited	Bahamas
FirstCaribbean International Land Holdings (TCI) Limited	Turks & Caicos Islands
FirstCaribbean International Bank (Jamaica) Limited (100%)*	Jamaica
FirstCaribbean International Securities Limited	Jamaica
FirstCaribbean International Bank (Trinidad & Tobago) Limited	Trinidad
FirstCaribbean International Bank (Cayman) Limited	Cayman Islands
FirstCaribbean International Finance Corporation (Cayman) Limited	Cayman Islands
FirstCaribbean International (Cayman) Nominees Company Limited	Cayman Islands
CIBC Bank and Trust Company (Cayman) Limited	Cayman Islands
Commerce Advisory Services Limited	Cayman Islands
Commerce Corporate Services Limited	Cayman Islands
Commerce Management Services Limited	Cayman Islands
FirstCaribbean International Finance Corporation (Netherlands Antilles) Limited	Netherlands Antilles
FirstCaribbean International Bank (Curaçao) N.V.	Netherlands Antilles

All subsidiaries are wholly owned unless otherwise stated.

*The ordinary shares of FirstCaribbean International Bank (Jamaica) Limited ("The Jamaica Bank') were delisted from the Jamaica Stock Exchange effective December 30, 2011. In November 2016, the Group completed the repurchase of all outstanding minority shares. The Group now owns 100% of the Jamaica Bank (2016-99.74%).

Introduction to the Corporate Governance Statement

It is important that you, our shareholders, understand how the Board of Directors of CIBC FirstCaribbean fulfills its corporate governance oversight responsibilities.

The governance framework which guides the Board is described in CIBC FirstCaribbean's Corporate Governance Statement which follows this introduction.

Certain documents are incorporated by reference into the Corporate Governance Statement and may be found on the Company's website at www.cibcfcib.com. These include:

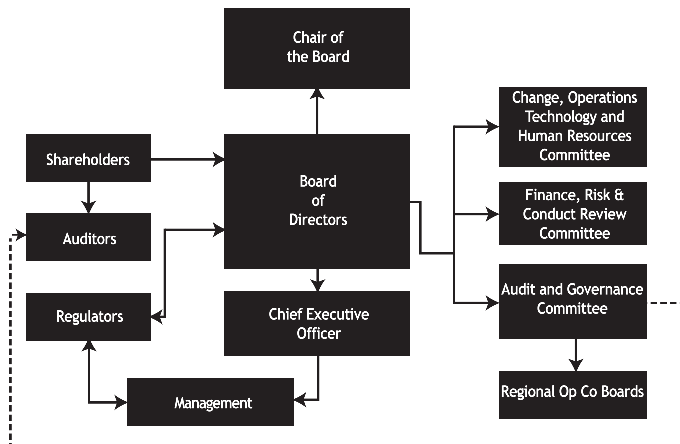
1. Board of Directors Mandate
2. Audit & Governance Committee Mandate
3. Change, Operations, Technology & Human Resources Committee Mandate
4. Finance, Risk & Conduct Review Committee Mandate
5. Mandate of the Chair of the Board
6. Mandate of the Committee Chairs
7. Mandate of the Chief Executive Officer
8. Code of Conduct for Employees
9. Code of Ethics for Directors
10. Insider Trading Policy

Statement of Corporate Governance

This statement of corporate governance practices describes the governance framework that guides CIBC FirstCaribbean's Board and management in fulfilling their obligation to CIBC FirstCaribbean and its stakeholders. It was reviewed and approved by the Audit & Governance Committee and the Board in December 2017.

1. Governance Structure

At the foundation of CIBC FirstCaribbean's governance structure are knowledgeable, effective, independent and non-independent directors. Documenting clear roles and responsibilities for the Board and its committees assists the Board in supervising the management of CIBC FirstCaribbean's business and affairs. This diagram provides a snapshot of how the Board interacts with management and CIBC FirstCaribbean's stakeholders.



2. Board Composition

The composition of the Board and its committees is driven by legal and regulatory requirements and the strategic direction of CIBC FirstCaribbean.

Legal Requirements

The Board adheres to all local and regional legal and regulatory requirements, guidelines and recommendations applicable to directors and the Board, including the legal and regulatory requirements related to our lead central bank regulator, the Central Bank of Barbados, the Barbados Financial Services Commission and the Barbados Stock Exchange, as well as the legal and regulatory requirements, guidelines and recommendations related to other central banks and regulators in the region.

Board Size

CIBC FirstCaribbean's by laws require a minimum of ten directors and a maximum of eighteen directors, and that the majority of the Board's directors reside outside of Canada. The Board is accordingly comprised of ten directors , six of whom permanently reside outside of Canada. Four of the Board's directors are independent, as required by the Central Bank of Barbados.

3. Board responsibilities

The Board's key responsibilities include oversight of and decision-making on: strategic planning, risk management, human resources, corporate governance, financial information, communications, board committees, regulators and director development and evaluation.

