ANNUAL REPORT

2019

CIBC FirstCaribbean International Bank

BAHAMAS

FirstCaribbean
International Bank

BAHAMAS 2019 | ANNUAL REPORT

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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 sixteen (16) 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 capitalisation of US$2 billion. We also have a representative office in Hong Kong providing business development, relationship management and fund administration. The face of banking is changing throughout the world and CIBC FirstCaribbean intends to lead these changes with the expertise, integrity and knowledge gained from banking in the Caribbean since 1836.

The Bahamas Operating Company comprises operations in The Bahamas and Turks and Caicos Islands where there are sixteen (16) branches and agencies, sixty-two (62) Instant Teller Machines, and Wealth Management and Corporate and Investment Banking centres spread over New Providence, Grand Bahama, Abaco, Eleuthera and the Turks and Caicos Islands.

Vision

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

Mission

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

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

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

Values - Trust, Teamwork, Accountability

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

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

Strategic Priorities

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 personalised, 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 optimising 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.

2019 Highlights

First for Clients

Ever mindful that a key contributor to our business success rests in the advocacy of our clients, in 2019 our lines of business held steadfast to their mission of deepening client relationships and enhancing value to the client.

In September 2019, Abaco and Grand Bahama were severely impacted by Hurricane Dorian. Our local and regional teams were prepared and quickly responded to support our employees and clients in these islands.

Retail and Business Banking

- The Retail and Business Banking segment continued its positive track record of credit growth and sustainment in 2019.
- Despite challenges in Grand Bahama and Abaco due to Hurricane Dorian's devastation, good growth was experienced across all of our key client offerings – Platinum Banking, Business Banking, Retail, Cards and Insurance.
- Our excellent card product suite contributed to Cards best overall performance in client spend and revenues.
- Two of the Bahamas branches, Governor's Harbour and Mall at Marathon, finished in the top five for "Branch of the Year for Sales and Services" across the 60 branches in the region. One of the eight coveted regional Annual Achievers Award was awarded to an employee in Retail.
- We continued our push to provide convenient banking via digital platforms. The migration from over-the-counter (OTC) transactions was successful and well received by clients.
- Our teams continue to focus on delivering a Personalised, Responsive and Easy experience to our clients supported by world-class products and services. This continues to play a major role in delivering continued strong growth.

Corporate & Investment Banking

- Increased loan and credit facility bookings led to a successful performance in 2019.
- The onboarding of a number of new banking relationships, including Family Island corporate Clients, continued this year as we increased our drive to offer excellent customer service.
- Loans to Family Island corporate clients also contributed to our 2019 performance while offering much needed support to clients in those demographics.
- Two members of our Corporate team were successful to each be awarded an Annual Achievers Award.
- We were the Title Sponsor and co-host of the Caribbean Infrastructure Forum (CARIF) held December 2018 in Nassau, The Bahamas, with strong representation from our senior executives, regional ministerial representatives and key regional clients.
- 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. Improving customer experience, and upgrading and promoting our digital channels will be a key focus again for 2020.

Private Wealth Management

- Delivering excellent customer service was at the forefront of our continued growth in Private Wealth Management for fiscal 2019.
- We celebrate another year as World Finance's "Best Wealth Management Provider in The Bahamas".
- The Investment Advisor platform, launched in fiscal 2018, has grown to a significant book of assets under management in under two years.

First for Employees

In 2019, we continued our focus on making our bank a great place to work for our employees, as well as a great place to do business for our clients, by enhancing our employee programs to support our corporate strategy, to embed our client centric culture and to help our employees develop and fulfill their career ambitions.

We remain on the cutting edge of technology, training and development and believe that empowering our team members and providing them with the best tools and resources available, will assist them in readily achieving their goals.

- In 2019 we launched a new programme to support our client focused culture. Client 1st is our new initiative, which sets out the standards of service that all of our employees have pledged to live up to when servicing our clients. The programme covers all employees within our bank whether they work directly with our clients or whether they support their colleagues who do. A critical component of the programme is ensuring that all of our employees, understand the impact of their on our clients.
- Our employees were intimately involved in establishing our client service standards, launching the program across our bank, developing the training material to support the programme and in determining the supporting initiatives to sustain the programme going forward. This approach worked extremely well and will be a model for us to follow as we roll out other initiatives in the future.
- Our engagement activities were a central focus in our team building initiatives in 2019. This year's highlights included the celebration of both International Women's Day and our first International Men's Day, which was well received.

- We continue to make progress in improving our Bank as a place to work and are excited about further improvements during the coming year.

First for Communities

The Bank was fully engaged in numerous events and activities in the communities where we operate. The past year saw the bank contributing to our communities through its charitable arm, the FirstCaribbean International ComTrust Foundation. Not only were substantial donations made, employees also gave their time and talents to ensure that the needs of our communities were met through various Adopt-A-Cause initiatives.

- In 2019, our Bank rolled out a series of initiatives to aid in hurricane relief efforts following the devastation caused by Hurricane Dorian on the islands of Abaco and Grand Bahama. Our regional office and our ultimate parent, CIBC, made a combined donation of $150,000 toward the relief efforts.
- Our commitment to the fight against cancer continued in 2019 through our signature fundraising event, Walk for the Cure. Teams in The Bahamas and Turks and Caicos Islands (TCI) will be donating the proceeds to cancer support organisations.
- We made a significant impact on the communities that we serve in The Bahamas and TCI through Adopt-A-Cause initiatives. Corporate Banking, Investment Banking and Special Loans in The Bahamas teamed up to support the work of The Bahamas Feeding Network. They donated food items and joined with the charity in preparing and serving food to hundreds in need.
- We were pleased to help the visually impaired lead independent lives with the donation of two Braille machines to the Salvation Army's School for the Blind. Our Bank also assisted the Salvation Army of The Bahamas with its Christmas feeding initiative, by purchasing and packing grocery parcels and serving holiday meals to the elderly and disadvantaged in the community.
- Donations were made to a number of other non-profit organisations in 2019 such as the Aids Foundation of The Bahamas, The Crisis Centre and several children's homes throughout The Bahamas, just to name a few.
- Education remained high on our list of priorities in 2019 with donations to several annual summer programs as well as other programs aimed at educating our youth, such as Junior Achievement and their scholarship program.
- Bahamian culture once again received a significant boost from CIBC FirstCaribbean. Donations were made to Junkanoo Groups in the A and B Categories to assist them with their preparations for the annual Boxing Day and New Year's Day Junkanoo parades.

Financial Performance

- In fiscal 2019, the Bank's net income increased by 11%. The bank reported net income of BSD94.4 million for the fiscal year ended October 31, 2019, up BSD9.3 million from last year's net income of BSD85.1 million.
- Results were driven by higher interest earnings and fee income, and lower securities losses. Credit loss expense improved due to lower expectation of defaults. This was offset by higher operating expenses.
- The Bank's Tier 1 and Total Capital ratios remain strong at 27.7% and 27.6%, well in excess of applicable regulatory requirements.

Financial Highlights

B$(000), except per share amounts, as at or for the year ended October 31	2019	2018	2017	2016	2015
Common share information					
Net earnings per share - basic (B$ cents)	78.5	70.8	63.9	58.7	55.1
Share price - closing	11.06	9.25	8.60	8.50	8.05
Shares outstanding (thousands) - end of period	120,216	120,216	120,216	120,216	120,216
Market capitalisation	1,329,589	1,111,998	1,033,858	1,021,836	967,739
Value measures					
Dividend yield (dividends per share/share price)	2.4%	9.5%	3.5%	3.5%	3.7%
Dividend payout ratio (dividends/net income)	34.4%	124.4%	47.0%	51.1%	54.5%
Financial results					
Total revenue	205,415	188,122	180,286	173,232	172,100
Credit loss expense on financial assets	4,515	12,085	12,308	11,446	14,934
Operating expenses	106,524	90,977	91,219	91,213	90,953
Net income	94,376	85,060	76,759	70,573	66,213
Financial measures					
Efficiency ratio (operating expenses/total revenue)	51.9%	48.4%	50.6%	52.7%	52.8%
Return on equity (net income/average equity)	13.7%	12.6%	11.4%	11.2%	11.4%
Net interest margin (net interest income/average total assets)	4.4%	4.2%	4.1%	4.2%	4.0%
Statement of Financial Position information					
Loans and advances to customers	2,023,654	2,001,401	2,072,500	2,008,325	1,871,361
Total assets	3,705,256	3,499,627	3,522,156	3,228,934	3,277,449
Customer deposits	2,903,742	2,762,770	2,750,848	2,491,947	2,585,806
Total equity	723,572	652,568	693,144	655,016	607,829
Statement of Financial Position quality measures					
Common equity to risk weighted assets	32%	28%	30%	31%	38%
Risk weighted assets	2,277,684	2,304,033	2,315,471	2,139,821	1,614,700
Tier I capital ratio	28%	25%	27%	27%	34%
Tier I and II capital ratio	28%	25%	28%	27%	35%
Other information					
Full time equivalent employees (#)	474	516	514	505	538

Looking towards the future

Marie Rodland-Allen
Managing Director,
Bahamas Operating Company

In 2019, CIBC FirstCaribbean International Bank (Bahamas) Limited produced its best performance in 12 years.

Financial Performance

For the fiscal year ended October 31, 2019, the Bank reported net income of BSD94.4 million, up BSD9.3 million or 11% from last year's net income of BSD85.1 million. Our results were driven by higher interest earnings and fee income, and lower securities losses. Credit loss expense improved due to lower expectation of defaults. This was offset by higher operating expenses.

The Bank's Tier 1 and Total Capital ratios remain strong at 27.7% and 27.6%, well in excess of applicable regulatory requirements.

Retail and Business Banking

The Retail & Business Banking Segment continues its positive track record of credit growth and sustainment. In 2019, The Bank remained committed to customer service excellence and our team continued to focus on delivering a personalised, responsive and easy experience to our clients, supported with world class products and services.

The segment experienced moderate growth despite a sluggish economy, and aggressive competition within the market. We remained resilient, although faced with insurmountable challenges in our Abaco and Grand Bahama markets, following the devastation and destruction from Hurricane Dorian.

We continued our strategic focus on our operating model to improve operational efficiency. Through providing convenient banking by way of our alternate channels and digital platform, the steer from in-branch banking was well received by clients seeking to expedite banking needs.

Our cards portfolio also delivered its best overall performance in client spend and revenues. This was a result of our excellent card product suite, the increased adoption of our market leading product features such as the transaction controls through our mobile & on-line banking apps and the continued penetration of our market leading Visa Debit card.

We celebrated our Annual Achievers Award winner selected from across the sixteen territories in which CIBC FirstCaribbean operates. We continued our investments in our people through regional assignments and training.

Additional achievements included successful positioning of two of the Bahamas branches in the top five regional standings for "Branch of the Year for Sales & Service" across sixty branches.

Corporate and Investment Banking

The Corporate and Investment Banking Division had yet another strong year. This performance was driven primarily by increased loan and credit facility bookings, which can be attributed to our client focused customised financing solutions that our sales professionals deliver daily.

We continued our drive to offer an excellent customer experience which saw the unit onboarding a number of new banking relationships. Loans to Family Island corporate clients also contributed to our 2019 performance while offering much needed support to clients in those demographics.

With the passage of Hurricane Dorian, we were able to provide support, where needed, to assist our clients through this difficult time.

Our focus has been and continues to be being our clients' financial partner of choice.

Private Wealth Management

Delivering excellent customer service has been at the forefront of our continued growth in Private Wealth Management for fiscal 2019. We achieved this through our integrated client service model, using our strengths in trust & wealth planning, private & international corporate banking, investment advice and discretionary portfolio management to ensure that we meet our clients' needs. Our focus on the brand pillars of Personalised, Responsive and Easy has enabled us to build on existing relationships and attract new business.

The Investment Advisor platform, launched in fiscal 2018, benefitted from a new client access portal providing clients with real time access to their portfolios, asset allocation and transactions. The platform has grown to a significant book of assets under management in under two years.

Community Partnership

Through our signature event, Walk for the Cure, funds were raised to assist cancer support organisations across the Bahamas and in TCI. I would like to sincerely thank all of our team members for donating time and money for this very worthy cause and our corporate sponsors who made a significant impact on our fundraising efforts.

This year, two of our northern islands in The Bahamas, Abaco and Grand Bahama, received significant damage from Hurricane Dorian, a category five storm. Our regional office and our ultimate parent, CIBC, made a combined donation of US$150,000 to the relief efforts.

Our corporate giving continued its focus on the following areas: Health & Wellness, Youth Empowerment & Education, Community & Environment and Staff Volunteerism.

In 2019, the Bank assisted the Salvation Army's School for the Blind by purchasing two Braille machines and refurbished its kitchen facilities. We continued our support of youth educational programmes. Employee volunteers from our East Mall branch in Freeport managed a Junior Achievement company. We contributed to the Junior Achievement scholarship program and provided a scholarship for the Primary School Student of the Year programme. Donations were made to several annual summer youth programmes as well as The Bahamas Swimming Federation.

Class A and Class B Junkanoo Groups received contributions to assist with defraying the cost of participating in the Boxing Day and New Year's Day Junkanoo parades.

Our team members generously donated their time and talent to participate in several successful Adopt-A-Cause initiatives this year. Some of these projects included a volunteer reading project, providing meals to the disadvantaged in the community in collaboration with the Bahamas Feeding Network, improvements at the Bahamas Association of Social Health's facilities and assisting with the serving of food and the distribution of care packages at the Salvation Army's annual Christmas luncheon, just to name a few.

People

During 2019, we did not waiver from our drive to make our Bank the best place to work in the Bahamas and TCI. Ensuring we have a committed, engaged and loyal workforce is key to us delivering on our objective of growing our Bank through deepening our client relationships and providing an exemplary service to all of our clients.

Our people are the bedrock of our Bank and we saw their strength and endurance during the aftermath of Hurricane Dorian. Employees across the country and the region rallied around to provide food, housing, clothing, financial aid and emotional support to their colleagues in the impacted islands and their communities.

We also launched our Client 1st programme, which set out the standards of service that all of our employees have pledged to live up to when servicing our clients. Through this programme, all of our employees, regardless of the role they play in our Bank, obtain an understanding of the impact of their actions on our clients.

There was a focus on developing our talent across the organisation, as it is crucial to the success of our Bank that we nurture the talent within the organisation and help our employees grow and develop in tandem with the growth and development of our Bank.

The employee survey this year allowed us to focus more on how engaged our employees are with our business' objectives and goals, and also allowed us to make the whole feedback process simpler and quicker. As a result, we created three work streams to address the key areas identified by our employees.

As we reflect on the past year there were many accomplishments in 2019. Some of the key highlights are International Women's Day, Employee Appreciation Day, our first International Men's Day celebration and the recognition of three of our own in the regional Top Achievers' Annual Award programme.

As we look forward to 2020, we are committed to continuously improving our Bank as a place to do business for our clients and as a place to work for our employees, and are excited about how we can further enhance the environment for both groups during the next fiscal year.

Looking to the Future

On November 8th, 2019, CIBC announced its intention to sell part of its shareholding in FirstCaribbean International Bank Ltd. to GNB Financial Group Limited ("GNB"), a company which is ultimately owned by financier Jaime Gilinski. This transaction remains subject to regulatory approval.

On closing of the transaction, GNB will become FirstCaribbean's majority shareholder owning 66.73% of our shares while CIBC will retain a 24.9% interest.

This is an excellent development for FirstCaribbean. It creates a platform for the growth of our Bank and allows us to celebrate our heritage while building our future.

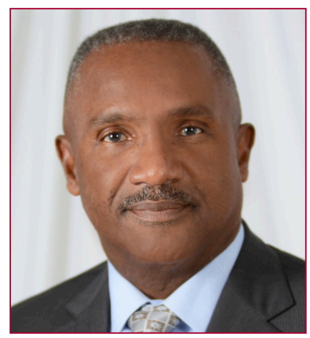
It is my pleasure to thank the Board of Directors, employees, shareholders and our clients for their continued support and loyalty over the years.

Marie Rodland-Allen
Managing Director

Colette Delaney
Chief Executive Officer

Dan Wright
Managing Director,
Wealth Management

Marie Rodland-Allen
Managing Director,
Bahamas Operating
Company



Craig Gomez
Certified Public Accountant

Felix Stubbs
Business Executive

Willie Moss
Attorney-at-Law

SENIOR MANAGEMENT AND ADVISORS

Pictured seated, left to right, are:
Andrew Hanna
Senior Manager,
Data Center Operations

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

Terrance Gibson
Associate Director,
Private Wealth Management &
International Corporate Banking

Standing, left to right, are:
LaToya Barnes
Head of Human Resources,
Bahamas and Turks & Caicos Islands

Gaye Dean
Manager,
Local Operations Cluster

Sherrylyn Bastian
Legal Counsel and Corporate Secretary

Beulah Arthur
Country Treasurer

Gezel Farrington
Director,
Retail Banking Channels

Not Pictured:
Raymond Donaldson
Director,
Corporate & Investment Banking

Glenda Whylly
Senior Manager,
Managing Director's Office

Stacia Williamson
Financial Controller

Lakeisha Moss
Client Credit Management

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

Regional Audit Committee
Chris de Caires - Chair
Blair Cowan
Lincoln Eatmon
Robert Frentzel
Craig Gomez
David Ritch

Auditors
Ernst & Young

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

Registrar and Transfer Agents
CIBC Trust Company (Bahamas) Limited

Management's discussion and analysis (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, 2019, compared with prior years. The MD&A should be read in conjunction with the audited consolidated financial statements included in this Annual Report. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and are expressed in thousands of Bahamian dollars. Certain comparative amounts have been reclassified to conform to the presentation adopted in the current year.

Overview

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

The business segments are supported by the Administration segment which includes Finance, Human Resources, Risk, Technology & Operations, Treasury, and other support units. Highlights and commentary on business segments can be found in 2019 Highlights Section of this annual report.

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

Nature of the business

The Bank offers traditional banking solutions 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 Bank operates and is regarded one of the largest banks in two main geographic markets - The Bahamas and Turks and Caicos Island. The macroeconomic environments in these territories influence the Bank and its results. The Bank is also affected by the global macroeconomic environment to the extent they affect the drivers of financial risks to which the bank is exposed such as credit and liquidity risk and other market risks such as currency risk, interest rate risk and other pricing risk.

Objectives and strategies

The Bank continues to focus on four strategic priorities to address market trends: Focusing on our client relationships, building our technology base to create a regionally leading digital and modern day experience for our clients, simplifying the way we do business and developing our people.