The Board is responsible for the management of the business and affairs of CIBC FirstCaribbean and the overall direction and supervision of the CIBC FirstCaribbean Group. The Board, directly and through its committees, provides direction to senior management, generally through the Chief Executive Officer, to pursue the best interests of the CIBC FirstCaribbean Group. The mandate of the Board of Directors is incorporated into this document by reference.

Strategic planning

The Board oversees the development of CIBC FirstCaribbean's strategic direction and priorities. Throughout the year, the Board reviews management's assessment of emerging trends, the competitive environment, risk issues and significant business practices and products, culminating in the Board's review and approval of the strategic, financial and capital plans for the next fiscal year.

Risk Management
With assistance from the Finance, Risk & Conduct Review and Audit & Governance Committees, the Board approves CIBC FirstCaribbean's risk appetite and reviews management reports on material risks associated with CIBC FirstCaribbean's business and operations, the implementation by management of systems to manage those risks and material deficiencies in the operation of those systems.

Human resources management
With assistance from the Change, Operations, Technology & Human Resources Committee, the Board reviews CIBC FirstCaribbean's approach to human resources management, talent management, and the succession planning process for the CEO and other key management positions considering business performance, including its risk-related aspects and the extent to which management fosters a culture of integrity.

Corporate governance
With assistance from the Audit & Governance Committee, the Board reviews CIBC FirstCaribbean's approach to corporate governance, and code of conduct and ethics for employees and directors respectively.

Financial information
With assistance from the Audit & Governance Committee, the Board reviews CIBC FirstCaribbean's internal controls relating to financial information, management reports on material deficiencies relating to those controls and the integrity of CIBC FirstCaribbean's financial and information systems.

Board Committees
The Board establishes committees and their mandates and requires committee chairs to report to the Board each quarter on material matters considered by the committees.

Director development and evaluation
Each director participates in CIBC FirstCaribbean's director development sessions. Each year the Board engages in a process to evaluate Board performance and effectiveness in order to develop action plans that enhance its effectiveness.

In 2017, the Board participated in interactive development sessions on the following topics:

- IFRS 9
- Bahamas Economic and Political Update
- How Do Digital Leaders Drive Pace at Scale in a Dynamic Market
- Barbados FX Rate Stability

4. Director independence

The Board believes that director independence is an important part of fulfilling its duty to supervise the management of CIBC FirstCaribbean's business and affairs. The Board relies on regulatory requirements, best practices and good judgment to define independence. A director is considered to be independent only where the Board determines that the director has no material relationship with CIBC FirstCaribbean. A material relationship is a relationship which could, in the view of the Board, be reasonably expected to interfere with the exercise of an independent director's judgment.

The Board and its committees also foster independence by:

- Having an independent non-executive Chair of the Board to oversee the operations and deliberations of the Board;
- Having independent directors on each of the Board's Committees including the Sub-Committee of the Change, Operations, Technology & Human Resources Committee;
- Reviewing board interlocks;
- Conducting in camera sessions at each Board meeting without the CEO and other members of management;
- Determining whether directors have a material interest in transactions;
- The Audit & Governance Committee is chaired by an independent director and has a majority of independent members;
- The Audit & Governance Committee nominates independent directors.

A majority of the members of the Audit & Governance Committee, the Finance, Risk & Conduct Review Committee and the Change, Operations, Technology & Human Resources Committee, are independent.

Board interlocks and outside board membership

The Board does not limit the number of public companies on which a director sits. However the Audit & Governance Committee verifies that a director continues to fulfill his or her obligations to CIBC FirstCaribbean's Board, and determines whether there are circumstances which would impair a director's ability to exercise independent judgment, by reviewing the number of other public boards on which CIBC FirstCaribbean's directors sit and the business relationship between CIBC FirstCaribbean and those companies.

The Board believes disclosing other public company board memberships and interlocking board membership is important. See the director biographies starting on page 11 of this document for the other public company boards of each Board member. Other boards on which directors sit are also shown.

An 'interlock' occurs when one or more Board members are also board members of other public companies. The interlocking board memberships among CIBC FirstCaribbean's directors are set out below.

Company	Director
Caribbean Utilities Company Ltd	David Ritch
Cable & Wireless (Barbados) Limited	Sir Allan Fields
Massy Limited	Paula Rajkumarsingh

In camera sessions

The Board sets aside time at each Board meeting for in camera sessions to facilitate open and candid discussion among non-management directors. The CEO and other members of management are not present. The sessions are conducted by the Chair of the Board.

Conflicts of interest

To foster ethical and independent decision-making, CIBC FirstCaribbean has a process in place to identify and deal with director conflicts of interest. Where a director or executive officer has an interest in a material transaction or agreement with CIBC FirstCaribbean that is being considered by the Board or a Board committee, he or she discloses that interest, and excuses himself or herself from the meeting while the Board or Board committee considers the transaction or agreement and does not vote on any resolution to approve that transaction or agreement.