Resources, risks and relationships

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

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

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

Review of results, performance measures and indicators

Review of the Consolidated Statement of Income

B$ thousands except per share amounts, as at or for the year ended October 31	2019	2018
Total revenue	205,415	188,122
Net income for the year	94,376	85,060
Total assets	3,705,256	3,499,627
Basic earnings per share (cents)	78.5	70.8
Dividend per share (cents)	27.0	88.0
Closing share price per share (cents)	11.06	9.30
Return on equity	13.7%	12.6%
Efficiency	51.9%	48.4%
Tier I capital ratio	28%	25%
Total capital ratio	28%	25%

Net income for the year was $94 million, compared to $85 million in 2018.

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

2019

- increase in net interest income primarily due to increased cash placements and securities volumes, interest on performing loans and rising US rates $17 million
- increase in the Bank’s share of allocated group service costs $14 million
- 2019 Hurricane Dorian provision/and related expenses net of recoveries $3 million
- adjustments related to Government of Barbados debt restructure (USD instruments) $4 million
- credit loss expense reduction as a result of model enhancements and changes to assumptions due to lower probability of defaults $5 million

2018

- $4 million decrease in other income primarily due to higher securities losses

Net interest income and margin

B$ thousands for the year ended October 31	2019	2018
Average total assets	3,602,442	3,510,892
Net interest income	156,796	148,036
Net interest margin	4.35%	4.22%

Net interest income increased year on year by $8.8 million (6%) largely as a result of higher productive/performing loan earnings and rising US rates

Operating income

B$ thousands for the year ended October 31	2019	2018
Fee & commission income	35,047	31,522
Foreign exchange earnings	13,161	11,664
Net losses	(614)	(4,070)
Other	1,025	970
	48,619	40,086

Operating income decreased year on year by $8.5 million (21%) primarily due to lower securities losses, net of higher service based fees.

Operating expenses

B$ thousands for the year ended October 31	2019	2018
Remuneration and benefits:		
Wages and Salaries	21,681	23,248
Benefits	7,281	7,236
Business license	8,842	8,719
Occupancy and maintenance	11,334	10,421
Depreciation	4,021	4,562
Communications	1,971	2,423
Professional fees and group service costs	37,671	23,293
Other	13,723	11,075
	106,524	90,977

Operating expenses increased by $16 million year over year, primarily due to increase in the Bank’s share of allocated group service costs.

Credit loss expense on financial assets

B$ thousands for the year ended October 31	2019	2018
Expense on impaired loans – Stage 3		
Mortgages	(605)	2,798
Personal	2,207	2,500
Business & Sovereign	5,957	8,733
	7,559	14,031
Expense on non-impaired loans		
Stage 1	1,952	(6,083)
Stage 2	(8,254)	1,484
Total loans credit loss expense	1,257	9,432
Expense on debt securities		
Stage 1	(468)	(109)
Stage 2	168	(1,855)
Stage 3	3,558	4,617
Total debt securities credit loss expense	3,258	2,653
Total credit loss expense on financial assets	4,515	12,085

Credit loss expense on financial assets declined by $8 million primarily due to loan credit loss expense declined by $8 million (87%) year-on-year. Loss expenses on impaired loans declined by $6 million as the higher expense in 2018 was driven by the implantation of IFRS 9. Loss expenses on non-impaired loans declined by $2 million due mainly to expected credit loss allowances model updates.

The ratio of credit loan allowances to gross loans was 4.6% compared with 5.2% at the end of 2018. Non-performing loans to gross loans remained at 5.2% at the end of 2019.

Review of the Consolidated Statement of Comprehensive Income

B$ thousands for the year ended October 31	2019	2018
Net income for the year	94,376	85,060
Other comprehensive income/(loss)		
Net gains/(losses) on debt securities at fair value through OCI	10,866	(4,164)
Re-measurement gains/(losses) on retirement benefit plans	9,042	(2,043)
Other comprehensive income/(loss)	19,908	(6,207)
Total comprehensive income	114,284	78,853

Other comprehensive income increased year-on-year as a result of net gains on debt securities at fair value through Other Comprehensive Income (FVOCI) and re-measurement gains on retirement benefit plans compared with losses in the prior year. The movement on debt securities was due primarily to higher fair values and lower expected credit loss allowances while for Retirement Benefit plans, the Bank experienced higher returns on plan assets in the current year.

Review of the Consolidated Statement of Financial Position

B$ thousands for the year ended October 31	2019	2018
Assets		
Cash & balances with The Central		
Bank and due from banks	593,474	576,110
Investment securities	936,576	782,708
Loans and advances:		
Residential Mortgages	982,024	968,143
Personal	203,615	210,341
Business & Government	938,243	932,651
Provision for impairment (net of recoveries and write-offs)	(100,062)	(111,649)
Interest receivable	9,784	13,087
Unearned fee income	(9,950)	(11,171)
	2,023,654	2,001,401
Other assets	151,552	139,408
	3,705,256	3,499,627
Liabilities and equity		
Customer deposits		
Individuals	1,008,667	932,104
Business & Government	1,733,510	1,557,791
Banks	158,281	270,110
Interest payable	3,284	2,765
	2,903,742	2,762,770
Other liabilities	77,942	84,289
Equity	723,572	652,568
	3,705,256	3,499,627

Total assets increased by $206 million (6%) primarily due to higher investment securities balances.

Total liabilities increased by $135 million (5%) predominantly due to normal core deposit movements.

Equity has increased year on year by $71 million (11%) due mainly to net income for the year of $94 million and other comprehensive income of $20 million, net of dividends of $43 million.

Our capital strength protects our depositors and creditors from risks inherent in our business, allows us to absorb unexpected losses and enables us to take advantage of attractive business opportunities. The Bank continues to maintain strong capital ratios of Tier I and Tier I & II of 28%, each, at the end of 2019, well in excess of regulatory requirements.

Business Segment Overview

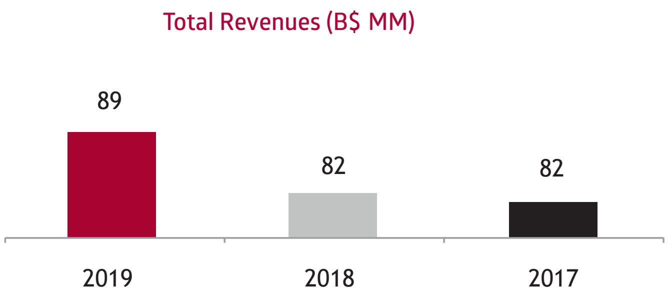
Management monitors the operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment.

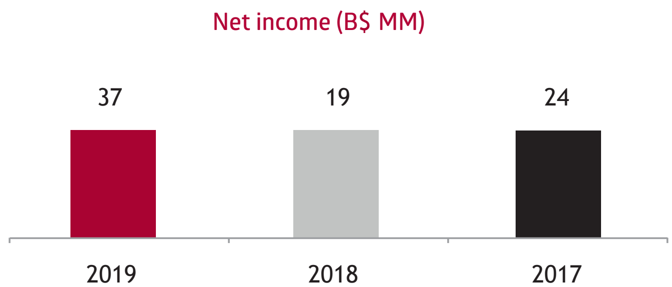
Transactions between the business segments are on normal commercial terms and conditions.

Retail and Business Banking

Retail & Business Banking includes Retail, Business Banking and Cards businesses. Retail and Business Banking provides a full range of financial products and services to individuals, which can be accessed through our network of branches and ABMs, as well as through internet and telephone banking channels, inclusive of our Mobile Banking App. Business Banking clients are provided with products and services to satisfy their day-to-day operational and working capital business needs.

Total revenues increased year-on-year by $7 million or 9% primarily due to higher performing loans income, deposit services fees and card based fee income. Net income increased year-on-year by $18 million driven by the higher revenues and lower provision for credit losses.



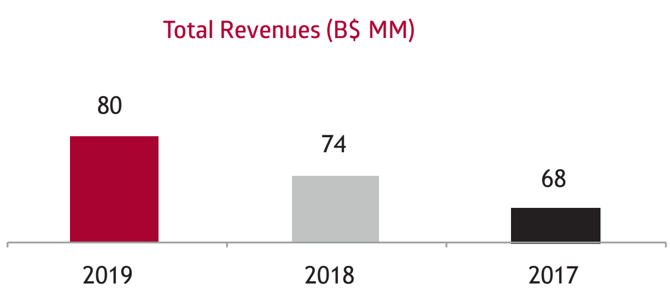


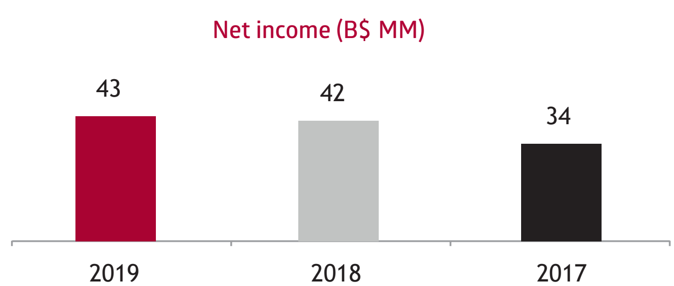
Corporate & Investment Banking

Corporate & Investment Banking includes Corporate, Investment Banking, Forex & Derivative Sales and the Merchant Services business. The segment provides a full range of corporate and commercial banking services to large and mid-size corporate businesses, governments, financial institutions, international trading companies and private wealth vehicles.

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

Clients are also provided with derivative and other risk mitigating products through the Forex & Derivative Sales Group. Total revenue increased year-on-year by $6 million or 8% due to higher loan earnings, foreign exchange commission, credit services income and internal revenue, offset by higher interest expense on deposits. Net Income increased year-on-year by $1 million as a result of higher revenue offset by higher allocated indirect expenses.





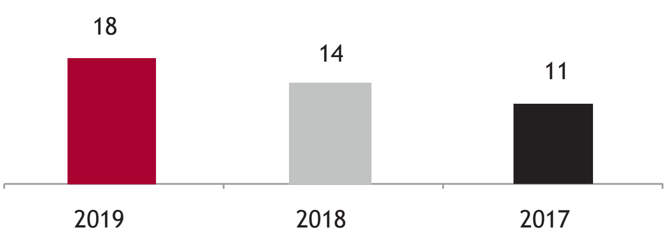
Wealth Management

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

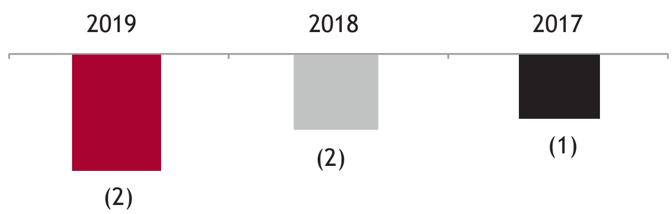
Dedicated wealth management relationship managers provide traditional core banking, complex credit, investment advice, discretionary portfolio management, trust services and wealth planning to the high and ultra-high net worth clients. International Corporate Banking is a specialised business that facilitates leveraging of legislation and incentives in the international financial services jurisdictions to offer international clients a wide range of products, services and financial solutions.

Total revenue increased year-over-year by $4 million or 29% because of higher internal revenue from increased margins. Net income declined slightly year-on-year as the higher internal revenues were offset by higher indirect expenses.

Total Revenues (B$ MM)



Net income (B$ MM)



Administration

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

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

Risk Management Approach

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

The Bank's approach to risk management is based on sound banking principles and a robust governance structure. Risk is managed within tolerance levels established by our management committees and approved by the Board of Directors and its committees (the Board). This is achieved through a comprehensive framework of measurement, monitoring and control policies, procedures and processes. Further information on credit, market and liquidity risks within the Bank can be found in Note 27 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 that manage credit risk, market risk, and operational risk.

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

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

Credit Risk

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

Credit risk is managed and controlled on the basis of established credit processes and policies operating within a framework of delegated authorities. In addition to approving the Bank’s key credit policies and setting credit risk appetite and tolerances, the Risk Committee of the Board delegates credit approval limits to the Credit Committee of the Bank. 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 Bank and Trust Companies Regulation Act, 2000 to meet regulatory requirements by the central risk and financial controls teams.

Market Risk

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

The Risk 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 Bank uses several risk measures including Value at Risk (‘VaR’), sensitivity measures and stress testing. Market risk is managed by setting limits based upon the specific markets and products where the Bank is involved, as well as the amount of the Bank’s capital at risk. These measurement methodologies utilise international best practice. There is a centralised, dedicated Market Risk Management team charged with the responsibility to ensure that the risk measurement methodologies used are appropriate for the risks being taken and that appropriate measurement, monitoring and control procedures are in place.

Compliance Risk

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

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

Operational Risk

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

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

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

Liquidity Risk

Liquidity risk is defined as the risk that the Bank will experience difficulty in financing its assets and meeting its contractual payment obligations, or will only be able to do so at an unacceptably high cost. The Bank is exposed to liquidity risk through our general funding activities and in the management of our assets and liabilities. The Bank's exposure to liquidity risk is governed by a Liquidity Management Policy and Framework approved by the Board. The operation of the policy is delegated to Management in the form of the Asset and Liability Committee (ALCO). The Bank and individual operating company ALMTs (Asset and Liability Management Teams) are responsible for monitoring liquidity risk and adherence to the Liquidity Management Policy. Day-to-day management of liquidity is handled by the Treasury team.

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

Building a better
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Independent Auditors' Report

The Shareholders and Directors
FirstCaribbean International Bank (Bahamas) Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of FirstCaribbean International Bank (Bahamas) Limited (the "Bank") which comprise the consolidated statement of financial position as at October 31, 2019, 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 consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Bank as at October 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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 *Auditors' responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Bank 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 *Auditors' 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.

Key Audit Matter	How our Audit Addressed the Key Audit Matter
Expected credit loss allowances	
Related disclosures in the consolidated financial statements are included in Note 2.3, Adoption of new accounting policies, Note 2.4, Summary of significant accounting policies–Impairment of financial assets, Note 7, Securities, Note 8, Loans and advances to customers and Note 27, Financial risk management. IFRS 9: Financial Instruments uses an expected credit loss ("ECL") model which requires significant management judgement and incorporation of forward-looking information. IFRS 9 requires the Bank to record an allowance for ECLs for all loans and advances to customers and other financial assets not held at fair value through profit and loss, together with loan commitments and financial guarantee contracts. The Bank estimated a total ECL allowance of $113M as at October 31, 2019. This is a key audit matter as the estimation of ECLs is inherently uncertain and requires the application of judgement and use of subjective assumptions by management. Furthermore, models used to determine credit impairments are complex, and certain inputs used are not fully observable. Management compensates for any model and data deficiencies by applying judgmental overlays to ECL model outputs.	• We evaluated the modelling techniques and methodologies developed by the Bank in order to estimate ECLs, and assessed their compliance with the requirements of IFRS 9. • We assessed and tested the design and operating effectiveness of management's controls over the process for estimation of ECLs. • We tested the completeness and accuracy of input data to the models used to determine the ECLs. We assessed the methodologies and assumptions applied in determining 12 month and lifetime probabilities of default ("PD"), loss given default ("LGD"), exposure at default ("EAD") and staging. We assessed external source of data and assumptions, particularly with respect to forward looking information ("FLI") by testing to independent sources. • We involved our internal financial services risk management and economics specialists to evaluate the methodology for validating models and analyzing modelling accuracy and consistency of impairment parameters. They also assessed the generation of FLI. We used our internal real estate specialists to access the methodology used and values obtained for the third party appraisals for real estate held as collateral for loans. • We assessed the reasonableness of all qualitative adjustments or overlays derived outside of specific model output. • We assessed the adequacy of the related disclosures in the consolidated financial statements.

Key Audit Matter	How our Audit Addressed the Key Audit Matter
Goodwill	
Related disclosures in the consolidated financial statements are included in Note 2.4, Summary of significant accounting policies–Goodwill and Note 11, Goodwill. Goodwill of $73M represents the excess of the cost of an acquisition over the fair value of the identifiable net assets of the acquired subsidiary and in accordance with International Accounting Standard 36, management is required to annually test goodwill for impairment. Goodwill is deemed to be impaired if the carrying value of a cash generating unit ("CGU") is in excess of its recoverable amount. This is a key audit matter since impairment requires significant estimation and judgement relative to assumptions used for projected cash flows for CGU (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 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 expected future economic conditions and independent sources of information. • We evaluated whether the impairment testing methodology 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 CGU 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. • We assessed the adequacy of the related disclosures in the consolidated financial statements.

Key Audit Matter	How our Audit Addressed the Key Audit Matter
Fair value of investment securities and derivative financial instruments and hedge accounting	
Related disclosures in the consolidated financial statements are included in Note 2.4, Summary of significant accounting policies, Derivative financial instruments and hedge accounting, Debt instruments at FVOCI, Equity instruments at FVOCI, Note 5, Derivative financial instruments, Note 7, Securities and Note 27, Financial risk management. This is a key audit matter due to the complexity of valuation models used to determine fair value. The valuation models can be subjective in nature and involve observable and unobservable data and various assumptions. These include the valuation of financial instruments with higher estimation uncertainty for which observable market prices or market parameters are not available. 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 assessed and tested the design and operating effectiveness of management's controls over the investment securities valuation process and monthly hedge effectiveness ensuring all hedge accounting criteria were met and in compliance with IAS 39 (IFRS 9 for hedge accounting deferred). • We reviewed the market prices applied to the Bank's debt securities by comparing the prices used to an independent external source. • We involved internal valuation specialists to assess the fair value of investment securities which did not have observable market prices. We also involved internal valuation specialists who tested the reasonableness of hedge effectiveness and the fair value of all derivatives held by the Bank. • We assessed the adequacy of the related disclosures in the consolidated financial statements.

Responsibilities of Management and the Board of Directors for the Consolidated Financial Statements

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

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 Board of Directors is responsible for overseeing the Bank's financial reporting process.

Auditors' 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 auditors' 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.

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 Bank'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 auditors' report to the related disclosures in the consolidated 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 auditors' 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.

We communicate with the management and the Board of Directors 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.

From the matters communicated with management and the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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.

The partner in charge of the audit resulting in this independent auditors' report is LaNishka F. McSweeney.