Independent non-executive Chair of the Board

The Chair of the Board is an independent director. The Chair's independence fosters the Board's independent decision-making.

5. Director nomination process

Nominating a new director for election

The Audit & Governance Committee is responsible for recommending director candidates for election. In practice, before making a recommendation on a new director candidate, the Chair of the Board and the Chair of the Audit & Governance Committee agree on the skills and characteristics of a prospective director candidate. Once a candidate or candidates are identified, the Chair of the Board, Chair of the Audit & Governance Committee and other board members meet with the candidate to discuss his or her background, skill set, and ability to devote the time and commitment required to serve on CIBC FirstCaribbean's Board. The Audit & Governance Committee assesses the candidate's integrity and suitability by obtaining references, verifying his or her educational background, conducts a background check on the candidate and assesses any potential conflicts, independence concerns or disclosure issues the candidate may have.

Meeting attendance record

Quarterly Board and committee meetings are scheduled approximately one year in advance. interim meetings are scheduled as required. Members of the Board are expected to attend meetings of the Board and any Board committees of which the directors are a member. This standard is not applied to attendance at interim Board or Committee meetings which are called on short notice.

During fiscal 2017 the Board met seven times. The Finance, Risk, Conduct & Review Committee met seven times. The Audit & Governance Committee met seven times and the Change, Operations, Technology & Human Resources Committees met four times.

Scheduled quarterly meetings

	Board of Directors' Meetings	Audit & Governance Committee Meetings	Change, Operations, Technology & Human Resources Committee Meetings	Finance, Risk & Conduct Review Committee Meetings
David Ritch	4/4	4/4	4/4	4/4
Gary Brown	4/4	Not a Member	4/4	4/4
Rik Parkhill**	3/4	Not a Member	3/4	3/4
Christina Kramer	1/4	Not a Member	1/4	Not a Member
Brian McDonough	4/4	Not a Member	Not a Member	4/4
Lynne Kilpatrick^	1/4	1/4	1/4	Not a Member
Sir Allan Fields	4/4	4/4	4/4	4/4
G. Diane Stewart**	3/4	3/4	3/4	3/4
Paula Rajkumarsingh	4/4	4/4	4/4	4/4
Brian Clarke	4/4	Not a Member	Not a Member	Not a Member
Lincoln Eatmon+	Not a Member	3/4	Not a Member	Not a Member

^ Ms. Kilpatrick was appointed a director at the end of the Q3 Board of Directors meeting

** Director could not attend Q3 Board of Directors meeting due to travel restrictions as a result of hurricane Irma

\+ Member of the Audit & Governance Committee only

Interim meetings called at short notice

	Board of Directors' Meetings	Audit & Governance Committee Meetings	Change, Operations, Technology & Human Resources Committee Meetings	Finance, Risk & Conduct Review Committee Meetings
David Ritch	3/3	3/3	No meetings held	3/3
Gary Brown	3/3	3/3	No meetings held	3/3
Rik Parkhill	0/3	No meetings held	No meetings held	3/3
Christina Kramer=	0/3	No meetings held	No meetings held	Not a Member
Brian McDonough=	0/3	No meetings held	Not a Member	0/3
Lynne Kilpatrick=	0/3	0/3	No meetings held	Not a Member
Sir Allan Fields	3/3	3/3	No meetings held	3/3
G. Diane Stewart	3/3	3/3	No meetings held	2/3
Paula Rajkumarsingh	3/3	3/3	No meetings held	2/3
Brian Clarke	3/3	Not a Member	Not a Member	Not a Member
Lincoln Eatmon+	Not a Member	3/3	Not a Member	Not a Member

+ Member of the Audit & Governance Committee only

= Directors residing in Canada cannot participate in meetings from Canada, and could not arrange to attend in person due to short notice given for the interim meetings.

Annual Meeting

CIBC FirstCaribbean's Annual Meeting held March 10, 2017 was attended by the Board of Directors. CIBC FirstCaribbean's Chief Financial Officer and external auditor, Ernst & Young, were also present as well as other members of CIBC FirstCaribbean's Executive Committee and Senior Executive Team.

6. Director tenure

Unless his or her tenure is sooner determined, a director holds office from the date on which he or she is first elected or appointed until the next annual meeting at which time he or she shall be eligible for re-election. A director may serve for up to fifteen years. At the last annual meeting, shareholders approved an amendment to the By Law which permits, the Board to determine if in the best interest of the Company, to recommend a director for re-election after the expiry of the maximum service period of fifteen years for an additional one year term, provided that in no event may a director be recommended for re-election for more than five additional one year terms after the expiry of the applicable maximum service served.

7. Annual performance evaluation of the Board

The Mandate of the Board of Directors requires the Board to conduct a review of the role of the Board and its committees, the methods and processes by which the Board fulfills its duties, the effectiveness of the Board structure and its directors, and the performance of the Chair of the Board against criteria the Committee considers appropriate. The board delegates this function to the Audit & Governance Committee.

The Audit & Governance Committee conducts this self-assessment with the assistance of the Corporate Secretary. The evaluation addresses the performance and effectiveness of the Board, each Board committee and the Chair of the Board. The evaluation is based on confidential feedback obtained from a survey completed by each director and submitted to the Corporate Secretary.

The survey asks questions about what was done well, what could be done better and covers Board and Committee structure and composition, Board leadership, the Board's relationship with the CEO, management, succession planning, strategic planning, risk management, operational performance and Board processes and effectiveness. The evaluation process helps identify opportunities of continuing Board and director development and forms the basis of action plans for improving the Board's operations. The Audit & Governance Committee monitors progress against these plans.

8. The Chief Executive Officer

The primary objectives of the CEO are to lead the management of CIBC FirstCaribbean's operations, and to lead the implementation of resolutions, strategy and policies set by the Board. The Mandate of the Chief Executive Officer sets out the CEO's key accountabilities and responsibilities, which include duties relating to CIBC FirstCaribbean's operational direction, strategy, financial performance, governance, risk management, risk appetite, financial information, human resources management, succession review, integrity of management, vision, mission, values and reputation, risk management, senior executive team, interaction with the Board and communication with stakeholders. The CEO is appointed by the Board having considered the recommendations of the Audit & Governance Committee. The Board and the Audit & Governance Committee must be satisfied that the CEO is qualified in all respects to successfully discharge the requirements imposed by the Mandate of the Chief Executive Officer.

9. The Chair of the Board

The primary functions of the Chair of the Board are to facilitate the operations and deliberations of the Board and the satisfaction of the Board's responsibilities under its mandate. The Mandate of the Chair of the Board sets out the Chair's key accountabilities and responsibilities, which include setting Board meeting agendas, chairing Board and shareholder meetings, leading director development, providing input on the integrity and suitability of potential director candidates, leading the Board in overseeing the development of CIBC FirstCaribbean's strategic direction, processes, plans, priorities and benchmarks, providing Board feedback to the CEO and communicating with shareholders, regulators and other stakeholders.

10. Board committees

Each member of the Committee is appointed by the Board on an annual basis and serves at the pleasure of the Board, or until the earlier of:

(a) the close of the next annual meeting of shareholders of CIBC FirstCaribbean at which the member's term of office expires;
(b) the death of the member; or
(c) the resignation, disqualification or removal of the member from the Committee or from the Board.

The Board may fill a vacancy in the membership of the Committee. At the time of the annual appointment of the members of the Committee, the Board shall appoint a Chair of the Committee.

Audit & Governance Committee

The Audit & Governance Committee is responsible for reviewing the integrity of the financial statements of CIBC FirstCaribbean, related management's discussion and analysis (MD&A) and internal control over financial reporting, monitoring the system of internal control, monitoring compliance with legal and regulatory requirements including Sarbanes Oxley reporting requirements, selecting external auditors for shareholder approval, reviewing the qualifications, independence and performance of the external auditors, reviewing the qualifications, independence and performance of the internal auditors; managing the determination the Bank's financial year, monitoring the internal audit function and assisting the Board of Directors in fulfilling its corporate governance oversight. All members of the Audit & Governance Committee are financially literate.

The members of the Committee are:

Chair	Paula Rajkumarsingh (independent)
Membership	Lincoln Eatmon (independent)
	Sir Allan Fields (independent)
	Lynne Kilpatrick^
	Rik Parkhill
	David Ritch (independent)
	G. Diane Stewart (independent)

Change, Operations, Technology & Human Resources Committee

The Change, Operations, Technology & Human Resources Committee is responsible for assisting the Board of Directors in fulfilling its governance and supervisory responsibilities for strategic oversight of CIBC FirstCaribbean's change initiatives, information technology and security effectiveness, and their alignment with the CIBC FirstCaribbean's strategy of consistent, sustainable performance, as well as control matters. The Committee is also responsible for assisting the Board in fulfilling its governance and supervisory responsibilities for strategic oversight of the Bank's human capital, including organizational effectiveness, succession planning and compensation and their alignment with the Bank's strategy of consistent, sustainable performance, its risk appetite and control framework. The Human Resources Sub-Committee is a sub-committee of the Change, Operations, Technology & Human Resources Committee .

The members of the Committee are:

Chair	Christina Kramer (Human Resources sub-committee member)
Membership	Gary Brown
	Sir Allan Fields (independent) (Human Resources sub-committee member)
	Lynne Kilpatrick
	Rik Parkhill
	Paula Rajkumarsingh (independent)
	David Ritch (Human Resources sub-committee member)
	G. Diane Stewart (independent)

Finance, Risk & Conduct Review Committee

The Finance, Risk & Conduct Review Committee is responsible for assisting the Board of Directors in fulfilling its governance and supervisory responsibilities including strategic oversight of the CIBC FirstCaribbean group's business risks including the review and approval of significant disposals, investments, changes in nature of business, expansion and major contracts, credit, investment, market, treasury and liquidity, and operational risk.