Ernst + Young

January 28, 2020

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	Notes	2019	2018
Assets			
Cash and balances with The Central Bank	3	$ 159,489	$ 166,113
Due from banks	4	433,985	409,997
Derivative financial instruments	5	49	647
Other assets	6	19,680	18,257
Securities	7	936,576	782,708
Loans and advances to customers	8	2,023,654	2,001,401
Property and equipment	9	30,593	29,578
Retirement benefit assets	10	28,483	18,179
Goodwill	11	72,747	72,747
Total assets		$ 3,705,256	$ 3,499,627
Liabilities			
Derivative financial instruments	5	$ 273	$ 5,784
Customer deposits	12	2,903,742	2,762,770
Other liabilities	13	62,053	65,945
Retirement benefit obligations	10	15,616	12,560
Total liabilities		$ 2,981,684	$ 2,847,059
Equity			
Issued capital	14	$ 477,230	$ 477,230
Reserves	14	19,810	(6,627)
Retained earnings		226,532	181,965
Total equity		$ 723,572	$ 652,568
Total liabilities and equity		$ 3,705,256	$ 3,499,627

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

Approved by the Board of Directors on January 28, 2020 and signed on its behalf by:

Marie Rodland-Allen
Managing Director

Director

CONSOLIDATED STATEMENT OF INCOME

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

	Notes	2019	2018
Interest and similar income		$ 169,968	$ 158,067
Interest and similar expense		13,172	10,031
Net interest income	15	156,796	148,036
Operating income	16	48,619	40,086
		205,415	188,122
Operating expenses	17	106,524	90,977
Credit loss expense on financial assets	7, 8	4,515	12,085
		111,039	103,062
Net income for the year		$ 94,376	$ 85,060
Basic and diluted earnings per share (expressed in cents per share)	18	78.5	70.8

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

	Notes	2019	2018
Net income for the year		$ 94,376	$ 85,060
Other comprehensive income/(loss) to be reclassified to net income or loss in subsequent periods:			
Net gains/(losses) on debt securities at fair value through OCI	20	10,866	(4,164)
Net other comprehensive income/(loss) to be reclassified to net income or loss in subsequent periods		10,866	(4,164)
Other comprehensive income/(loss) not to be reclassified to net income or loss in subsequent periods:			
Re-measurement gains/(losses) on retirement benefit plans	10	9,042	(2,043)
Net other comprehensive income/(loss) not to be reclassified to net income or loss in subsequent periods		9,042	(2,043)
Other comprehensive income/(loss) for the year		19,908	(6,207)
Comprehensive income for the year		$ 114,284	$ 78,853

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

	Notes	Issued capital	Reserves	Retained earnings	Total equity
Balance at October 31, 2017		$ 477,230	$ (13,194)	$ 229,108	$ 693,144
Impact of adopting IFRS 9 at November 1, 2017		-	10,108	(23,746)	(13,638)
Balance at November 1, 2017 after adopting IFRS 9		$ 477,230	$ (3,086)	$ 205,362	$ 679,506
Net income for the year		-	-	85,060	85,060
Other comprehensive loss for the year		-	(6,207)	-	(6,207)
Total comprehensive income		-	(6,207)	85,060	78,853
Dividends	19	-	-	(105,791)	(105,791)
Transfer to statutory reserve fund – Turks & Caicos Islands	14	-	2,666	(2,666)	-
Balance at October 31, 2018		$ 477,230	$ (6,627)	$ 181,965	$ 652,568
Net income for the year		-	-	94,376	94,376
Other comprehensive income for the year		-	19,908	-	19,908
Total comprehensive income		-	19,908	94,376	114,284
Dividends	19	-	-	(43,280)	(43,280)
Transfer to statutory reserve fund – Turks & Caicos Islands	14	-	6,529	(6,529)	-
Balance at October 31, 2019		$ 477,230	$ 19,810	$ 226,532	$ 723,572

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

CONSOLIDATED STATEMENT OF CASH FLOWS

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

	Notes	2019	2018
Cash flows from operating activities			
Net income for the year		$ 94,376	$ 85,060
Adjustments to reconcile net income to net cash from operating activities			
Credit loss expense on financial assets	7, 8	4,515	12,085
Depreciation of property and equipment	9	4,021	4,562
Net losses on write-off of property and equipment	9	370	-
Net gains on disposals and redemption of securities	16	-	(498)
Net hedging losses/(gains)	5	29	(259)
Interest income earned on investment securities	15	(28,076)	(24,822)
Interest expense incurred on derivative financial instruments	15	131	860
Net cash flows from operating income before changes in operating assets and liabilities		75,366	76,988
Changes in operating assets and liabilities:			
- net decrease in due from banks greater than 90 days	4	5,261	52,154
- net increase in mandatory reserves with The Central Bank	3	(3,812)	(173)
- net (increase)/decrease in loans and advances to customers		(23,080)	47,725
- net increase in other assets		(11,129)	(854)
- net increase in customer deposits		140,972	11,922
- net increase/(decrease) in other liabilities		18,136	(10,711)
Net cash from operating activities		201,714	177,051
Cash flows from investing activities			
Purchases of property and equipment	9	(5,406)	(6,165)
Purchases of investment securities	7	(976,229)	(821,799)
Proceeds from disposals and redemption of securities	7	832,523	829,701
Interest income received on investment securities		26,320	25,797
Interest expense paid on derivative financial instruments		(1,469)	(1,344)
Net cash (used in)/from investing activities		(124,261)	26,190
Cash flows from financing activities			
Dividends paid		(58,640)	(87,886)
Net cash used in financing activities		(58,640)	(87,886)
Net increase in cash and cash equivalents		18,813	115,355
Cash and cash equivalents, beginning of year		494,192	378,837
Cash and cash equivalents, end of year	3	$ 513,005	$ 494,192

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

For the year ended October 31, 2019
(Expressed in thousands of Bahamian dollars)

Note 1 Corporate Information

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

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

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

These consolidated financial statements have been authorised for issue by the Board of Directors on January 28, 2020. The Board of Directors has the power to amend these consolidated financial statements after issue, if required.

Note 2 Basis of Preparation and Summary of Significant Accounting Policies

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

2.1 Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for debt instruments at fair value through other comprehensive income ("FVOCI"), financial assets and liabilities at fair value through the profit or loss and derivative financial instruments, which have all been measured at fair value. The carrying values of recognised assets that are hedged items in fair value hedges, and otherwise carried at amortised cost, are adjusted to record changes in fair value attributable to the risks that are being hedged. The consolidated financial statements are presented in Bahamian dollars, and all values are rounded to the nearest thousand except where otherwise indicated.

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

Statement of compliance

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

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries as at October 31, 2019 (the "reporting date"). The financial statements of the subsidiaries are prepared for the same reporting year as the Bank, using consistent accounting policies.

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Subsidiaries

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

Control is achieved when the Bank is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Bank controls an investee if and only if the Bank has: 1) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee); 2) Exposure, or rights, to variable returns from its involvement with the investee; and 3) The ability to use its power over the investee to affect its returns.

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

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

2.2 Significant accounting judgments and estimates

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

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

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

- Capital management – Note 14
- Financial risk management and policies – Note 27
- Sensitivity analysis disclosures – Notes 10, 11, 27

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

Fair value of financial instruments

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

Impairment losses on financial assets

The measurement of impairment losses across all categories of financial assets requires judgment, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

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The Bank's expected credit loss ("ECL") calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgments and estimates include:

- The Bank's internal credit grading model, which assigns Probable Defaults ("PDs") to the individual grades
- The Bank's criteria for assessing if there has been a significant increase in credit risk, and so allowances for financial assets should be measured on a Lifetime ECL ("LTECL") basis and the qualitative assessment
- The segmentation of financial assets when their ECL is assessed on a collective basis
- Development of ECL models, including the various formulas and the choice of inputs
- Determination of associations between macroeconomic scenarios and economic inputs, such as unemployment levels and collateral values, and the effect on PDs, Exposure at Default ("EAD") and Loss Given Defaults ("LGD")
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models

It has been the Bank's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

Retirement benefit obligations

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

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

Taxes

Income taxes

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

Value Added Tax (VAT)

Effective January 1, 2015, the Government of The Commonwealth of The Bahamas implemented a value added tax (VAT). VAT is an indirect tax which is considered a broadly based consumption tax charged on the value added to goods and services. It applies to almost all goods and services that are imported, bought and sold for use or consumption. Conversely, exported goods and services supplied to customers abroad are exempted or zero-rated. Effective July 1, 2018, the VAT rate was increased from 7.5% to 12%. The Company is a VAT registrant.

Goodwill

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

Going concern

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

2.3 Adoption of new accounting policies

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

New and amended standards and interpretations

In these consolidated financial statements, the Bank adopted IFRS 15 "Revenue from Contracts with Customers" (IFRS 15) as at November 1, 2018 in place of prior guidance, including IAS 18 "Revenue" (IAS 18) and IFRIC 13 "Customer Loyalty Programmes" (IFRIC 13). The nature and the impact of the new standards is described below.

Several other amendments and interpretations apply for the first time in 2019, but did not have an impact on the consolidated financial statements. The Bank has not adopted early any standards, interpretations or amendments that have been issued but are not yet effective.

IFRS 15 Revenue from Contracts with Customers

The Bank adopted IFRS 15 as at November 1, 2018 on a modified retrospective basis with no effect on the Bank's financial position and performance.

The new guidance includes a five-step, principles-based recognition and measurement approach, as well as requirements for accounting for contract cost, and enhanced quantitative and qualitative disclosure requirements. The application of this guidance involves the use of judgement. IFRS 15 excludes from its scope revenue related to financial instruments, lease contracts and insurance contracts. As a result, the majority of the Bank's revenue was not impacted by the adoption of this standard, including net interest income, net gains/(losses) from financial instruments measured/designated at FVTPL and net gains/(losses) from debt securities measured at FVOCI.

Based on the Bank's assessment, there were either no measurement differences or measurement differences that were not considered material on adopting IFRS 15.

There were no updates to the fees and commission income or to the customer loyalty programmes accounting policies (Note 2.4) because of this change.

2.4 Summary of significant accounting policies

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

Foreign currency translation

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

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Transactions and balances

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

Derivative financial instruments and hedge accounting

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

Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

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

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

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment (except for foreign currency risk).

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

At the inception of a hedge relationship, the Bank formally designates and documents the hedge relationship to which the Bank wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed at inception and on a monthly basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated. A hedge is considered to be highly effective if the changes in fair value of cash flows attributable to the hedged risk are expected to be offset by the hedging instrument in a range of 80% to 125%. Hedge ineffectiveness can arise from:

- Differences in timing of cash flows of hedged items and hedging instruments
- Different interest rate curves applied to discount the hedged items and hedging instruments
- Derivatives used as hedging instruments having a non-nil factor value at the time of designation
- The effect of changes in counterparties' credit risk on the fair values of hedging instruments or hedged items

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

- Fair value hedge
  For hedging relationships which are designated and qualify as fair value hedges and that prove to be highly effective in relation to the hedged risk, changes in the fair value of the derivatives are recorded in the consolidated statement of income, along with the corresponding change in fair value of the hedged asset or liability that is attributable to that specific hedged risk.
  If the hedge no longer meets the criteria for hedge accounting, an adjustment to the carrying amount of a hedged interest-bearing financial instrument is amortised to net profit or loss over the remaining period to maturity.

- Cash flow hedge
  The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated statement of income. Amounts accumulated in other comprehensive income are recycled to the consolidated statement of income in the periods in which the hedged item will affect profit or loss (for example, when the forecast sale that is hedged takes place). When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in other comprehensive income at that time remains in other comprehensive income and is recognised when the forecast transaction is ultimately recognised in the consolidated statement of income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to the consolidated statement of income. As at October 31, 2019, the Bank did not have hedge relationships classified as cash flow hedges.

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 recorded using the effective interest rate (EIR) method for all financial instruments measured at amortised cost, and financial instruments designated at fair value through profit or loss (FVPL). Interest income on interest bearing financial assets measured at FVOCI under IFRS 9 is also recorded by using the EIR method. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset. When calculating the EIR, we estimate future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The EIR (and therefore, the amortised cost of the asset) is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of the EIR. The Bank recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, it recognises the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (including prepayments, penalty interest and charges). If expectations regarding the cash flows on the financial asset are revised for reasons other than credit risk, the adjustment is booked as a positive or negative adjustment to the carrying amount of the asset in the balance sheet with an increase or reduction in interest income. The adjustment is subsequently amortised through Interest and similar income in the statement of income.

The Bank calculates interest income by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets.

When a financial asset becomes credit-impaired (as set out in Note 8) and is, therefore, regarded as 'Stage 3', the Bank calculates interest income by applying the effective interest rate to the net amortised cost of the financial asset. If the financial asset cures (as outlined in Note 8) and is no longer credit-impaired, the Bank reverts to calculating interest income on a gross basis.

Interest income on financial assets mandatorily required to be measured at FVPL is recognised using the contractual interest rate.

Fee and commission income

The recognition of fee and commission income is determined by the purpose of the fee or commission and the terms specified in the contract with the customer. Revenue is recognised when, or as, a performance obligation is satisfied by transferring control of the service to the customer, in the amount of the consideration to which we expect to be entitled. Revenue may therefore be recognised at a point in time upon completion of the service or over time as the services are provided. When revenue is recognised over time, we are generally required to provide the services each period and we therefore measure our progress towards completion of the service based upon the time elapsed. When another party is involved in providing a service to a customer, we determine whether the nature of our performance obligation is that of a principal or an agent. If we control the service before it is transferred to the customer, we are acting as the principal and present revenue separately from the amount paid to the other party; otherwise we are the agent and present revenue net of the amount paid to the other party. Income which forms an integral part of the effective interest rate of a financial instrument continues to be recognised as an adjustment to the effective interest rate.

Underwriting and advisory fees are earned on debt and equity securities placements and transaction-based advisory services. Underwriting fees are typically recognised at the point in time when the transaction is completed. Advisory fees are generally recognised as revenue over the period of the engagement as the related services are provided or at the point in time when the transaction is completed.

Deposit services fees arise from personal and business deposit accounts and cash management services. Monthly and annual fees are recognised over the period that the related services are provided. Transactional fees are recognised at the point in time the related services are provided.

Credit services fees consist of loan syndication fees, loan commitment fees, negotiation & collection fees, credit advisory fees, letters of credit and guarantees & bonds fees. Credit fees are generally recognised over the period that the related services are provided, except for loan syndication fees, which are typically recognised at the point in time that the financing placement is completed. Letters of credit and guarantees & bonds fees are charged annually and cover a one year period starting on the date that the contract was first issued.

Card fees primarily include interchange income, over limit fees, cash advance fees, and annual fees. Card fees are recognised at the point in time the related services are provided, except for annual fees, which are recognised over the 12-month period to which they relate. The cost of credit card loyalty points is recognised as a reduction of interchange income when the loyalty points are issued for both self-managed and third-party loyalty points programs. Credit card loyalty point liabilities are recognised for self-managed loyalty point programs and are subject to periodic re-measurement to reflect the expected cost of redemption as this expectation changes over time.

Investment management fees (reported as part of underwriting fees in Note 16) are primarily based on the respective value of the assets under management (AUM) or assets under administration (AUA) and are recognised over the period that the related services are provided. Investment management fees are generally calculated based on point-in-time AUM and AUA balances. Custodial fees are recognised as revenue over the applicable service period, which is generally the contract term.

Customer loyalty programmes

The Bank offers customer loyalty 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: initial recognition

Date of recognition

Financial assets and liabilities, with the exception of loans and advances to customers and balances due to customers, are initially recognised on the settlement date, which is the date that an asset is delivered to or by the Bank. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Loans and advances to customers are recognised when funds are transferred to the customers' accounts. The Bank recognises balances due to customers when funds are transferred to the Bank.

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Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value except in the case of financial assets and financial liabilities recorded at FVPL. Transaction costs are added to, or subtracted from, this amount. Trade receivables are measured at the transaction price. When the fair value of financial instruments at initial recognition differs from the transaction price, the Bank accounts for the Day 1 profit or loss, as described below.

Day 1 profit or loss

When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Bank recognises the difference between the transaction price and fair value in net trading income. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in profit or loss when the inputs become observable, or when the instrument is derecognised.

Measurement categories of financial assets and liabilities

From November 1, 2018, the Bank classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortised cost
- FVOCI
- FVPL

The Bank classifies and measures its derivative and trading portfolio at FVPL as explained in the summary of significant accounting policies. The Bank may designate financial instruments at FVPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies.

Financial assets and liabilities

Due from banks, Loans and advances to customers, Financial investments at amortised cost

The Bank only measures Due from banks, Loans and advances to customers and other financial investments at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The details of these conditions are outlined below.

Business model assessment

The Bank determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Bank's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)
- The expected frequency, value and timing of sales are also important aspects of the Bank's assessment

The business model assessment is based on reasonably expected scenarios without taking ‘worst case’ or ‘stress case’ scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Bank’s original expectations, the Bank does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The SPPI test

As a second step of its classification process, the Bank assesses the contractual terms of financial instruments to identify whether they meet the SPPI test.

‘Principal’ for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Bank applies judgment and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

Derivatives recorded at fair value through profit or loss

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract (i.e., the ‘underlying’).
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts expected to have a similar response to changes in market factors.
- It is settled at a future date.

The Bank enters into derivative transactions with various counterparties. These may include interest rate swaps, futures, credit default swaps, cross-currency swaps, forward foreign exchange contracts and options on interest rates, foreign currencies and equities. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. The notional amount and fair value of such derivatives are disclosed separately in Note 5. Changes in the fair value of derivatives are included in net trading income unless hedge accounting is applied. Hedge accounting disclosures are provided in Note 5.

Debt instruments at FVOCI

The Bank applies the category of debt instruments measured at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets
- The contractual terms of the financial asset meet the SPPI test

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and foreign exchange gains and losses are recognised in profit or loss in the same manner as for financial assets measured at amortised cost. The ECL calculation for debt instruments at FVOCI is shown in Note 7. Where the Bank holds more than one investment in the same security, they are deemed to be disposed of on a first–in first-out basis.

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On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

Equity instruments at FVOCI

Upon initial recognition, the Bank occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of Equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to profit or loss. Dividends are recognised in profit or loss as other operating income when the right of the payment has been established, except when the Bank benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.

Financial assets and liabilities at fair value through profit or loss

Financial assets and financial liabilities in this category are those that are not held for trading and have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. Management only designates an instrument at FVPL upon initial recognition when one of the following criteria is met. Such 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 liabilities are part of a group of financial liabilities, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, or
- The liabilities contains one or more embedded derivatives, unless they do not significantly modify the cash flows that would otherwise be required by the contract, or it is clear with little or no analysis when a similar instrument is first considered, that separation of the embedded derivative(s) is prohibited.