The members of the Committee are:

Chair	Brian McDonough
Membership	Gary Brown
	Sir Allan Fields (independent)
	Rik Parkhill
	Paula Rajkumarsingh (independent)
	David Ritch (independent)
	G. Diane Stewart (independent)

None of the members of the Human Resources Sub-Committee are from management although they all are not independent directors as recommended by the Barbados Stock Exchange.

^Appointed on an interim basis from September 7, 2017 until the close of the meeting on December 8, 2017

Mr. Lincoln Eatmon, a member of the Audit & Governance Committee, is the only committee member who is not also a director.

11. Board access to independent advisors and management

To assist the Board, the Chair of the Board and the Board Committees in satisfying their responsibilities and to foster their independence, the Board, the Chair of the Board and the Board Committees have authority to retain and terminate external legal counsel, consultants or other advisors to assist them in fulfilling their responsibilities and to set and pay the compensation of these advisors without consulting or obtaining approval of management. The Board, the Chair of the Board and the Board Committees also have unrestricted access to management and employees of CIBC FirstCaribbean, as well as the external auditors.

12. Director orientation and continuing development

CIBC FirstCaribbean's ongoing director development programme fosters the continuous education of Board members. The programme has two components:

1. New director orientation to assist new directors in becoming fully engaged as quickly as possible; and
2. Ongoing director development

New director orientation

New directors are presented with a manual which includes the Roles and Accountabilities Manual, Board Mandates, the most recent CEO Business Update, current financial and capital plans, the most recent annual report, and any other material the Chair of the Board considers appropriate.

The new directors are also required to attend various orientation meetings and at the Chair of the Board's request may be assigned a current Board member as mentor. They may also meet separately with each of the Chair of the Board, the Chief Executive Officer, Chief Risk Officer, Chief Financial Officer, the Corporate Secretary, one or more members of the Executive Committee and the Senior Executive Team or any other person the Chair of the Board considers appropriate.

Ongoing director development

All directors participate in the development sessions held during each quarterly Board meeting. The sessions are comprised of presentations to the Board by internal and external experts. One-on-one sessions between a director and an internal or external subject matter expert may be arranged at the request of the Chair or Committee Chair. A director or committee member may contact the Corporate Secretary or the Chair of the Board about participating in an external education program or session related to development as a CIBC FirstCaribbean director or committee member.

13. Director compensation

The Audit & Governance Committee reviews director compensation annually to assess whether it aligns with CIBC FirstCaribbean's strategy imperative to deliver consistent and sustainable earnings, fosters prudent decision making and is competitive with other director compensation programs and levels among regional financial institutions. The Audit & Governance Committee recommends changes in director compensation to the Board for approval when considered appropriate or necessary to align with these objectives and recognize the workload, time, commitment and responsibility of the Board and committee members. The Audit & Governance Committee may retain an independent external consultant to provide data and advice to that committee on its director compensation policy and practices.

The Board Chair and independent directors are paid a flat annual fee for attending all board and committee meetings, whether scheduled or not. Neither CIBC FirstCaribbean executives, nor CIBC executives, who are directors, are paid fees. Independent committee chairs and committee members who are not directors are paid fees. The Board Chair, independent directors and independent committee members are paid an aggregate total of USD$349,500 annually.

14. Approval of the CEO's Service Contract

The Change, Operations, Technology & Human Resources Committee reviews the employment arrangements for the Chief Executive Officer annually.

15. Organization of management

An eleven member Executive Committee (EXCO), appointed by the CEO, leads the execution of the Bank's business strategy. The EXCO is constituted as follows:

Chief Executive Officer	Gary Brown
Managing Director, Human Resources	Neil Brennan
General Counsel & Corporate Secretary	Brian Clarke
Managing Director, Regional Country Management, Strategy & Marketing	Colette Delaney
Managing Director, Retail & Business Banking	Mark St. Hill
Chief Risk Officer	Patrick McKenna
Chief Information Officer and Managing Director, Technology, Operations & Corporate Services	Jude Pinto
Managing Director, Cards & Customer Relationship Management	Trevor Torzsas
Managing Director, Corporate & Investment Banking & Dutch Caribbean	Willem van der Burg
Chief Financial Officer	Doug Williamson
Managing Director, Private Wealth Management	Daniel Wright

The execution of day to day management of the Bank is led by the Senior Executive Team (SET). The seventeen member SET comprises the members of the EXCO plus:

Chief Auditor	Ben Douangprachanh
Managing Director, Jamaica	Nigel Holness
Managing Director, Trinidad	Anthony Seeraj
Managing Director, Cayman Operating Company	Mark McIntyre
Managing Director, Bahamas & TCI	Marie Rodland-Allen
Managing Director, Barbados Operating Company	Donna Wellington

CIBC FirstCaribbean has adopted a strategic business segment approach with three strategic business segments reporting to the Chief Executive Officer. A Managing Director runs each line of business:

- Retail & Business Banking
- Corporate & Investment Banking
- Wealth Management

In addition to the above a number of other senior management committees are in place to support the day-to-day management of the organization. These are:

- Asset Liability Committee
- Credit Committee
- Treasury Asset Investment Review Committee
- Strategic Projects Office

Executive compensation

CIBC FirstCaribbean's executive compensation philosophy is simple and consistent from year to year. The aim is to reward the CEO and senior leaders for delivering enhanced shareholder value through successful execution of the corporate strategy. Pay programmes are also designed to attract, retain and motivate key talent while aligning pay and performance.