Financial assets and financial liabilities at FVPL are recorded in the consolidated statement of financial position at fair value. Changes in fair value are recorded in profit and loss with the exception of movements in fair value of liabilities designated at FVPL due to changes in the Bank's own credit risk. Such changes in fair value are recorded in the Own credit reserve through OCI and do not get recycled to the profit or loss. Interest earned or incurred on instruments designated at FVPL is accrued in interest income or interest expense, respectively, using the EIR, taking into account any discount/ premium and qualifying transaction costs being an integral part of instrument. Interest earned on assets mandatorily required to be measured at FVPL is recorded using contractual interest rate as explained in Note 5. Dividend income from equity instruments measured at FVPL is recorded in profit or loss as other operating income when the right to the payment has been established.

Financial guarantees, letters of credit and undrawn loan commitments

The Bank issues financial guarantees, letters of credit and loan commitments. Financial guarantees are initially recognised in the consolidated financial statements at fair value, being the premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the consolidated statement of income, and an ECL allowance.

The premium received is recognised in the consolidated statement of income in fees and commission income on a straight line basis over the life of the guarantee.

Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, the Bank is required to provide a loan with pre-specified terms to the customer. These contracts are in the scope of the ECL requirements.

The nominal contractual value of financial guarantees, letters of credit and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded in the consolidated statement of financial position. The nominal values of these instruments together with the corresponding ECLs are disclosed in Note 8.

The Bank occasionally issues loan commitments at below market interest rates drawdown. Such commitments are subsequently measured at the higher of the amount of the ECL allowance and the amount initially recognised less, when appropriate, the cumulative amount of income recognised as outlined in Note 8.

Reclassification of financial assets and liabilities

The Bank does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Bank acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified. The Bank did not reclassify any of its financial assets or liabilities in 2019.

Derecognition of financial assets and liabilities

Derecognition due to substantial modification of terms and conditions

The Bank derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be purchased or originated credit impaired (POCI).

When assessing whether or not to derecognise a loan to a customer, amongst others, the Bank considers the following factors:

- Change in currency of the loan
- Introduction of an equity feature
- Change in counterparty
- If the modification is such that the instrument would no longer meet the SPPI criterion

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Bank records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

Derecognition other than for substantial modification

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the asset have expired. The Bank also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

The Bank has transferred the financial asset if, and only if, either:

- The Bank transfers its contractual rights to receive cash flows from the financial asset, or
- It retains the right to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through arrangement'.

Pass-through arrangements are transactions whereby the Bank retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

- The Bank has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates.
- The Bank cannot sell or pledge the original asset other than as security to the eventual recipients.
- The Bank has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Bank is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

A transfer only qualifies for derecognition if either:

- The Bank has transferred substantially all the risks and rewards of the asset, or
- The Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

The Bank considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Bank has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Bank's continuing involvement, in which case, the Bank also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained.

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

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Bank would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled, or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

Impairment of financial assets

Overview of the ECL principles

The Bank records allowance for expected credit losses for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts, in this section all referred to as 'financial instruments'. Equity instruments are not subject to impairment under IFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL) as outlined in Note 8. The Bank's policies for determining if there has been a significant increase in credit risk are set out in Note 2.3.

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. This is further explained in Note 27.

Based on the above process, the Bank groups its loans into Stage 1, Stage 2, Stage 3 and POCI, as described below:

- Stage 1: When loans are first recognised, the Bank recognises an allowance based on 12mECLs. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.

- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. Stage 2 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 3.
- Stage 3: Loans considered credit-impaired (as outlined in Note 8). The Bank records an allowance for the LTECLs.
- POCI: Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted EIR. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

For financial assets for which the Bank has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

The calculation of ECLs

The Bank calculates ECLs based on probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- PD - The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio. The concept of PDs is further explained in Note 27.
- EAD - The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments. The EAD is further explained in Note 27.
- LGD - The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD. The LGD is further explained in Note 27.

With the exception of credit cards and other revolving facilities, the maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Bank has the legal right to call it earlier.

The mechanics of the ECL method are summarised below:

- Stage 1: The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Bank calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR.
- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. The mechanics are similar to those explained above, but PDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.
- Stage 3: For loans considered credit-impaired, the Bank recognises the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.

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- POCI assets: Financial assets that are credit impaired on initial recognition. The Bank only recognises the cumulative changes in lifetime ECLs since initial recognition, based on probability-weighting scenarios, discounted by the credit adjusted EIR.
- Loan commitments and letters of credit: When estimating 12mECL for undrawn loan commitments, the Bank applies the PD and LGD to the undrawn amount, and this amount is discounted at an approximation to the expected EIR on the loan.

  For credit cards and revolving facilities that include both a loan and an undrawn commitment, ECLs are calculated and presented together with the loan. For loan commitments and letters of credit, the ECL is recognised within Provisions.
- Financial guarantee contracts: The Bank estimates ECLs by applying the PD and LGD to the exposure, and this amount is discounted at an approximation to the interest rate relevant to the exposure. The ECLs related to financial guarantee contracts are recognised within credit loss on financial assets.

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

Debt instruments measured at fair value through OCI

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the consolidated statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is recycled to the profit and loss upon derecognition of the assets.

Purchased or originated credit impaired financial assets (POCI)

For POCI financial assets, the Bank only recognises the cumulative changes in LTECL since initial recognition in the loss allowance.

Credit cards and other revolving facilities

The Bank's product offering includes a variety of corporate and retail overdraft and credit cards facilities, in which the Bank has the right to cancel and/or reduce the facilities with one day's notice. The Bank does not limit its exposure to credit losses to the contractual notice period, but, instead calculates ECL over a period that reflects the Bank's expectations of the customer behaviour, its likelihood of default and the Bank's future risk mitigation procedures, which could include reducing or cancelling the facilities.

The ongoing assessment of whether a significant increase in credit risk has occurred for revolving facilities is similar to other lending products. This is based on shifts in the customer's internal credit grade or history of delinquency, as explained in Note 27, but greater emphasis is also given to qualitative factors such as changes in usage.

The calculation of ECLs, including the estimation of the expected period of exposure and discount rate is made, as explained in Note 27, on a collective basis for corporate and retail products. The collective assessments are made separately for portfolios of facilities with similar credit risk characteristics.

Forward looking information

In its ECL models, the Bank relies on a broad range of forward looking information as economic inputs, such as:

- GDP growth
- Consumer price index and inflation
- Interest rates

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For the majority of our loan portfolios, our forecast of forward-looking information variables is established from a "base case" or most likely scenario. In forming the "base case" scenario, we consider the forecasts of monetary authorities such as the International Monetary Fund (IMF), World Bank and local regulatory/statutory bodies. We then derive reasonably possible "upside case" and "downside case" scenarios using the historical performance of variables that are above and below our "base case" along with the application of management judgment. A probability weighting is assigned to our "base case", "upside case" and "downside case" scenarios based on management judgment.

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the consolidated financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material. The use of management overlays requires the application of significant expert judgment that may impact on the amount and timing of the ECL allowance being recognised. As such, overlays are continuously reviewed for relevance and accuracy.

Collateral valuation

To mitigate its credit risks on financial assets, the Bank seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non- financial assets and credit enhancements such as netting agreements. Collateral, unless repossessed, is not recorded on the Bank's consolidated statement of financial position. However, the fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and re-assessed on a quarterly basis. Details of the impact of the Bank's various credit enhancements are disclosed in Note 8.

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

Collateral repossessed

The Bank's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets for which selling is determined to be a better option are transferred to assets held for sale at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date, in line with the Bank's policy.

In its normal course of business, the Bank does not physically repossess properties or other assets in its retail portfolio, but engages external agents to recover funds, generally at auction, to settle outstanding debt. Any surplus funds are returned to the customers/obligors. As a result of this practice, the residential properties under legal repossession processes are not recorded on the consolidated statement of financial position.

Write-offs

Financial assets are written off either partially or in their entirety only when the Bank has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

Forborne and modified loans

The Bank sometimes makes concessions or modifications to the original terms of loans as a response to the borrower's financial difficulties, rather than taking possession or to otherwise enforce collection of collateral. The Bank considers a loan forborne when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties and the Bank would not have agreed to them if the borrower had been financially healthy. Indicators of financial difficulties include defaults on covenants, or significant concerns raised by the Credit Risk Department.

Forbearance may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms. It is the Bank's policy to monitor forborne loans to help ensure that future payments continue to be likely to occur. Derecognition decisions and classification between Stage 2 and Stage 3 are determined on a case-by-case basis. If these procedures identify a loss in relation to a loan, it is disclosed and managed as an impaired Stage 3 forborne asset until it is collected or written off.

When the loan has been renegotiated or modified but not derecognised, the Bank also reassesses whether there has been a significant increase in credit risk, as set out in Note 27. The Bank also considers whether the assets should be classified as Stage 3. Once an asset has been classified as forborne, it will remain forborne for a minimum probation period according to the regulatory rules in The Bahamas and the TCI.

In order for the loan to be reclassified out of the forborne category, the customer has to meet all of the following criteria:

- All of its facilities have to be considered performing
- The probation period has passed from the date the forborne contract was considered performing
- Regular payments of more than an insignificant amount of principal or interest have been made during at least half of the probation period
- The customer does not have any contract that is more than 30 days past due

Details of forborne assets are disclosed in Note 27. If modifications are substantial, the loan is derecognised.

Offsetting financial instruments

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

Goodwill

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

Property and equipment

Property and equipment is stated at historical cost less accumulated depreciation, with the exception of land which is not depreciated. Historical cost includes expenditures that are directly attributable to the acquisition of the items. Land and buildings comprise mainly 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 Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated statement of income during the financial period in which they are incurred.

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

The annual rates used are:

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

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

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

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

Leases

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

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

Financial guarantees

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

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

Cash and cash equivalents

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

Provisions

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

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Retirement benefit obligations

Pension obligations

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

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

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

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

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

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

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

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

Other post-retirement obligations

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

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 and applicable regulatory approvals have been received.

Earnings per share

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

Fiduciary activities

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

Segment reporting

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

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

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

Fair value measurement

The Bank measures financial instruments, such as derivatives and FVOCI debt securities, at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 27. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

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

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

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

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

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

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

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

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

Comparatives

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

2.5 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 Bank's financial statements are disclosed below. The Bank intends to adopt these standards, if applicable, when they become effective.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases - Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). The Bank will make use of both exemptions.

At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset, which will lead to a higher charge being recorded in the income statement compared to IAS 17. Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

During 2019, the Bank performed a detailed impact assessment of IFRS 16 and will apply the modified retrospective approach as permitted by the standard. The Bank will recognise a right-of-use asset at the date of initial application for leases previously classified as an operating lease applying IAS 17. As permitted by the standard, this amount will be equal to the lease liability, adjusted for any prepayments or accrued lease payments relating to that lease. The lease liability will be measured at an amount equal to the outstanding lease payments at the date of initial application, considering extension and termination options, discounted at the Bank's incremental borrowing rate in the economic environment of the lease. The capitalised right-of-use asset will mainly consist of office property, namely the retail branches and some warehouses used for storage.

In summary, the adoption of IFRS 16 is expected to have no impact on retained earnings, while the increase in the risk-weighted assets (treated as 100% risk-weighted, consistently with the nature of the underlying asset) is expected to consume $3 million of excess capital. The recognised right-of-use asset and lease liability will both equal approximately $15 million.

Amendments to IFRS 9 Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The amendments should be applied retrospectively and are effective from 1 January 2019, with earlier application permitted. These amendments have no impact on the consolidated financial statements of the Bank.

IAS 19 Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event
- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognised in other comprehensive income.

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after January 1, 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Bank.

Annual Improvements 2015 - 2017 Cycle

The improvements in this cycle include:

IFRS 3 Business Combinations

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including re-measuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer re-measures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted. These amendments will apply on future business combinations of the Bank.

IFRS 11 Joint Arrangements

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not re-measured.

An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted. These amendments are currently not applicable to the Bank but may apply to future transactions.

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IAS 23 Borrowing Costs

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted. Since the Bank's current practice is in line with these amendments, the Bank does not expect any effect on its consolidated financial statements.

Note 3 Cash and Balances with The Central Bank

	2019	2018
Cash	$ 38,075	$ 42,144
Deposits with The Central Bank - non-interest bearing	121,414	123,969
Cash and balances with The Central Bank	159,489	166,113
Less: Mandatory reserve deposits with The Central Bank	(54,219)	(50,407)
Included in cash and cash equivalents, as per below	$ 105,270	$ 115,706

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

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

Cash and cash equivalents

	2019	2018
Cash and balances with The Central Bank, as per above	$ 105,270	$ 115,706
Due from banks, included in cash and cash equivalents (Note 4)	407,735	378,486
	$ 513,005	$ 494,192

Note 4 Due from Banks

	2019	2018
Included in cash and cash equivalents (Note 3)	$ 407,735	$ 378,486
Greater than 90 days maturity from date of acquisition	26,250	31,511
Due from banks	$ 433,985	$ 409,997

Due from banks comprises deposit placements and include amounts placed with other FirstCaribbean International Bank entities of $246,833 (2018: $281,160) and deposit placements with CIBC entities of $40,589 (2018: $21,204) (Note 22). Placements with other FirstCaribbean International Bank entities include amounts with FCIB Jamaica totalling $26,438 (2018: $26,461), which are pledged in favour of that bank in support of loans granted to certain of its customers.

The average effective yield on deposit placements during the year was 2.14% (2018: 1.88%).

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Note 5 Derivative Financial Instruments

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

	Notional Amount		Fair Values	
	Assets	Liabilities	Assets	Liabilities
2019				
Interest rate swaps	$ 11,129	$ 5,357	$ 49	$ 273
			$ 49	$ 273
2018				
Interest rate swaps	$ 23,717	$ 40,187	$ 647	$ 5,784
			$ 647	$ 5,784

The Bank has positions in the following types of derivatives and they are measured at fair value through profit or loss:

Interest rate swaps

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

Cash collateral pledged with counterparties that have one-way collateral posting arrangements total $nil (2018: $5,261) and are included in Due from Banks (Note 4). During the year an interest rate swap was terminated which was collateralised.

Derivative financial instruments held or issued for hedging purposes

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

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

In 2019, the Bank recognised gains of $4,737 (2018: $nil) as a result of failed hedges, along with associated fees of $4,704 (2018: $nil), which are included within operating income as part of net trading losses as these derivatives are classified as trading derivatives upon failure.

Hedged items currently designated as of October 31:.

	Carrying amount of the hedged items		Cumulative amount of fair value of hedging adjustment included in the carrying amount of the hedged items	
	2019	2018	2019	2018
Consolidated statement of financial position in which the hedged item is included:				
Loans & advances to customers	$ -	6,432	$ -	755
Securities	-	25,310	-	2,300
	$ -	31,742	$ -	3,055

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The following table shows the net gains and losses recognised in income related to derivatives in live fair value hedging relationships for the periods ended October 31:

	2019	2018
Gains/(Losses) recorded in operating income:		
Recognised gains on hedging instruments	$ -	$ 2,519
Recognised losses on hedged item	-	(2,262)
Net gains recognised on fair value hedges	$ -	$ 257

Note 6 Other Assets

	2019	2018
Clearings and suspense	$ 12,591	$ 9,129
Other accounts receivables (Note 22)	4,894	7,109
Prepayments and deferred items	2,195	2,019
	$ 19,680	$ 18,257

Included in other accounts receivables are balances due from other Parent Group entities amounting to $nil (2018: $25) and the Bank's retirement benefit pension plan amounting to $2,994 (2018: $4,841), which represents amounts paid to pensioners on the plan's behalf.

Note 7 Securities

Securities measured at FVOCI

	2019	2018
Equity securities - unquoted	$ 219	$ 219
Government debt securities		
- Barbados	15,692	12,303
- Bahamas	484,116	342,783
- Other	49,846	21,838
Total Government debt securities	549,654	376,924
Other debt securities		
Financial institutions	365,841	362,429
Non-financial institutions	13,032	37,062
Total other debt securities	378,873	399,491
Total securities measured at FVOCI	928,746	776,634
Add: Interest receivable	7,830	6,074
	$ 936,576	$ 782,708

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Allowance for credit losses on securities

The table below provides a reconciliation of the opening balance to the closing balance of the ECL allowances for debt securities measured at FVOCI:

				2019
	Stage 1 Collective provision 12-month ECL performing	Stage 2 Collective provision lifetime ECL performing	Stage 3 Collective and individual provision lifetime ECL credit-impaired	Total
Balance, beginning of year	$ 7,686	$ 458	$ 4,617	$ 12,761
Originations net of repayments and other derecognitions	(52)	-	-	(52)
Net remeasurement	(416)	168	3,558	3,310
Credit loss (credit)/expense	(468)	168	3,558	3,258
Other*	-	-	(3,369)	(3,369)
Balance, end of year	$ 7,218	$ 626	$ 4,806	$ 12,650

* Included in Other is the write-off of basis adjustments on an ineffective hedge of $3,369 due to the Barbados Government debt restructuring.

				2018
	Stage 1 Collective provision 12-month ECL performing	Stage 2 Collective provision lifetime ECL performing	Stage 3 Collective and individual provision lifetime ECL credit-impaired Total	Balance,
Balance, beginning of year	$ 7,795	$ 2,313	$ -	$ 10,108
Originations net of repayments and other derecognitions	363	(8)	-	355
Net remeasurement	(472)	(1,847)	4,617	2,298
Credit loss (credit)/expense	(109)	(1,855)	4,617	2,653
Balance, end of year	$ 7,686	$ 458	$ 4,617	$ 12,761

The average effective yield during the year on debt securities and treasury bills was 3.23% (2018: 3.25%). The Bank has a regulatory reserve requirement to maintain a percentage of deposit liabilities in cash or in the form of certain government securities. At October 31, 2019, the reserve requirement amounted to $246,143 (2018: $209,009) of which $191,924 (2018: $158,602) is in the form of government securities and $54,219 (2018: $50,407) is included within cash and balances with The Central Bank (Note 3).

The movement in debt instruments at FVOCI (excluding interest receivable) is summarised as follows:

	2019	2018
Balance, beginning of year	$ 776,634	$ 792,917
Additions (purchases and changes in fair value)	984,635	813,418
Disposals (sales and redemptions)	(832,523)	(829,701)
Balance, end of year	$ 928,746	$ 776,634

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Note 8 Loans and Advances to Customers

	Stage 1	Stage 2	Stage 3	2019 Total
Residential Mortgages*				
Gross loans	$ 787,787	$ 119,898	$ 74,339	$ 982,024
Expected credit loss allowances	5,946	4,420	46,350	56,716
Net residential mortgages	781,841	115,478	27,989	925,308
Personal loans				
Gross loans	176,554	11,348	15,713	203,615
Expected credit loss allowances	2,904	1,023	12,478	16,405
Net personal loans	173,650	10,325	3,235	187,210
Business & Government loans*				
Gross loans	794,658	123,626	19,959	938,243
Expected credit loss allowances	11,157	3,540	12,244	26,941
Net business & government loans	783,501	120,086	7,715	911,302
Total net loans	$ 1,738,992	$ 245,889	$ 38,939	$ 2,023,820
Add: Interest receivable				9,784
Less: Unearned fee income				(9,950)
				$ 2,023,654

	Stage 1	Stage 2	Stage 3	2018 Total
Residential Mortgages*				
Gross loans	$ 763,741	$ 125,534	$ 78,868	$ 968,143
Expected credit loss allowances	5,065	10,799	51,220	67,084
Net residential mortgages	758,676	114,735	27,648	901,059
Personal loans				
Gross loans	181,058	12,912	16,371	210,341
Expected credit loss allowances	2,863	717	12,868	16,448
Net personal loans	178,195	12,195	3,503	193,893
Business & Government loans*				
Gross loans	795,474	122,038	15,139	932,651
Expected credit loss allowances	10,127	5,721	12,269	28,117
Net business & government loans	785,347	116,317	2,870	904,534
Total net loans	$ 1,722,218	$ 243,247	$ 34,021	$ 1,999,486
Add: Interest receivable				13,086
Less: Unearned fee income				(11,171)
				$ 2,001,401

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	Stage 1 Collective provision 12-month ECL performing	Stage 2 Collective provision lifetime ECL performing	Stage 3 Collective and individual provision lifetime ECL credit-impaired	2019 Total
Residential Mortgages*				
Balance, beginning of year	$ 5,065	$ 10,799	$ 51,220	$ 67,084
Originations net of repayments and other derecognitions	633	(207)	(956)	(530)
Changes in model	39	(3,652)	(3,014)	(6,627)
Net remeasurement	(1,878)	(2,761)	5,693	1,054
Transfers				
-to 12-month ECL	2,430	(2,164)	(266)	-
-to lifetime ECL non-credit-impaired	(343)	2,978	(2,635)	-
- to lifetime ECL credit-impaired	-	(573)	573	-
Credit loss expense/(credit)	881	(6,379)	(605)	(6,103)
Write-offs	-	-	(323)	(323)
Recoveries	-	-	700	700
Interest income on impaired loans	-	-	(4,642)	(4,642)
Balance, end of year	$ 5,946	$ 4,420	$ 46,350	$ 56,716
Personal loans				
Balance, beginning of year	$ 2,863	$ 717	$ 12,868	$ 16,448
Originations net of repayments and other derecognitions	346	(60)	(205)	81
Changes in model	21	(114)	140	47
Net remeasurement	(529)	147	2,808	2,426
Transfers				
- to 12-month ECL	365	(333)	(32)	-
- to lifetime ECL non-credit-impaired	(154)	444	(290)	-
- to lifetime ECL credit-impaired	(8)	222	(214)	-
Credit loss expense	41	306	2,207	2,554
Write-offs	-	-	(2,456)	(2,456)
Recoveries	-	-	1,338	1,338
Interest income on impaired loans	-	-	(1,479)	(1,479)
Balance, end of year	$ 2,904	$ 1,023	$ 12,478	$ 16,405

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	Stage 1	Stage 2	Stage 3	2019
	Collective provision 12-month ECL performing	Collective provision lifetime ECL performing	Collective and individual provision lifetime ECL credit-impaired	Total
Business & government loans*				
Balance, beginning of year	$ 10,127	$ 5,721	$ 12,269	$ 28,117
Originations net of repayments and other derecognitions	3,107	(30)	(498)	2,579
Changes in model	(735)	(1,164)	(63)	(1,962)
Net remeasurement	(1,658)	(658)	6,505	4,189
Transfers				
- to 12-month ECL	755	(647)	(108)	-
- to lifetime ECL non-credit-impaired	(434)	550	(116)	-
- to lifetime ECL credit-impaired	(5)	(232)	237	-
Credit loss expense/(credit)	1,030	(2,181)	5,957	4,806
Write-offs	-	-	(4,325)	(4,325)
Recoveries	-	-	111	111
Interest income on impaired loans	-	-	(1,768)	(1,768)
Balance, end of year	$ 11,157	$ 3,540	$ 12,244	$ 26,941
Total Bank				
Balance, beginning of year	$ 18,055	$ 17,237	$ 76,357	$ 111,649
Originations net of repayments and other derecognitions	4,086	(297)	(1,659)	2,130
Changes in model	(675)	(4,930)	(2,937)	(8,542)
Net remeasurement	(4,065)	(3,272)	15,006	7,669
Transfers				
- to 12-month ECL	3,550	(3,144)	(406)	-
- to lifetime ECL non-credit-impaired	(931)	3,972	(3,041)	-
- to lifetime ECL credit-impaired	(13)	(583)	596	-
Credit loss expense/(credit)	1,952	(8,254)	7,559	1,257
Write-offs	-	-	(7,104)	(7,104)
Recoveries	-	-	2,149	2,149
Interest income on impaired loans	-	-	(7,889)	(7,889)
Balance, end of year	$ 20,007	$ 8,983	$ 71,072	$ 100,062
Total ECL allowance comprises:				
- Loans	$ 18,633	$ 8,811	$ 71,072	$ 98,516
- Undrawn credit facilities	1,374	172	-	1,546

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				2018
	Stage 1 Collective provision 12-month ECL performing	Stage 2 Collective provision lifetime ECL performing	Stage 3 Collective and individual provision lifetime ECL credit-impaired	Total
Residential Mortgages*				
Balance, beginning of year	$ 6,814	$ 11,615	$ 67,734	$ 86,163
Originations net of repayments and other derecognitions	339	89	(776)	(348)
Changes in model	(1,004)	155	3,718	2,869
Net remeasurement	(2,620)	(861)	1,193	(2,288)
Transfers				
- to 12-month ECL	1,859	(1,348)	(511)	-
- to lifetime ECL non-credit-impaired	(304)	1,755	(1,451)	-
- to lifetime ECL credit-impaired	(19)	(606)	625	-
Credit loss (credit)/expense	(1,749)	(816)	2,798	233
Net write-offs	-	-	(17,697)	(17,697)
Interest income on impaired loans	-	-	(1,615)	(1,615)
Balance, end of year	$ 5,065	$ 10,799	$ 51,220	$ 67,084
Personal loans				
Balance, beginning of year	$ 3,539	$ 421	$ 13,830	$ 17,790
Originations net of repayments and other derecognitions	82	(55)	(357)	(330)
Changes in model	(525)	504	46	25
Net remeasurement	(213)	1	2,637	2,425
Transfers				
- to 12-month ECL	112	(68)	(44)	-
- to lifetime ECL non-credit-impaired	(113)	261	(148)	-
- to lifetime ECL credit-impaired	(19)	(347)	366	-
Credit loss (credit)/expense	(676)	296	2,500	2,120
Net write-offs	-	-	(2,866)	(2,866)
Interest income on impaired loans	-	-	(596)	(596)
Balance, end of year	$ 2,863	$ 717	$ 12,868	$ 16,448

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								2018
		Stage 1 Collective provision 12-month ECL performing		Stage 2 Collective provision lifetime ECL performing		Stage 3 Collective and individual provision lifetime ECL credit-impaired		Total
Business & Government loans*								
Balance, beginning of year	$	13,785	$	3,717	$	12,100	$	29,602
Originations net of repayments and other derecognitions		30		218		(217)		31
Changes in model		(2,578)		(2,037)		342		(4,273)
Net remeasurement		(588)		3,324		8,585		11,321
Transfers								
- to 12-month ECL		656		(656)		-		-
- to lifetime ECL non-credit-impaired		(1,175)		1,199		(24)		-
- to lifetime ECL credit-impaired		(3)		(44)		47		-
Credit loss (credit)/expense		(3,658)		2,004		8,733		7,079
Net write-offs		-		-		(7,036)		(7,036)
Interest income on impaired loans		-		-		(1,528)		(1,528)
Balance, end of year	$	10,127	$	5,721	$	12,269	$	28,117
Total Bank								
Balance, beginning of year	$	24,138	$	15,753	$	93,664	$	133,555
Originations net of repayments and other derecognitions		451		252		(1,350)		(647)
Changes in model		(4,107)		(1,378)		4,106		(1,379)
Net remeasurement		(3,421)		2,464		12,415		11,458
Transfers								
- to 12-month ECL		2,627		(2,072)		(555)		-
- to lifetime ECL non-credit-impaired		(1,592)		3,215		(1,623)		-
- to lifetime ECL credit-impaired		(41)		(997)		1,038		-
Credit loss (credit)/expense		(6,083)		1,484		14,031		9,432
Net write-offs		-		-		(27,599)		(27,599)
Interest income on impaired loans		-		-		(3,739)		(3,739)
Balance, end of year	$	18,055	$	17,237	$	76,357	$	111,649
Total ECL allowance comprises:								
- Loans	$	16,876	$	16,934	$	76,357	$	110,167
- Undrawn credit facilities		1,179		303		-		1,482

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Impaired Loans

			2019			2018
	Gross impaired	Stage 3 allowance	Net impaired	Gross impaired	Stage 3 allowance	Net impaired
Residential Mortgages*	$ 74,339	$ 46,350	$ 27,989	$ 78,868	$ 51,220	$ 27,648
Personal loans	15,713	12,478	3,235	16,371	12,868	3,503
Business & government loans*	19,959	12,244	7,715	15,139	12,269	2,870
Total impaired loans	$ 110,011	$ 71,072	$ 38,939	$ 110,378	$ 76,357	$ 34,021

The average interest yield during the year on loans and advances was 6.47% (2018: 6.29%). Impaired loans as at October 31, 2019 amounted to $110,011 (2018: $110,378) and interest taken to income on impaired loans during the year amounted to $440 (2018: $2,179).

Contractually past due but not impaired loans

This comprises loans where repayment of principal or payment of interest is contractually in arrears. The following tables provide an aging analysis of the contractually past due loans:

	Residential Mortgages*	Personal Loans	Business & Government Loans*	2019 Total
Less than 30 days	$ 45,494	$ 7,977	$ 4,046	$ 57,517
31 - 60 days	20,757	2,434	24,254	47,445
61 - 89 days	15,925	791	60,977	77,693
	$ 82,176	$ 11,202	$ 89,277	$ 182,655

	Residential Mortgages*	Personal Loans	Business & Government Loans*	2018 Total
Less than 30 days	$ 45,677	$ 5,839	$ 5,898	$ 57,414
31 - 60 days	27,374	2,238	8,560	38,172
61 - 89 days	24,479	7,879	1,390	33,748
	$ 97,530	$ 15,956	$ 15,848	$ 129,334

* As at October 31, 2019, commercial mortgages were reclassified for presentation purposes from "Mortgages” to “Business & Government loans”. As a result, the prior period amounts were reclassified accordingly.

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Note 9 Property and Equipment

	Land and Buildings	Equipment, Furniture and Vehicles	Leasehold Improvements	2019 Total
Cost				
Balance, November 1, 2018	$ 22,486	$ 53,425	$ 17,366	$ 93,277
Purchases	580	2,045	2,781	5,406
Net transfers/write-offs	265	21	(286)	-
Balance, October 31, 2019	$ 23,331	$ 55,491	$ 19,861	$ 98,683
Accumulated depreciation				
Balance, November 1, 2018	$ 8,713	$ 39,717	$ 15,269	$ 63,699
Depreciation (Note 17)	732	4,074	(785)	4,021
Net transfers/write-offs	418	(48)	-	370
Balance, October 31, 2019	$ 9,863	$ 43,743	$ 14,484	$ 68,090
Net book value, October 31, 2019	$ 13,468	$ 11,748	$ 5,377	$ 30,593

	Land and Buildings	Equipment, Furniture and Vehicles	Leasehold Improvements	2018 Total
Cost				
Balance, November 1, 2017	$ 21,191	$ 48,171	$ 17,750	$ 87,112
Purchases	1,295	4,215	655	6,165
Net transfers	-	1,039	(1,039)	-
Balance, October 31, 2018	$ 22,486	$ 53,425	$ 17,366	$ 93,277
Accumulated depreciation				
Balance, November 1, 2017	$ 8,113	$ 36,342	$ 14,682	$ 59,137
Depreciation (Note 17)	600	3,375	587	4,562
Balance, October 31, 2018	$ 8,713	$ 39,717	$ 15,269	$ 63,699
Net book value, October 31, 2018	$ 13,773	$ 13,708	$ 2,097	$ 29,578

Included as part of leasehold improvements is an amount for $3,187 (2018: $1,067) relating to systems development costs and work in progress which is incomplete, not yet in operation and on which no depreciation has been charged.

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Note 10 Retirement Benefit Assets and Obligations

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

Plan characteristics, funding and risks

The benefits that members receive at retirement under the defined contribution plan depend on their account balances at retirement and the cost of purchasing an annuity. The total expense relating to the contributory plan charged for the year was $446 (2018: $472), which represents contributions to the defined contribution plan by the Bank at rates specified in the rules of the plan. Refer to Note 17.

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

Benefit changes

There were no material changes to the terms of our defined benefit pension or post-retirement medical benefit plans in 2019 or 2018.

Risks

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

Plan governance

The Bank is responsible for the establishment of the plans and oversight of their administration. The 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 recognised on the consolidated statement of financial position

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

For the year ended October 31, 2019
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	Defined Benefit Pension Plans		Post-Retirement Medical Benefits	
	2019	2018	2019	2018
Fair value of the plan assets	$ 134,938	$ 125,455	$ -	$ -
Present value of the obligations	(111,676)	(109,321)	(10,395)	(10,515)
Net retirement benefit asset/(obligations)	$ 23,262	$ 16,134	$ (10,395)	$ (10,515)

The Retirement Benefit Assets reported on the statement of financial position comprises of the Bahamas Defined Benefit Pension Plan's net asset of $28,483 (2018: $18,179).

The Retirement Benefit Obligations reported on the statement of financial position comprises of the Turks and Caicos Islands (TCI) Defined Benefit Pension Plan's net obligation of $5,221 (2018: $2,045) and the Post-Retirement Medical Benefits obligation of $10,395 (2018: $10,515).

The pension plan assets include 100,000 (2018: 100,000) ordinary shares in the Bank, with a fair value of $1,060 (2018: $925).

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

	2019	2018
Opening fair value of plan assets	$ 125,455	$ 126,418
Benefits paid	(3,357)	(3,800)
Actuarial gains	13,042	3,005
Plan administration costs	(202)	(168)
Closing fair value of plan assets	$ 134,938	$ 125,455

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

	2019	2018
Opening obligations	$ (109,321)	$ (106,357)
Interest costs	(5,513)	(5,455)
Current service costs	(2,432)	(2,455)
Benefits paid	3,357	3,800
Actuarial gains on obligations	2,233	1,146
Closing obligations	$ (111,676)	$ (109,321)

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

	2019	2018
Opening obligations	$ (10,515)	$ (10,818)
Interest costs	(524)	(549)
Benefits paid	504	479
Actuarial gains on obligations	140	373
Closing obligations	$ (10,395)	$ (10,515)

The Bank expects to contribute $nil (2018: $nil) to its defined benefit pension plans in the following year as the plans are on a contribution holiday. The Plan Actuary of the Bank has recommended a Defined Benefit contribution holiday for three years during the last triennial valuation. The contribution holiday was expected to last for six years if the existing surplus was to be fully amortised, and this will be re-evaluated in the plans' next triennial valuation.

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

	Defined Benefit Pension Plans		Post-Retirement Medical Benefits	
	2019	2018	2019	2018
Current service costs	$ 2,432	$ 2,455	$ -	$ -
Interest costs	5,513	5,455	524	549
Interest income on plan assets	(6,373)	(6,567)	-	-
Plan administration costs	202	168	-	-
Total amount included in staff costs (Note 17)	$ 1,774	$ 1,511	$ 524	$ 549
Actual return on plan assets	$ (13,042)	$ (3,005)	$ -	$ -

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

	Defined Benefit Pension Plans		Post-Retirement Medical Benefits	
	2019	2018	2019	2018
Actuarial (gains)/losses on defined benefit obligation arising from:				
- Financial assumptions	$ (1,828)	$ 1,629	$ (97)	$ 169
- Experience adjustments	(405)	(2,775)	(45)	(542)
Return on plan assets excluding interest income	(6,669)	3,562	2	-
Net re-measurement (gains)/losses recognised in OCI	$ (8,902)	$ 2,416	$ (140)	$ (373)

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

	Defined Benefit Pension Plans		Post-Retirement Medical Benefits	
	2019	2018	2019	2018
Balance, beginning of year	$ 16,134	$ 20,061	$ (10,515)	$ (10,818)
Charge for the year (Note 17)	(1,774)	(1,511)	(524)	(549)
Contributions by employer	-	-	504	479
Effect on statement of other comprehensive income	8,902	(2,416)	140	373
Balance, end of year	$ 23,262	$ 16,134	$ (10,395)	$ (10,515)

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

	Defined Benefit Pension Plans		Post-Retirement Medical Benefits	
	2019	2018	2019	2018
Active members	$ 61,345	$ 60,194	$ -	$ -
Inactive and retired members	50,331	49,127	10,395	10,515
	$ 111,676	$ 109,321	$ 10,395	$ 10,515

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

	Defined Benefit Pension Plans		Post-Retirement Medical Benefits	
	2019	2018	2019	2018
Average duration, in years	20	20	15	15

The major categories of the plan assets and the actual fair value of total plan assets ($ in thousands and %) are as follows (see Note 2.4):

	2019		2018	
	$	%	$	%
Quoted equity instruments				
- International	1,168	1	899	1
Quoted debt				
- Government bonds	1,768	1	1,679	1
Investment Funds				
- U.S. Equity	64,909	48	59,763	48
- International Equity	28,866	21	28,255	23
- Fixed Income	36,423	27	31,989	25
Other assets	1,804	2	2,870	2
	134,938	100%	125,455	100%

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

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

	Defined Benefit Pension Plans	
	2019	2018
Discount rate (TCI, Bahamas)	3.1%, 5.6%	4.3%, 5.2%
Expected return on plan assets (TCI, Bahamas)	3.1%, 5.6%	4.3%, 5.2%
Future salary increases	4.0%	4.0%
Future pension increases	2.5%	2.5%

	Post-Retirement Medical Benefit	
	2019	2018
Discount rate (TCI, Bahamas)	3.1%, 5.6%	4.3%, 5.2%
Premium escalation rate	6.0%	6.0%
Existing retiree age	60	60

A quantitative sensitivity analysis for significant assumptions as at October 31, 2019 is as shown below:

Assumption	Sensitivity level	Impact on net defined benefit pension plans		Impact on Post-retirement medical benefits	
		Increase $	Decrease $	Increase $	Decrease $
Discount rate	1.0%	94,111	134,224	9,198	11,928
Future salary increases	0.5%	114,610	108,834	n/a	n/a
Future pension increases	0.5%	117,329	106,567	n/a	n/a
Premium escalation rate	1.0%	n/a	n/a	11,866	9,222
Existing retiree age	1 year	114,965	n/a	10,901	n/a

- n/a – not applicable

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The sensitivity analysis presented above is indicative only, and should be considered with caution as they have been calculated in isolation without changes in other assumptions. In practice, changes in one assumption may result in changes in another, which may magnify or counteract the disclosed sensitivities. The analysis has been determined based on a method that extrapolates the impact on the net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

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

	2019	2018
Within the next 12 months	$ 2,602	$ 2,425
Between 1 and 5 years	12,972	12,031
Between 5 and 10 years	24,165	22,197
Total expected payments	$ 39,739	$ 36,653

The last actuarial valuation was conducted as at November 1, 2016 and revealed a fund surplus of $21,133.