It is the mandate of the Change, Operations, Technology & Human Resources Committee to make executive pay decisions and recommendations to the Board.

The elements of CIBC FirstCaribbean's executive compensation programs are:

ELEMENT	PURPOSE	HOW IT IS DETERMINED
Base Salary	Provide competitive fixed pay	• Based on job scope, experience and market pay
Discretionary Variable Incentive Award (cash incentive and deferred cash incentive)	Align compensation with business and individual performance	• Absolute and relative business performance measured against balanced scorecard • Measures are weighted, vary by role, and are designed to promote strong alignment with CIBC FirstCaribbean's corporate and business unit goals • Individual performance assessed against a series of Committee approved goals focused on strategy execution
Benefits and Perquisites	Investment in employee health, wellness and engagement	• A range of benefit programmes provided to all employees across the Caribbean to support health and well-being
Retirement Programmes	Contribute to financial security after retirement	• Competitive pension arrangements as provided to all employees in the Caribbean

CIBC FirstCaribbean's discretionary variable incentive award elements are designed to reward performance over both the long and short term. In cases where a decision is taken to make a variable incentive award, the following considerations apply:

ELEMENT	PERFORMANCE MEASURES	DESCRIPTION

Annual Cash Incentive Award
(around 50% of total incentive)
	• Grant measures:
	  • Financial
	  • Risk
	  • Client
	  • Employee
	  • Strategy execution
		• Short term
		• Focused on:
		  • Profitability
		  • Growth
		  • Adherence to Risk Appetite
		  • Strategy execution
		  • Client and employee satisfaction

Deferred Cash Award
(around 50% of total incentive)
	• Grant measures:
	  • Same as cash incentive
	• Vesting measures:
	  • Individual performance over vesting period
		• Long term
		• Deferred cash incentive award with 3 year cliff vesting

16. CIBC FirstCaribbean's Code of Conduct and Code of Ethics for Directors

CIBC FirstCaribbean is committed to the highest standards of ethical and professional conduct. The Code of Conduct applies to all full and part time employees. The Code also applies to consultants, independent contractors and temporary agency staff providing services to CIBC FirstCaribbean.

The Code of Ethics for Directors applies to all members of the Board. When a new director joins the Board, he or she will be required to review the Code and acknowledge in writing that he or she has reviewed it and agrees to abide by its terms. All directors are required to review and attest to compliance with the applicable code annually.

Together, these Codes establish the standards that govern the way employees and directors deal with each other, CIBC FirstCaribbean shareholders, clients, suppliers, competitors and communities. The Codes also address general conduct, conflicts of interest, information management, protection of CIBC FirstCaribbean's assets and internal and regulatory investigations.

17. External Auditors: Oversight & Fees

The external auditors report to the Audit & Governance Committee.

Fees billed for professional services rendered by EY across its regional footprint for the consolidated financial statements years ended October 31, 2017 and October 31, 2016, are set out as follows:

Unaudited, $000's		2017		2016
Audit Fees [(1)]	$	2,928	$	2,889
Audit related fees [(2)]		109		167
Tax fees [(3)]		191		151
Total	$	3,228	$	3,207

[(1)] For the audit of CIBC FirstCaribbean's annual financial statements and services normally provided by the principal auditor in connection with statutory and regulatory filings.

[(2)] For the assurance and related services that are reasonably related to the performance of the audit or review of CIBC FirstCaribbean's financial statements.

[(3)] For tax compliance services.

18. Engagement of non-audit services by external auditors

CIBC FirstCaribbean's Scope of Services policy requires Audit & Governance Committee pre-approval of non-audit services provided by our external auditors.

19. Engagement of non-audit services by external auditors

Internal Audit Function

The Audit & Governance Committee has the ultimate responsibility for the internal audit function and oversees its performance.

1) Organizational Framework

   At least annually, the Audit & Governance Committee reviews and approves the Internal Audit charter (developed in accordance with professional standards promulgated by the Institute of Internal Auditors), having regard to its role as an independent control function.

2) Chief Auditor

   The Audit & Governance Committee also reviews and approves the appointment of the Chief Auditor.

Organization Placement

The Internal Audit Department ('IAD') reports to the Chief Auditor, who in turn reports to the Chief Auditor, CIBC, and on a dotted line basis to the Chair of the Audit & Governance Committee and administratively to the Chief Executive Office. The Chief Auditor has unencumbered access to the Audit & Governance Committee and may freely discuss audit policies, audit findings, and recommendations, audit follow-up, guidance issues and other matters.

Professional Standards and Independence

The IAD follows the professional standards of relevant professional organizations including:

i. Code of Ethics of the Institute of Internal Auditors and the International Standards for the Professional Practice of Internal Auditing.

ii. Information Systems Auditing Standards, Guidelines and Procedures, and the Code of Professional Ethics of the Information Systems Audit and Control Association. The Control Objectives for Information Technology will be used as a reference.

Resources and skillset

The Audit & Governance Committee recognizes that professional standards require that auditors have knowledge of operations and appropriate expertise in the subject matter that is being audited. The Chief Auditor therefore provides the Audit & Governance Committee with a regular report on the Department's personnel, including the sufficiency of resources, their qualifications, certifications, and development.

Independence

The Chief Auditor periodically discusses standards of professional audit independence with the Audit & Governance Committee Chair and Audit & Governance Committee. The Audit & Governance Committee reviews the reporting relationships of the Chief Auditor periodically.

The Internal Audit Department will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair the internal auditor's judgment.

Periodic Review

The Audit & Governance Committee is responsible for reviewing the effectiveness of the Internal Audit function and receives reports from the Chief Auditor. On a periodic basis, the Audit & Governance Committee will engage an independent third party to assess the Internal Audit function in accordance with professional standards promulgated by the Institute of Internal Auditors and in the context of regulatory expectations and practices of leading institutions. The Audit & Governance Committee reviews the results of those assessments

Audit Plan

The Audit & Governance Committee reviews and approves the annual audit plan including the audit scope and the overall risk assessment methodology presented by the Chief Auditor to assess whether it is appropriate, risk based and addresses all relevant activities over a measureable cycle. The Chief Auditor, on a quarterly basis, reviews the status of the audit plan and any changes needed, including reviews of:

i. the results of audit activities, including any significant issues reported to management and management's response and/or corrective actions;
ii. the status of identified control weaknesses;
iii. the adequacy and degree of compliance with its systems of internal control.

20. Risk and Control Governance Framework

CIBC FirstCaribbean's management follows a consistent approach in developing and determining, with reasonable assurance, that the Bank's risk and control environment is designed and operating effectively. It also provides key stakeholders, with the structure required to assess the strength of CIBC FirstCaribbean's Risk and Control Governance systems.

In addition, CIBC FirstCaribbean has implemented the Risk and Control Governance Framework to help ensure that the parent, CIBC, meets the requirements of the Sarbanes-Oxley Act (2002), for management to assess the effectiveness of the system of internal control.

The Framework has been developed based on the Committee of Sponsoring Organizations of the Treadway Commission's (COSO) widely accepted "Enterprise Risk Management – Integrated Framework" (the COSO Framework) which is the most broadly used standard.

There are seven (7) components to this Framework, these are defined as follows:

1. Principles, Vision, Mission, Values
   "Tone from the Top" – the Board of Directors and Executive Committee of the Bank has overall responsibility for the Bank including determining, approving and overseeing the Bank's strategic objectives, risk strategy, governance structure and corporate values. This shapes the Risk and Control Governance Framework of the Bank.

2. Risk Appetite
   this defines the level of risk the Bank is prepared to accept in pursuit of the Bank's mission, vision, strategic objectives and corporate values.

3. Risk and Control related Policies, Limits, Standards and Guidelines
   these set the boundaries for positive actions and behaviors of CIBC FirstCaribbean employees and contingent workers.

4. Management Objectives

the Bank's risk and control systems are designed to ensure the achievement of following four categories of objectives:

i) *Strategic objective*

High level goals which are aligned with the achievement of the Bank's mission and vision;

ii) *Effective Operations*

The operations of CIBC FirstCaribbean are effective in meeting its strategic objectives;

iii) *Reliable Reporting*

The financial reports provided to shareholders and other external stakeholders are accurate and reliable in all material respects; and

iv) *Regulatory Compliance*

The conduct and actions of CIBC FirstCaribbean's Board of Directors, executives, employees and contingent workers comply with all applicable laws and regulations.

5. Risk Identification and Control Management Activities

is the control management process of the Bank, which has six elements:

i) *Risk Assessment and Response*

determine the likelihood of occurrence of and impact of risks undertaken to achieve business objectives and what would be our desired response, that is, avoid, transfer, accept or mitigate;

ii) *Documentation and Maintenance*

risk scenarios and related key controls must be documented for CIBC FirstCaribbean's Risk & Control Self-Assessment and updated as changes occur;

iii) *Monitoring and Testing*

a robust monitoring and testing methodology must be designed and implemented to confirm risks are within acceptable thresholds and key controls are designed and operating effectively;

iv) *Assessment*

management must complete steps to determine whether or not their risks are within acceptable thresholds and the system of internal control is working effectively or if there are deficiencies that need to be identified;

v) *Risk/Deficiency Management*

Once a new risk or deficiency has been identified, the severity of the issue must be determined, action plans to remediate should be documented and executed to ensure the issue is addressed; and

vi) *Assertion*

Accountable Officers and Senior Executive Team Members complete quarterly assertions on the state of controls and deficiencies within their respective lines of businesses.