Note 11 Goodwill

	2019	2018
Cost		
Balance, beginning and end of year	$ 187,747	$ 187,747
Accumulated impairment		
Balance, beginning and end of year	115,000	115,000
Carrying amount, end of year	$ 72,747	$ 72,747

Impairment tests for goodwill

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

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

Based on the impairment testing performed during the fourth quarter of fiscal 2019, we have determined that the estimated recoverable amount of the CGU was in excess of the carrying amount. As a result, no impairment charge was recognised during 2019.

Key assumptions used for value-in-use calculations

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

	Discount rate		Growth rate	
	2019	2018	2019	2018
Bahamas	14%	12%	2%	2%

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Estimation of the recoverable amount is an area of significant judgment. Reductions in the estimated recoverable amount could arise from various factors, such as reductions in forecasted cash flows, an increase in the assumed level of required capital and any adverse changes to the discount rate or the growth rate, either in isolation or in any combination thereof. We estimated that a 10% reduction in forecasted cash flows, or a 1% rise in the discount rate, would not significantly impact the CGUs' recoverable amount to result in any further goodwill impairment at October 31, 2019.

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.

Note 12 Customer Deposits

	Payable on Demand	Payable after Notice	Payable at a Fixed Date	2019 Total	2018 Total
Individuals	$ 273,530	$ 327,330	$ 407,807	$ 1,008,667	$ 932,104
Business and governments	1,325,323	16,931	391,256	1,733,510	1,557,791
Banks	3,437	-	154,844	158,281	270,110
	1,602,290	344,261	953,907	2,900,458	2,760,005
Add: Interest payable	175	32	3,077	3,284	2,765
	$ 1,602,465	$ 344,293	$ 956,984	$ 2,903,742	$ 2,762,770

These customer deposits are measured at amortised cost. Included in deposits from banks are deposits from other Parent Group entities of $157,615 (2018: $267,947) (Note 22).

The average effective rate of interest on deposits during the year was 0.46% (2018: 0.34%).

Note 13 Other Liabilities

	2019	2018
Accounts payable and accruals, including clearings	$ 31,310	$ 39,656
Amounts due to related parties (Note 22)	28,639	25,768
Due to brokers and others	2,104	521
	$ 62,053	$ 65,945

The amounts due to related parties refer to balances due to other Parent Group entities and are interest-free and unsecured, with no fixed terms of repayment.

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Note 14 Issued Capital and Reserves

	2019	2018
Issued capital, beginning and end of year	$ 477,230	$ 477,230
Reserves		
Statutory reserve fund – Turks and Caicos Islands	55,620	49,091
Revaluation reserve – debt securities measured at FVOCI	7,876	(2,990)
Retirement benefit reserve	19,880	10,838
Reverse acquisition reserve	(63,566)	(63,566)
Total reserves	19,810	(6,627)
Total issued capital and reserves	$ 497,040	$ 470,603

The Bank's authorised capital is $20 million, comprising 150 million ordinary shares with a par value of $0.10 each and 50 million preference shares also having a par value of $0.10 each. All issued ordinary shares are fully paid. No preference shares were issued in 2019 and 2018. At October 31, 2019 and 2018, the issued share capital was as follows:

	Number of shares	Share par value	Share premium	Total
Ordinary shares, voting	120,216,204	$ 12,022	$ 465,208	$ 477,230

Capital

Objectives, policies and procedures

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

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

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

Regulatory requirements

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

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

Regulatory capital

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

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In 2019, Tier 1 and Total Capital ratios were 28% and 28%, respectively (2018: 25% and 25%, respectively).

The movements in reserves were as follows:

Statutory reserve fund – Turks and Caicos Islands

	2019	2018
Balance, beginning of year	$ 49,091	$ 46,425
Transfers from retained earnings	6,529	2,666
Balance, end of year	$ 55,620	$ 49,091

In accordance with the TCI Banking (Amendment) Ordinance 2002 and the regulations of the Turks and Caicos Islands Financial Services Commission, the Bank is required to maintain a statutory reserve fund of not less than the amount of its assigned capital of $24 million. Where the required reserve is less than the assigned capital, the Bank is required to annually transfer 25% of the net profits earned from its TCI operations to this fund. Although the statutory reserve exceeds the assigned capital, it has been the Bank's practice to make this transfer based on net profits of the preceding fiscal year with the remaining net profits being retained by the Bank. During the year, the Bank transferred $6,529 (2018: $2,666) from retained earnings to the statutory reserve fund.

Statutory loan loss reserve - Bahamas

Banking Regulations of The Central Bank of The Bahamas require a general provision in respect of the performing loans of at least one percent of these loans. To the extent the inherent risk provision for loans and advances to customers is less than this amount, a statutory loan loss reserve is established and the required additional amount is to be appropriated from retained earnings, in accordance with IFRS. For the year ended October 31, 2019, no statutory loan loss reserve was required as the general provision was sufficient (2018: $nil).

Revaluation reserve – debt securities measured at FVOCI

	2019	2018
Balance, beginning of year	$ (2,990)	$ 1,174
Net gains/(losses) on debt securities measured at FVOCI (Note 20)	10,866	(4,164)
Balance, end of year	$ 7,876	$ (2,990)

Unrealised gains and losses arising from changes in the fair value of debt instruments measured at fair value are recognised in other comprehensive income and are reflected in the revaluation reserve.

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Retirement benefit reserve

	2019	2018
Balance, beginning of year	$ 10,838	$ 12,881
Re-measurement gains/(losses) on retirement benefit plans	9,042	(2,043)
Balance, end of year	$ 19,880	$ 10,838

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

Reverse acquisition reserve

	2019	2018
Balance, beginning and end of year	$ (63,566)	$ (63,566)

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

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

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

Note 15 Net Interest Income

	2019	2018
Interest and similar income		
Cash and due from banks	$ 8,857	$ 6,265
Securities	28,076	24,822
Loans and advances to customers	133,035	126,980
	169,968	158,067
Interest and similar expense		
Banks and customers	13,041	9,171
Derivative financial instruments	131	860
	13,172	10,031
Net interest income	$ 156,796	$ 148,036

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Note 16 Operating Income

	2019	2018
Fee and commission income	$ 35,047	$ 31,522
Foreign exchange commissions	13,197	11,697
Net foreign exchange revaluation losses	(36)	(33)
Net gains on disposal and redemption of securities (Note 20)	-	498
Net hedging (losses)/gains (Note 5)	(29)	259
Net trading losses	(585)	(4,827)
Other operating income	1,025	970
	$ 48,619	$ 40,086

Net gains on disposal and redemption of securities have arisen from disposals of FVOCI debt securities.

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

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

Analysis of fee and commission income:

	2019	2018
Underwriting	$ 614	$ 297
Deposit services	10,223	9,393
Credit services	1,946	961
Card services	14,484	13,070
Funds transfer	6,303	5,871
Other	1,477	1,930
	$ 35,047	$ 31,522

Note 17 Operating Expenses

	2019	2018
Staff costs	$ 28,962	$ 30,484
Business licence	8,842	8,719
Occupancy and maintenance	11,334	10,421
Depreciation (Note 9)	4,021	4,562
Other operating expenses	53,365	36,791
	$ 106,524	$ 90,977

Analysis of staff costs:

	2019	2018
Wages and salaries	$ 21,681	$ 23,248
Pension costs:		
- defined benefit sections of the plan (Note 10)	1,774	1,511
- defined contribution section of the plan (Note 10)	446	472
Post-retirement medical benefits charge (Note 10)	524	549
Employee share purchase plan (Note 21)	145	152
Severance	94	263
Insurance and risk benefits	2,657	2,844
Other staff related costs	1,641	1,445
	$ 28,962	$ 30,484

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Analysis of other operating expenses:

	2019	2018
Professional and management fees	$ 37,671	$ 23,293
Communications	1,971	2,423
Business development	325	329
Advertising and marketing	177	267
Consumer related expenses	1,247	981
Non-credit losses	676	723
Postage, courier and stationery	1,935	1,842
General insurances	638	624
Outside services	3,849	2,750
Other	4,876	3,559
	$ 53,365	$ 36,791

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

Note 18 Earnings per Share

The following table shows the income and share data used in the basic earnings per share calculation.

Basic earnings per share

	2019	2018
Net income attributable to shareholders	$ 94,376	$ 85,060
Weighted average number of common shares in issue (Note 14)	120,216,204	120,216,204
Basic earnings per share (expressed in cents per share)	78.5	70.8

There are no potentially dilutive instruments.

Note 19 Dividends

As at October 31, 2019, the Directors recommended for approval a regular quarterly dividend of $0.09 per share and a special dividend of $0.42 per share, which are not reflected in these financial statements as they are subject to requisite approvals from the Central Bank of The Bahamas. These bring the total dividends recommended for 2019 to $0.78 per share (2018: $0.97).

Note 20 Components of Other Comprehensive Income/(Loss)

	2019	2018
Debt instruments at fair value through other comprehensive income:		
Net income/(losses) arising during the year	$ 10,866	$ (3,666)
Reclassification to the statement of income (Note 16)	-	(498)
	10,866	(4,164)
Other comprehensive income/(loss) for the year (Note 14)	$ 10,866	$ (4,164)

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Note 21 Other Employee Benefits

Employee share purchase plan

Under the Bank's Employee Share Purchase Plan, qualifying employees can choose each year to have up to 10% of their eligible earnings withheld to purchase common shares in the Parent. The Bank matches 50% of the employee's contribution amount, up to a maximum contribution of 6% of eligible earnings, depending upon length of service and job level. The Bank's contributions vest after employees have two years of continuous participation in the plan, and all subsequent contributions vest immediately. All contributions are paid into a trust and used by the plan trustees to purchase common shares in the open market. The Bank's contributions are expensed as incurred and totalled $145 in 2019 (2018: $152) (Note 17).

Note 22 Related-Party Transactions and Balances

	Directors and key management personnel		Parent Group		Ultimate Parent	
	2019	2018	2019	2018	2019	2018
Asset balances:						
Due from banks	$ -	$ -	$ 246,833	$ 281,160	$ 40,589	$ 21,204
Derivative financial Instruments	-	-	-	-	34	648
Other assets	-	-	-	25	-	-
Loans and advances to customers	3,326	5,408	-	-	-	-
Liability balances:						
Derivative financial Instruments	-	-	-	-	99	85
Customer deposits	2,266	5,135	157,615	267,947	-	-
Other liabilities	-	-	28,639	25,768	-	-
Revenue transactions:						
Interest income	118	244	6,282	5,027	749	304
Other (loss)/income from derivative relationship	-	-	-	-	(709)	411
Expense transactions:						
Interest expense	23	77	4,553	2,436	-	-
Other expenses*	-	-	39,669	22,262	-	-

* Expenses incurred in relation to banking and support services.

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	2019	2018
Key management compensation		
Salaries and short term benefits	$ 2,265	$ 2,598

Directors' remuneration

A listing of the members of the Board of Directors is included within the Bank's Annual Report. In 2019, total remuneration for the non-executive directors was $105 (2018: $105). The executive directors' remuneration is included under key management compensation.

Note 23 Commitments, Guarantees and Contingent Liabilities

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

	2019	2018
Letters of credit	$ 36,904	$ 32,573
Undrawn loan commitments	303,846	235,323
Guarantees and indemnities	12,697	11,745
Total (Note 27)	$ 353,447	$ 279,641

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

The Bank currently has a US$1 million line of credit with CIBC at LIBOR + 200bps per annum if 50% or less utilisation, or LIBOR + 250bps per annum if greater than 50% utilisation. The facility is renewable annually and expires on March 31, 2020. As of October 31, 2019, no advances were made from the facility and all balances are undrawn.

Note 24 Future Rental Commitments under Operating Leases

As at October 31, 2019, the Bank held leases on buildings for extended periods. The minimum future rental commitments under these leases are as follows:

	2019	2018
Not later than 1 year	$ 2,778	$ 3,244
Later than 1 year and less than 5 years	5,708	6,523
Later than 5 years	1,115	1,705
	$ 9,601	$ 11,472

During the year $3,293 (2018: $3,226) of lease payments was included in occupancy and maintenance expenses (Note 17).

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Note 25 | Fiduciary Activities

The Bank provides custody and trustee discretionary investment management services to third parties. Those assets that are held in a fiduciary capacity are not included in these consolidated financial statements. At the reporting date, the Bank had investment assets under administration on behalf of third parties amounting to $123,912 (2018: $121,392).

Note 26 | Business Segments

The Bank's operations are organised into four segments: Retail, Business and International Banking, Corporate and Investment Banking and Wealth Management, which are supported by the functional units within the Administration segment. At the beginning of 2019, the Cards Issuing and Merchant Services businesses were integrated into the Retail & Business Banking and Corporate & Investment Banking businesses, respectively. The changes impacted the segment results, and as such all prior period amounts were reclassified accordingly.

Retail, Business and International Banking ("RBB")
Retail, Business and International Banking includes the Retail, Business Banking, International Banking and Cards businesses. This segment provides a full range of financial products and services to individuals, which can be accessed through our network of branches and ABMs, as well as through internet and telephone banking channels, inclusive of our Mobile Banking App. Business Banking clients are provided with products and services to satisfy their day to day operational and working capital business needs. International Banking is a specialised business that facilitates leveraging of legislation and incentives in the international financial services jurisdictions to offer international clients a wide range of products, services and financial solutions. Cards offering include both the issuing and acquiring business.

Corporate and Investment Banking ("CIB")
Corporate and Investment Banking includes the Corporate Lending, Investment Banking and Client Solutions Group businesses.

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

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

- Client Solutions Group provides derivative and other risk mitigating products to clients.

Wealth Management ("WM")
Wealth Management comprises International Corporate Banking, Investment Management and Private Wealth Management businesses.

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

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

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Administration ("Admin")
The Administration segment includes Treasury, Finance, Human Resources, Technology & Operations, Risk and other units which support the business segments. The Admin 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 Admin.

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

Management monitors the operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment. 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 goodwill.

2019 Segment Reporting	RBB	CIB	WM	Admin	2019
External revenue	$ 71,957	$ 53,790	$ (1,304)	$ 32,353	$ 156,796
Internal revenue	(9,849)	7,782	14,868	(12,801)	-
Net interest income	62,108	61,572	13,564	19,552	156,796
Operating income	26,567	18,611	4,421	(980)	48,619
	88,675	80,183	17,985	18,572	205,415
Depreciation	2,300	12	69	1,640	4,021
Operating expenses	23,925	4,469	2,720	71,389	102,503
Indirect expenses	25,970	30,845	17,624	(74,439)	-
Credit loss expense on financial assets	(224)	1,437	47	3,255	4,515
Net income for the year	$ 36,704	$ 43,420	$ (2,475)	$ 16,727	$ 94,376

Total assets and liabilities by segment are as follows:

	RBB	CIB	WM	Admin	2019
Segment assets	$ 223,411	$ 1,635,233	$ 543,456	$ 1,303,156	$ 3,705,256
Segment liabilities	$ 1,165,744	$ 1,232,988	$ 544,713	$ 38,239	$ 2,981,684

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2018 Segment Reporting

	RBB	CIB	WM	Admin	2018
External revenue	$ 69,490	$ 51,701	$ (1,204)	$ 28,049	$ 148,036
Internal revenue	(10,575)	5,483	11,992	(6,900)	-
Net interest income	58,915	57,184	10,788	21,149	148,036
Operating income	23,577	16,774	3,674	(3,939)	40,086
	82,492	73,958	14,462	17,210	188,122
Depreciation	1,561	17	70	2,914	4,562
Operating expenses	24,901	3,869	2,174	55,471	86,415
Indirect expenses	28,441	27,016	13,710	(69,167)	-
Credit loss expense on financial assets	8,120	1,202	110	2,653	12,085
Net income for the year	$ 19,469	$ 41,854	$ (1,602)	$ 25,339	$ 85,060

Total assets and liabilities by segment are as follows:

	RBB	CIB	WM	Admin	2018
Segment assets	$ 467,039	$1,330,512	$ 589,900	$1,112,176	$ 3,499,627
Segment liabilities	$1,103,345	$ 995,560	$ 591,282	$ 156,872	$ 2,847,059

Geographical segments are set out in Note 27 (B).

Note 27 Financial Risk Management

A. Introduction

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

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

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

B. Credit risk

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

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

The Risk Management Team is guided by the Bank's Delegation of Authority policy which is based on the levels of exposure and risk. Credits above the discretion delegated to certain front line employees are approved by Risk Management and where applicable by the Credit Committee and the Finance, Risk & Conduct Review Committee of the Board (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 limits are established for all loans (mortgages, personal, business & government) for the purposes of diversification and managing concentration. Limits are also established for individual borrowers, groups of related borrowers, industry sectors, country and geographic regions, and also for products and portfolios. Such risks are monitored on a revolving basis and the limits are subject to an annual or more frequent review.

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

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

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

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

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

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

As at October 31, 2019, 87% (2018: 87%) of stage 3 impaired loans were either fully or partially collateralised.