6. Reporting

The appropriate management information must be communicated to the Board and the Senior Executive Team in a timely, complete, understandable and accurate manner so that they are equipped to make informed decisions.

7. Stress Testing
   CIBC FirstCaribbean performs stress tests and scenario analyses in order to gain a better understanding of the significant risks the bank potentially faces under extreme conditions and to provide important input into the determination of related regulatory and economic capital requirements. Stress testing refers to shifting the values of individual parameters that affect our financial position and determining the effect on the business.

21. Insider Trading

CIBC FirstCaribbean's policy on insider trading can be found at www.cibcfcib.com

CIBC FirstCaribbean is in compliance with the Insider Guidelines issued by the Barbados Stock Exchange Inc. The Exchange's Insider Trading Guidelines can be found at www.bse.com.bb.

Ownership Structure

- FirstCaribbean International Bank Limited Public Company Owned by Parent 91.67%
  - CIBC Bank and Trust Company (Cayman) Limited
    - Commerce Advisory Services Limited
    - Commerce Corporate Services Limited
    - Commerce Management Services Limited
    - CIBC Fund Administration Services (Asia) Limited
  - CIBC Trust Company (Bahamas) Limited
    - Commerce Services Limited
    - Corporate Associates Limited
    - March Limited
  - FirstCaribbean International Bank (Bahamas) Limited Owned by Parent 95.21%
    - Sentry Insurance Brokers Ltd.
    - FirstCaribbean International Land Holdings (TCI) Limited
    - FirstCaribbean International (Bahamas) Nominees Company Limited
  - FirstCaribbean International Bank (Barbados) Limited
    - FirstCaribbean International Trust and Merchant Bank (Barbados) Limited
    - FirstCaribbean International Finance Corporation (Leeward & Windward) Limited
    - FirstCaribbean International Land Holdings (Barbados) Limited
    - FirstCaribbean International Operations Centre Limited
    - FirstCaribbean International Securities Limited
    - Rodney Bay Land Holdings 2016 Limited
  - FirstCaribbean International Bank (Cayman) Limited
    - FirstCaribbean International (Cayman) Nominees Company Limited
    - FirstCaribbean International Finance Corporation (Cayman) Limited *(in liquidation)*
    - FirstCaribbean International Finance Corporation (Netherlands Antilles) N.V.
    - FirstCaribbean International Bank (Curacao) N.V.
  - FirstCaribbean International Wealth Management Bank (Barbados) Limited
  - FirstCaribbean International Bank (Jamaica) Limited 100%
  - FirstCaribbean International Bank (Trinidad and Tobago) Limited

CIBC FirstCaribbean International Bank

Main Branches & Centres

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

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

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

Aruba
Tanki Flip 14 A + B
Oranjestad
Tel: (297) 522-5600

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

Barbados
P.O. Box 503
Broad Street
St. Michael
Bridgetown
Tel: (246) 367-2300

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

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

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

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

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

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

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

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

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

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

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

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

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

CORPORATE BANKING CENTRES

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

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

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

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

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

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

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

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

WEALTH MANAGEMENT CENTRES

International Corporate Banking Centre & Platinum Banking Centre
P.O. Box N -8350
Shirley Street
Nassau, The Bahamas
Tel: (242) 302-6000

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

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

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

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

Platinum Banking Centre
De Ruyterkade 61
P.O. Box 3144
Willemstad, Curaçao
Netherlands Antilles
Tel: (+5999) 433-8000

Main Branches & Centres

CIBC FirstCaribbean Bank Financial Centre Platinum Banking Centre
1st Floor
74 Long Circular Road
Maraval, Trinidad, W.I.
Platinum Banking Centre
Verbiage

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

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

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

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

Platinum Banking Centre
P.O. Box 335
Rodney Bay
Gros Islet

Private Wealth & International Corporate Banking
P.O. Box 3144
De Ruyterkade 61
Willemstad
Curaçao
Tel: (+5999) 433-8000

OTHER SUBSIDIARIES

Trust & Merchant Bank Asset Management & Securities Trading
3rd Floor Broad Street,
Bridgetown, St. Michael
Barbados
Tel: (246) 467-8838

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

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

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

CIBC Trust Company (Bahamas) Limited
Goodman's Bay
Corporate Centre
West Bay Street
P.O. Box N. 3933
Nassau, Bahamas
Tel: (242) 356-1800

Private Wealth Management
Goodman's Bay
Corporate Centre
West Bay Street
P.O. Box N. 3933
Nassau, Bahamas
Tel: (242) 356-1800

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FirstCaribbean
International Bank