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Geographic distribution

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

	Drawn	Undrawn	Gross Maximum Exposure 2019	Drawn	Undrawn	Gross Maximum Exposure 2018
Bahamas	$ 1,853,767	$ 260,269	$ 2,114,036	$ 1,831,135	$ 212,900	$ 2,044,035
Turks & Caicos Islands	270,115	43,577	313,692	280,000	22,423	302,423
	$ 2,123,882	$ 303,846	$ 2,427,728	$ 2,111,135	$ 235,323	$ 2,346,458

Exposures by industry groups

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

	Drawn	Undrawn	Gross Maximum Exposure 2019	Drawn	Undrawn	Gross Maximum Exposure 2018
Agriculture	$ 539	$ 76	$ 615	$ 549	$ 81	$ 630
Construction	34,791	25,230	60,021	34,026	17,518	51,544
Distribution	66,538	33,248	99,786	98,443	22,994	121,437
Education	-	60	60	287	60	347
Fishing	1,790	1,617	3,407	2,311	2,313	4,624
Governments	366,730	38,057	404,787	358,758	3,333	362,091
Health & social work	17,731	-	17,731	18,783	-	18,783
Hotels & restaurants	50,455	47,668	98,123	70,165	54,278	124,443
Individuals & individual trusts	1,120,871	113,928	1,234,799	1,097,239	106,952	1,204,191
Manufacturing	26,475	609	27,084	22,238	386	22,624
Mining & Quarrying	50,000	-	50,000	-	-	-
Miscellaneous	270,103	27,642	297,745	276,788	23,394	300,182
Other financial corporations	3,194	1,053	4,247	9,498	996	10,494
Real estate, renting & other business activities	69,198	4,764	73,962	84,583	2,149	86,732
Transport, storage & communication	45,467	9,894	55,361	37,467	869	38,336
	$ 2,123,882	$ 303,846	$ 2,427,728	$ 2,111,135	$ 235,323	$ 2,346,458

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

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

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

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

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

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Gross maximum exposure

	2019	2018
Balances with The Central Bank	$ 121,414	$ 123,969
Due from banks	433,985	409,997
Derivative financial instruments	49	647
Securities		
- Equity securities - unquoted	219	219
- Government debt securities	549,654	376,924
- Other debt securities	378,873	399,491
- Interest receivable	7,830	6,074
Loans and advances to customers		
- Mortgages	1,018,538	1,006,030
- Personal loans	203,615	210,342
- Business & Government loans	901,729	894,763
- Interest receivable	9,784	13,086
Other assets	17,485	16,237
Total	$ 3,643,175	$ 3,457,779
Commitments, guarantees and contingent liabilities (Note 23)	353,447	279,641
Total credit risk exposure	$ 3,996,622	$ 3,737,420

Geographical concentration

The following tables reflect additional geographical concentration information:

2019	Total assets	Total liabilities	Commitments, guarantees and contingent liabilities	External revenue	Capital expenditure*	Non-current assets**
Bahamas	$ 3,125,957	$ 2,503,219	$ 306,083	$ 161,647	$ 4,675	$ 96,983
Turks & Caicos Islands	999,365	898,531	47,364	43,768	731	6,357
	4,125,322	3,401,750	353,447	205,415	5,406	103,340
Eliminations	(420,066)	(420,066)	-	-	-	-
	$ 3,705,256	$ 2,981,684	$ 353,447	$ 205,415	$ 5,406	$ 103,340

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

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

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2018	Total assets	Total liabilities	Commitments, guarantees and contingent liabilities	External revenue	Capital expenditure*	Non-current assets**
Bahamas	$ 3,051,314	$ 2,493,286	$ 253,829	$ 150,736	$ 4,289	$ 95,763
Turks & Caicos Islands	929,218	834,678	25,812	37,386	1,876	6,562
	3,980,532	3,327,964	279,641	188,122	6,165	102,325
Eliminations	(480,905)	(480,905)	-	-	-	-
	$ 3,499,627	$ 2,847,059	$ 279,641	$ 188,122	$ 6,165	$ 102,325

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

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

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

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

	2019	2019	2018	2018
	$	%	$	%
Bahamas	1,760,914	87	1,732,674	87
Turks & Caicos Islands	262,740	13	268,727	13
	2,023,654	100	2,001,401	100

Impairment assessment

The references below show where the Bank's impairment assessment and measurement approach is set out in this report. This section should be read in conjunction with the Summary of significant accounting policies.

Definition of default and cure

The Bank considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments.

As part of a qualitative assessment of whether a customer is in default, the Bank also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Bank carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations, or whether Stage 2 is appropriate. Such events include:

- Internal rating of the borrower indicating default or near-default
- The borrower requesting emergency funding from the Bank
- The borrower having past due liabilities to public creditors or employees
- The borrower is deceased
- A material decrease in the underlying collateral value where the recovery of the loan is expected from the sale of the collateral
- A material decrease in the borrower's turnover or the loss of a major customer
- A covenant breach not waived by the Bank
- The debtor (or any legal entity within the debtor's group) filing for bankruptcy application/protection
- Debtor's listed debt or equity suspended at the primary exchange because of rumours or facts about financial difficulties

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It is the Bank's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when none of the default criteria have been present for at least twelve consecutive months. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the obligor risk rating (ORR) if available, or the days past due and delinquency criteria in the Bank's policy, at the time of the cure, and whether this indicates that there has been a significant increase in credit risk compared to initial recognition.

The Bank's internal rating and PD estimation process
The Group's Credit Risk Department operates the Bank's internal rating models. The Bank monitors all corporate facilities with a value exceeding $250,000 which are assigned an ORR of 1 to 9 under the Bank's internal rating system. The models used incorporate both qualitative and quantitative information and, in addition to information specific to the borrower, utilises supplemental external information that could affect the borrower's behaviour. This internal rating system is also mapped to Moody's and Standard and Poor's ratings. Movement in a facility's ORR from origination to the reporting date is what determines the stage assigned to that facility. Staging for facilities that do not have an ORR is based on historical days past due and delinquency. The Bank calculates 12-month and lifetime PDs on a product by country basis. 12-month PDs are determined using historical default data and then incorporate forward looking information. Lifetime PDs are determined using historical data.

Treasury, trading and interbank relationships
The Bank's treasury, trading and interbank relationships and counterparties comprise financial services institutions, banks, broker-dealers, exchanges and clearing-houses. For these relationships, the Bank's credit risk department analyses publicly available information such as financial information and other external data, e.g., the rating of Moody's and Standard and Poors, and assigns the internal rating, as shown in the table below.

Corporate and small business lending
For corporate and investment banking loans, the borrowers are assessed by specialised credit risk employees of the Bank. The credit risk assessment is based on a credit scoring model that takes into account various historical, current and forward-looking information such as:

- Historical financial information together with forecasts and budgets prepared by the client. This financial information includes realised and expected results, solvency ratios, liquidity ratios and any other relevant ratios to measure the client's financial performance. Some of these indicators are captured in covenants with the clients and are,therefore,measured with greater attention.
- Any publicly available information on the clients from external parties. This includes external rating grades issued by rating agencies, independent analyst reports, publicly traded bond or press releases and articles.
- Any macro-economic or geopolitical information, e.g., GDP growth relevant for the specific industry and geographical segments where the client operates.
- Any other objectively supportable information on the quality and abilities of the client's management relevant for the company's performance.

The complexity and granularity of the rating techniques varies based on the exposure of the Bank and the complexity and size of the customer. Some of the less complex small business loans are rated within the Bank's models for retail products.

Consumer lending and retail mortgages
Consumer lending comprises unsecured personal loans, credit cards and overdrafts. These products along with retail mortgages and some of the less complex small business lending are rated by an automated scorecard tool primarily driven by days past due. Other key inputs into the models are:

- Consumer lending products: use of limits and volatility thereof, GDP growth, unemployment rates, changes in personal income/salary levels based on records of current accounts, personal indebtedness and expected interest repricing.

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- Retail mortgages: GDP growth, unemployment rates, changes in personal income/salary levels based on records of current accounts, personal indebtedness and expected interest repricing.

Credit quality

For the retail portfolio, which includes residential mortgages and personal loans, the Bank's assessment of credit quality is in line with the IFRS 9 methodology for staging which is based on days past due and trends to support significant increases in credit risk on a more forward looking basis. The trends are established in order to avoid volatility in the movement of significant increases in credit risk.

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

	Loans and advances to customers	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 C
Impaired	90+	D	C

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, securities were all rated standard or high grade, with the exception of Barbados Government securities which were classified as purchased originated credit impaired 'POC1' in 2019. 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 onthe risk rating, systems, trends and the methodology to support performing credits, along with significant increases in credit risk. Amounts provided are before allowance for credit losses, and after credit risk mitigation, valuation adjustments related to the financial guarantors and collateral on agreements.

	High Grade	Standard	Sub-Standard	Impaired	2019 Total
Loans and advances to customers					
- Residential Mortgages	$ 839,018	$ 52,741	$ 15,926	$ 74,339	$ 982,024
- Personal loans	177,411	9,699	792	15,713	203,615
- Business & Government loans	829,100	28,208	60,976	19,959	938,243
Total (Note 8)	$ 1,845,529	$ 90,648	$ 77,694	$ 110,011	$ 2,123,882

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	High Grade	Standard	Sub-Standard	Impaired	2018 Total
Loans and advances to customers					
- Residential Mortgages	$ 804,003	$ 60,793	$ 24,479	$ 78,868	$ 968,143
- Personal loans	179,896	6,195	7,879	16,371	210,341
- Business & Government loans	902,720	13,401	1,391	15,139	932,651
Total (Note 8)	$ 1,886,619	$ 80,389	$ 33,749	$ 110,378	$ 2,111,135

For Business & Government loans, the Bank employs risk ratings in managing the credit portfolio. The change in risk ratings compared to prior year is due to timing of payments and extensions. 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, 2019, Early Warning List customers in the medium to high risk category amounted to $12,203 (2018: $33,357).

The Bank also applies a secondary qualitative method for triggering a significant increase in credit risk for an asset which involves assessment of a customer's historical days past due and delinquency pattern. If contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly. When estimating ECLs on a collective basis for a group of similar assets, the Bank applies the same principals for assessing whether there has been a significant increase in credit risk since initial recognition.

At the beginning of the year, the Bank reassesses the key economic indicators used in its ECL models.

Model adjustments

The Bank considers the use and nature of material additional adjustments which are used to capture factors not specifically embedded in the models used. While many adjustments are part of the normal modelling process (e.g., to adjust PDs as defined for capital purposes to accounting requirements or to incorporate forward-looking information), management may determine that additional, post-modelling adjustments are needed to reflect macro-economic or other factors which are not adequately addressed by the current models, such as management overlays for unexpected events, e.g. hurricanes. Such adjustments would result in an increase or decrease in the overall ECLs.

Impact on regulatory capital

Annually, the base Capital Plan is assessed under a central stress scenario with ranges (mild recession & severe recession) as part of stress testing. The results of the stress tests are taken into consideration when setting the annual capital targets and may, by extension, have an effect on the quantum or timing of planned capital initiatives. However, stress testing results that drive the capital ratio below threshold(s) do not immediately imply an automatic increase in required capital, provided there is comfort that the Bank would remain well-capitalised even under plausible stressed ranges.

Under each range within the recession scenario (mild & severe), the following key assumptions are varied adversely/negatively to arrive at Capital Plan results:

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i. Changes in GDP growth rates are assumed to directionally affect performing loan growth rates and fee & commission income levels.
ii. Changes in interest rate are assumed to impact net interest income based on the proportion of hard vs. soft currency balance split for interest earning and bearing assets and liabilities, namely cash placements, securities, loans and deposit liabilities.
iii. Changes in GDP growth rates are assumed to impact non-performing loans growth rates which in turn affect interest income and loan loss expenses.
iv. Changes in inflation rates are assumed to directionally impact expense growth.

The Bank meets regulatory ratio and policy liquidity metrics such as the Structural Liquidity Ratio and Liquidity Horizon. The Bank anticipates that its regulators will continue implementation of the Net Stable Funding Ratio and the Liquidity Coverage Ratio in the near future and is developing automated solutions to calculate these ratios.

The Bank also monitors and reports to senior management its leverage ratio monthly with quarterly reporting to the Board of Directors.

Modified financial assets

From time to time, the Bank may modify the contractual terms of loans classified as stage 2 and stage 3 for which the borrower has experienced financial difficulties, through the granting of a concession in the form of below-market rates or terms that we would not otherwise have considered. Changes to the present value of the estimated future cash payments through the expected life of the modified loan discounted at the loan's original effective interest rate are recognised through changes in the ECL allowance and provision for credit losses. During the year ended October 31, 2019, loans classified as stage 2 with an amortised cost of $6,681 (2018: $10,484) and loans classified as stage 3 with an amortised cost of $3,244 (2018: $1,063), in each case before the time of modification, were modified through the granting of a financial concession in response to the borrower having experienced financial difficulties. In addition, the gross carrying amount of previously modified stage 2 or stage 3 loans that have returned to stage 1 during the year ended October 31, 2019 was $6,449 (2018: $22,632).

C. Market risk

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

Policies and standards

The Parent Group has a comprehensive policy for market risk management related to the identification, measurement, monitoring and control of market risks. This policy is reviewed and approved every two years by the Finance, Risk and Conduct Review Committee ("FRCRC") of the Parent Group's Board. The Board limits, which are approved annually, are used by the Bank to establish explicit risk tolerances expressed in term of the three main risk measures mentioned below. There is a three-tiered approach to limits at the Parent Group. The highest level is set at the Board. The second tier is delegated by the Chief Risk 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 and control

Market risk measures are monitored with differing degrees of frequency, dependent upon the nature of the risk. FX positions and certain profit and loss (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 risks; and
- Stress scenarios based upon a combination of theoretical situations and historical events.

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

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

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

- For the hard currency testing, it utilises the suite of measures that the Ultimate Parent has developed. The stress testing measures the effect on the hard currency portfolio values over a wide range of extreme moves in market prices. The stress testing methodology assumes no actions are taken or are able to be taken during the event to mitigate the risk, reflecting the decreased liquidity that frequently accompanies market shocks. The scenario analysis approach for Parent Group's hard currency exposures simulates an impact on earnings of extreme market events up to a period of one quarter. Scenarios are developed using actual historical data during periods of market disruption, or are based upon hypothetical occurrence of economic or political events or natural disasters and are designed by economists, business leaders and risk managers. These tests are run on 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 considers the market data over approximately the last 10 years and identifies the greatest curve or data point moves over both sixty and single days. These are then applied to the existing positions/sensitivities of the Parent Group. This is performed and reported on a monthly basis as they do not tend to change rapidly.
- For foreign exchange stresses, the Parent Group considers what the effect of a currency coming off a peg would have on the earnings of the Parent Group. This is largely judgmental, as it has happened so infrequently in the region and it is supplemented by some historical reviews both within the region and in other areas where pegged currency regimes have existed or do exist.

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Summary of key market risks
Of the market risks arising from the various currencies, yield curves and spreads throughout the regional and broader international markets, the following risks are considered by management the most significant for the Bank: (i) the risk of credit spreads widening in a similar fashion to the Credit Crisis of 2008 on bonds held within the investment portfolios, and ii) the low probability, high impact of a peg breaking between the USD and BSD, impacting the structural long position of the Bank. The largest interest rate risk run through multiple scenarios is that 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 Bank's ongoing banking operations.

Foreign exchange risk
Foreign exchange (or currency) risk is defined as the risk that the value of a financial instrument will fluctuate as a result of changes in foreign exchange rates. The local currency is pegged to the USD and hence the Value at Risk (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. These positions are monitored on a daily basis and the Forex & Derivatives Sales department are solely responsible for the hedging of the Bank's exposure.

The Bank also uses a measure to quantify non-trading foreign exchange risk, also referred to as structural foreign exchange risk.

The following table highlights the Bank's significant currency exposures. It also highlights the metrics used by the Bank to measure, monitor, and control that risk.

	2019			2018		
Currency	Trading Position Short vs BSD	Stressed Loss	Average Position*	Trading Position Short vs BSD	Stressed Loss	Average Position*
US dollars	7,655	2,296	(137)	(1,512)	(454)	(637)

* Averages are taken over a twelve-month period.

Interest rate risk
Interest rate risk results from differences in the maturities or re-pricing dates of assets, both on and off the consolidated statement of financial position. The Bank utilises 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 table below highlighting the currency where the Bank has their most significant interest rate exposures.

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	2019		2018	
	Currency	60 day Stressed Loss	Currency	60 day Stressed Loss
Bahamian dollar	$ 13,638	$ 1,120	$ 19,211	$ 1,378

Credit spread risk

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

	2019			2018		
	Notional	Credit Spread DV01	Stress Loss	Notional	Credit Spread DV01	Stress Loss
Regional hard currency bond portfolio	$ 87,960	$ 32	$ 11,782	$ 83,210	$ 37	$ 12,675
Non-regional hard currency bond portfolio	334,500	59	12,076	359,500	76	15,584
Total	$ 422,460	$ 91	$ 23,858	$ 442,710	$ 113	$ 28,259

At the fiscal year end the weighted average rating of the positions in the Regional Hard Currency Portfolio is BBB+. The average weighted maturity is 4 years. The weighted average rating of the positions in the Non-Regional Hard Currency Portfolio is AA. The average weighted maturity is 2 years.

Derivatives held for asset and liability management (ALM) purposes

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

For the year ended October 31, 2019
(Expressed in thousands of Bahamian dollars)

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

	BAH	US	Other	2019 Total
Assets				
Cash and balances with The Central Bank	$ 148,876	$ 10,152	$ 461	$ 159,489
Due from banks	-	345,975	88,010	433,985
Derivative financial instruments	-	49	-	49
Other assets	13,778	5,890	12	19,680
Securities	486,495	450,081	-	936,576
Loans and advances to customers	1,233,168	790,484	2	2,023,654
Property and equipment	24,031	6,481	81	30,593
Retirement benefit assets	28,483	-	-	28,483
Goodwill	71,582	1,165	-	72,747
Total assets	$ 2,006,413	$ 1,610,277	$ 88,566	$ 3,705,256
Liabilities				
Derivative financial instruments	$ -	$ 273	$ -	$ 273
Customer deposits	1,492,394	1,322,178	89,170	2,903,742
Other liabilities	(31,563)	99,422	(5,806)	62,053
Retirement benefit obligations	8,694	6,922	-	15,616
Total liabilities	$ 1,469,525	$ 1,428,795	$ 83,364	$ 2,981,684
Net assets	$ 536,888	$ 181,482	$ 5,202	$ 723,572
Commitments, guarantees and contingent liabilities (Note 23)	$ 161,348	$ 187,449	$ 4,650	$ 353,447

For the year ended October 31, 2019
(Expressed in thousands of Bahamian dollars)

	BAH	US	Other	2018 Total
Assets				
Cash and balances with The Central Bank	$ 151,031	$ 14,705	$ 377	$ 166,113
Due from banks	(253)	305,965	104,285	409,997
Derivative financial instruments	-	647	-	647
Other assets	15,837	2,434	(14)	18,257
Securities	345,269	437,439	-	782,708
Loans and advances to customers	1,183,274	818,125	2	2,001,401
Property and equipment	22,811	6,686	81	29,578
Retirement benefit assets	18,179	-	-	18,179
Goodwill	71,582	1,165	-	72,747
Total assets	$ 1,807,730	$ 1,587,166	$ 104,731	$ 3,499,627
Liabilities				
Derivative financial instruments	$ -	$ 5,784	$ -	$ 5,784
Customer deposits	1,298,585	1,358,045	106,140	2,762,770
Other liabilities	(10,668)	83,008	(6,395)	65,945
Retirement benefit obligations	9,165	3,395	-	12,560
Total liabilities	$ 1,297,082	$ 1,450,232	$ 99,745	$ 2,847,059
Net assets	$ 510,648	$ 136,934	$ 4,986	$ 652,568
Commitments, guarantees and contingent liabilities (Note 23)	$ 150,179	$ 128,589	$ 873	$ 279,641

D. Cash flow and fair value interest rate risk

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

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

E. Liquidity risk

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

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

For the year ended October 31, 2019
(Expressed in thousands of Bahamian dollars)

Process and control

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

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

Risk measurement

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

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

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

	0-3 months	3-12 months	1-5 years	Over 5 years	2019 Total
Assets					
Cash and balances with The Central Bank	$ 159,489	$ -	$ -	$ -	$ 159,489
Due from banks	433,985	-	-	-	433,985
Derivative financial instruments	3	14	32	-	49
Other assets	19,680	-	-	-	19,680
Securities	244,655	189,038	336,199	166,684	936,576
Loans and advances to customers	214,810	457,108	59,765	1,291,971	2,023,654
Property and equipment	2,856	933	9,468	17,336	30,593
Retirement benefit assets	-	-	-	28,483	28,483
Goodwill	-	-	-	72,747	72,747
Total assets	$ 1,075,478	$ 647,093	$ 405,464	$ 1,577,221	$ 3,705,256
Liabilities					
Derivative financial instruments	$ 264	$ 9	$ -	$ -	$ 273
Customer deposits	2,467,106	22,728	411,674	2,234	2,903,742
Other liabilities	62,053	-	-	-	62,053
Retirement benefit obligations	-	-	-	15,616	15,616
Total liabilities	$ 2,529,423	$ 22,737	$ 411,674	$ 17,850	$ 2,981,684
Net assets/(liabilities)	$ (1,453,945)	$ 624,356	$ (6,210)	$ 1,559,371	$ 723,572
Commitments, guarantees and contingent liabilities (Note 23)	$ 217,594	$ 39,775	$ 64,500	$ 31,578	$ 353,447

For the year ended October 31, 2019
(Expressed in thousands of Bahamian dollars)

	0-3 months	3-12 months	1-5 years	Over 5 years	2018 Total
Assets					
Cash and balances with The Central Bank	$ 166,113	$ -	$ -	$ -	$ 166,113
Due from banks	383,747	26,250	-	-	409,997
Derivative financial instruments	1	-	339	307	647
Other assets	18,257	-	-	-	18,257
Securities	124,863	94,673	397,361	165,811	782,708
Loans and advances to customers	23,196	635,124	115,641	1,227,440	2,001,401
Property and equipment	953	383	8,422	19,820	29,578
Retirement benefit assets	-	-	-	18,179	18,179
Goodwill	-	-	-	72,747	72,747
Total assets	$ 717,130	$ 756,430	$ 521,763	$ 1,504,304	$ 3,499,627
Liabilities					
Derivative financial instruments	$ 1,603	$ -	$ 258	$ 3,923	$ 5,784
Customer deposits	2,387,587	367,900	5,245	2,038	2,762,770
Other liabilities	65,945	-	-	-	65,945
Retirement benefit obligations	-	-	-	12,560	12,560
Total liabilities	$ 2,455,135	$ 367,900	$ 5,503	$ 18,521	$ 2,847,059
Net assets/(liabilities)	$ (1,738,005)	$ 388,530	$ 516,260	$ 1,485,783	$ 652,568
Commitments, guarantees and contingent liabilities (Note 23)	$ 206,195	$ 37,202	$ 2,255	$ 33,989	$ 279,641

For the year ended October 31, 2019
(Expressed in thousands of Bahamian dollars)

F. Fair value 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 (or most advantageous market) at the measurement date under current market conditions (i.e., the exit price). The determination of fair value requires judgment and is based on market information, where available and appropriate. Fair value measurements are categorised into three levels within a fair value hierarchy (Level 1, 2 or 3) based on the valuation inputs used in measuring the fair value, as outlined below:

- Level 1 - Unadjusted quoted market prices in active markets for identical assets or liabilities we can access at the measurement date. Bid prices, ask prices or prices within the bid and ask, which are the most representative of the fair value, are used as appropriate to measure fair value. Fair value is best evidenced by an independent quoted market price for the same instrument in an active market. An active market is one where transactions are occurring with sufficient frequency and volume to provide quoted prices on an ongoing basis.

- Level 2 - Quoted prices for identical assets or liabilities in markets that are inactive or observable market quotes for similar instruments, or use of valuation technique where all significant inputs are observable. Inactive markets may be characterised 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.

For the year ended October 31, 2019
(Expressed in thousands of Bahamian dollars)

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

	Level 1	Level 2	Level 3	Total	Total
	Quoted market price	Valuation technique-observable market inputs	Valuation technique-non-observable market inputs	2019	2018
Financial Assets					
Cash and balances with					
The Central Bank*	$ 159,489	$ -	$ -	$ 159,489	$ 166,113
Due from banks*	433,985	-	-	433,985	409,997
Derivative financial instruments	-	49	-	49	647
Debt securities at FVOCI	-	936,357	219	936,576	782,708
Loans and advances to customers	-	-	2,019,713	2,019,713	1,998,556
Total financial assets	$ 593,474	$ 936,406	$ 2,019,932	$ 3,549,812	$ 3,358,021
Financial Liabilities					
Derivative financial instruments	$ -	$ 273	$ -	$ 273	$ 5,784
Customer deposits	-	-	2,906,707	2,906,707	2,760,776
Total financial liabilities	$ -	$ 273	$ 2,906,707	$ 2,906,980	$ 2,766,560

*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. There were no transfers in 2019 or 2018.

For the year ended October 31, 2019
(Expressed in thousands of Bahamian dollars)

2019	Carrying value	Fair value	Fair value over/(under) Carrying value
Financial assets			
Cash and balances with The Central Bank	$ 159,489	$ 159,489	$ -
Due from banks	433,985	433,985	-
Derivative financial instruments	49	49	-
Debt securities at FVOCI	936,576	936,576	-
Loans and advances to customers	2,023,654	2,019,713	(3,941)
Total financial assets	$ 3,553,753	$ 3,549,812	$ (3,941)
Financial liabilities			
Derivative financial instruments	$ 273	$ 273	$ -
Customer deposits	2,903,742	2,906,707	2,965
Total financial liabilities	$ 2,904,015	$ 2,906,980	$ 2,965

2018			
Financial assets			
Cash and balances with The Central Bank	$ 166,113	$ 166,113	$ -
Due from banks	409,997	409,997	-
Derivative financial instruments	647	647	-
Debt securities at FVOCI	782,708	782,708	-
Loans and advances to customers	2,001,401	1,998,556	(2,845)
Total financial assets	$ 3,360,866	$ 3,358,021	$ (2,845)
Financial liabilities			
Derivative financial instruments	$ 5,784	$ 5,784	$ -
Customer deposits	2,762,770	2,760,776	(1,994)
Total financial liabilities	$ 2,768,554	$ 2,766,560	$ (1,994)

For the year ended October 31, 2019
(Expressed in thousands of Bahamian 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:

	As at October 31, 2019				Range of inputs	
	Amortised cost	Fair Value	Valuation technique	Key non-observable inputs	Low	High
Loans and advances to customers	$ 2,023,654	$ 2,019,713	Market proxy or direct broker quote	Market proxy or direct broker quote	3.5%	18.5%
Customer deposits	$ 2,903,742	$ 2,906,707	Market proxy or direct broker quote	Market proxy or direct broker quote	-	0.1%
Equity securities	$ 219	$ 219	Market proxy or direct broker quote	Market proxy or direct broker quote	n/a	n/a

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

Financial instruments recorded at fair value

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

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

- *Debt instruments at FVOCI*
  Debt instruments at FVOCI 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.

For the year ended October 31, 2019
(Expressed in thousands of Bahamian dollars)

Fair value of financial instruments not carried at fair value

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

- Loans and advances to customers
  Loans and advances to customers are stated net of expected credit loss allowances. The estimated fair value of loans and advances to customers represents the discounted amount of estimated future cash flows expected to be received.

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

Financial assets and liabilities with carrying values that approximate fair value

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

Note 28 Principal Subsidiary Undertakings

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

All subsidiaries are wholly owned.

Note 29 Events After the Reporting Period

On November 8, 2019, CIBC signed an agreement to sell a significant portion of its majority stake in the Parent Bank to GNB Financial Group Limited (“GNB”). Under the terms of the agreement, GNB will acquire 66.73% of the shares from CIBC for total consideration of US$797 million, which represents a company valuation of approximately US$1,195 million, subject to closing adjustments to reflect certain changes in FirstCaribbean International Bank Limited’s book value prior to closing. GNB is wholly owned by Starmites Corporation S.ar.L, the financial holding company of the Gilinski Group. The Gilinski Group has banking operations in Colombia, Peru, Paraguay, Panama, and Cayman Islands. Following the close of the transaction, CIBC will remain a 24.9% minority shareholder of FirstCaribbean International Bank Limited.

There were no other events occurring after the reporting period that required adjustment to or disclosure in the consolidated financial statements, except as indicated in Note 19.

Annual General Meeting

Notice is hereby given that the twenty-fifth annual general meeting ("the Meeting") of FirstCaribbean International Bank (Bahamas) Limited ("the Company") will be held at 6:00 p.m. on Tuesday, March 17, 2020 at Melia Nassau Beach Hotel, Arawak Room, West Bay Street, Nassau, Bahamas for the following purposes:

1. To receive and consider the minutes of the last annual general meeting held on March 26, 2019.

2. To receive the Managing Director's review.

3. To receive audited accounts for the year November 1, 2018 to October 31, 2019 and the report of the directors and auditors thereon.

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

i. Colette Delaney
ii. Marie Rodland-Allen
iii. Willie Moss
iv. Felix Stubbs
v. Daniel Wright
vi. Craig Gomez

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

6. To ratify the dividends for fiscal 2019.

7. To discuss any other business which may be properly considered at the Meeting.

BY ORDER OF THE BOARD

Sherrylyn Bastian
Corporate Secretary
FirstCaribbean International Bank (Bahamas) Limited
February 21, 2020

Record Date

Holders of FirstCaribbean International Bank (Bahamas) Limited's ordinary shares of record at the close of business on Thursday, February 13, 2020 are entitled to vote at the Meeting.

Financial Statements

The Company's audited financial statements for the year November 1, 2018 to October 31, 2019 are included in the Company's 2019 annual report.

Proxies

Shareholders are entitled to attend and vote at the Meeting and appoint one or more proxies to attend and in a poll, vote instead of them. A proxy need not be a shareholder of the Company. Any instrument appointing a proxy must be received at the office of CIBC Trust Company (Bahamas) Limited, Registrar and Transfer Agent, Goodman's Bay Corporate Centre, West Bay Street, P.O. Box N-3933 Nassau, Bahamas not less than 48 hours before the time for holding the Meeting. Shareholders who return completed proxy forms are not precluded, if subsequently they so wish, from attending the Meeting instead of their proxies and voting in person. In the event of a poll, their proxy votes deposited with CIBC Trust Company (Bahamas) Limited, the Registrar and Transfer Agent will be excluded.

Dividend

Interim dividends of nine cents ($0.09) per ordinary share was paid on June 14, 2019 and August 26, 2019. A special dividend of forty-two cents ($0.42) per ordinary share was paid on December 13, 2019. An interim dividend and a final dividend of nine cents ($0.09) was declared by the directors on September 17, 2019 and December 12, 2019 respectively pending regulatory approval.

REGISTERED OFFICE: FirstCaribbean International Bank Financial Centre, 2nd Floor, Shirley Street, Nassau, Bahamas.

We are providing these proxy materials in connection with the solicitation by the board of directors of FirstCaribbean International Bank (Bahamas) Limited, of proxies to be voted at the Company's 2020 annual general meeting ("the Meeting") and at any Meeting following adjournment thereof.

No proposal has been received from any Shareholder. The board of directors is also not aware of any solicitation of proxies by a person or group adverse to present management of this Company.

You are cordially invited to attend the Meeting on Tuesday, March 17, 2020 beginning at 6:00 p.m. Shareholders will be admitted beginning at 5:30 p.m. The Meeting will be held at the Melia Nassau Beach Hotel, Arawak Room, West Bay Street, Nassau, Bahamas.

This financial year of FirstCaribbean International Bank (Bahamas) Limited began on November 1, 2018 and ended October 31, 2019. References in this proxy statement to the year 2019 or financial year 2019 refer to the period as mentioned above.

We are mailing this proxy statement and accompanying forms of proxy and voting instructions on Friday, February 21, 2020 to holders of the Company's ordinary shares as at the close of business on Thursday, February 13, 2020, the record date for the Meeting.

Proxies and voting Procedures

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

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

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

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

Shareholders entitled to Vote

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

On February 13, 2020 there were 120,216,204 ordinary shares of par value $0.10 each outstanding. Each shareholder is entitled to one vote on each matter properly brought before the Meeting.

At close of business on February 13, 2020 FirstCaribbean International Bank Limited beneficially owned or controlled directly or indirectly 114,463,600 shares which represents 95.21% of the Company's issued ordinary shares.

Quorum and Required Votes

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

Election of Directors

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

Directors can be either elected annually by the shareholders at the annual general meeting or, subject to the articles of association of the Company and applicable law, appointed by the board of directors between annual general meetings. Each director shall hold office until the close of the next annual general meeting of the Company or until he or she ceases to be a director by operation of law or articles of association of the Company or until his or her resignation becomes effective. The board of directors held eight (8) Meetings in 2019.

The persons designated as proxy holders in the accompanying form of proxy will vote ordinary shares represented by such form of proxy, properly executed, for the re-election of the nominees whose names are set forth herein, unless specifically directed to withhold a vote. All the nominees were previously elected by the shareholders of the Company as directors of the Company.

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

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

Name	Principal Occupation	Director Since	Number of Shares Beneficially Owned or Controlled Directly or Indirectly
Colette Delaney	Chief Executive Officer	2017	Nil
Marie Rodland-Allen	Managing Director	2011	Nil
Daniel Wright	Managing Director, Wealth Management	2018	Nil
Willie Moss	Attorney-at-law	1998	Nil
Felix Stubbs	Business Executive	2014	Nil
Craig Gomez	Accountant	2019	Nil

Compensation of Directors

Each director who is not an employee of the Company is paid an annual fee of thirty-five thousand dollars ($35,000.00) for his or her services. Directors are also entitled to reimbursement for reasonable travel and living expenses incurred by them in attending any board of directors or committee Meetings.

No special remuneration was paid to any director during financial year 2019.

Senior Management Compensation

The senior management of the Company received aggregate compensation amounting to $2,452,340.93 in the financial year 2019.

Indebtedness of Management

There is a total indebtedness of approximately $3,325,563.54 due to the Company from members of the senior management and directors. This represents loans and mortgages.

Management's Interest in Transactions

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

Share Option Plan

There is no share option plan.

Shareholder Feedback and Communication

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

Appointment of Auditors

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

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

Other Business

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

Directors' Approval and Certificate

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

Dated at Nassau, Bahamas this February 21, 2020.

COLETTE DELANEY
Chair

SHERRYLYN BASTIAN
Corporate Secretary

DIRECTORS' REPORT

DIRECTORS

In accordance with the memorandum and articles of association, the shareholders are requested to re-elect the following directors who retire by rotation, and being eligible, offer themselves for re-election to serve until the next annual general meeting of the Company:-

1. Colette Delaney
2. Marie Rodland-Allen
3. Daniel Wright
4. Willie Moss
5. Felix Stubbs
6. Craig Gomez

FINANCIAL RESULTS AND DIVIDENDS

The directors report that the Company had a Net Income of $94M for the year ended October 31, 2019. All statutory requirements for the year ended October 31, 2019 have been fulfilled.

Interim dividends of nine cents ($0.09) per ordinary share was paid on June 14, 2019 and August 26, 2019. A special dividend of forty-two cents ($0.42) per ordinary share was paid on December 13, 2019. An interim dividend and a final dividend of nine cents ($0.09) was declared by the directors on September 17, 2019 and December 12, 2019 respectively, pending regulatory approval.

SHARE CAPITAL

Substantial Interest as at October 31, 2019*
Ordinary shares of ten cents ($0.10) par value

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

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

BY ORDER OF THE BOARD

Sherrylyn Bastian
Corporate Secretary
FirstCaribbean International Bank (Bahamas) Limited
February 21, 2020

PROXY FORM

The undersigned ______________________________(please print) of__________________________ (please print) being a shareholder of FirstCaribbean International Bank (Bahamas) Limited ("the Company") hereby appoint Ms. Colette Delaney, or failing her, Mrs. Marie Rodland-Allen, or instead of either of them, ______________________ or _____________________as proxy of the undersigned to attend and vote at the annual general meeting of the Company ("the Meeting") to be held on Tuesday, March 17, 2020 and at any adjournment thereof, notice of the Meeting, together with the accompanying financial statements and the information circular having been received by the undersigned to vote as specifically directed below.

1. Specified in the accompanying information circular:

Colette Delaney	VOTE FOR ___ WITHHOLD FROM VOTING ___
Marie Rodland-Allen	VOTE FOR ___ WITHHOLD FROM VOTING ___
Daniel Wright	VOTE FOR ___ WITHHOLD FROM VOTING ___
Willie Moss	VOTE FOR ___ WITHHOLD FROM VOTING ___
Felix Stubbs	VOTE FOR ___ WITHHOLD FROM VOTING ___
Craig Gomez	VOTE FOR ___ WITHHOLD FROM VOTING ___

2. To vote for or withhold from voting on the adoption of the audited consolidated financial statements of the Company for the year November 1, 2018 to October 31, 2019:

VOTE FOR ___ WITHHOLD FROM VOTING ___

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

VOTE FOR ___ WITHHOLD FROM VOTING ___

4. To vote for or withhold from voting for the ratification of dividends for fiscal 2019:

VOTE FOR ___ WITHHOLD FROM VOTING ___

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

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

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

Dated this .... day of 2020

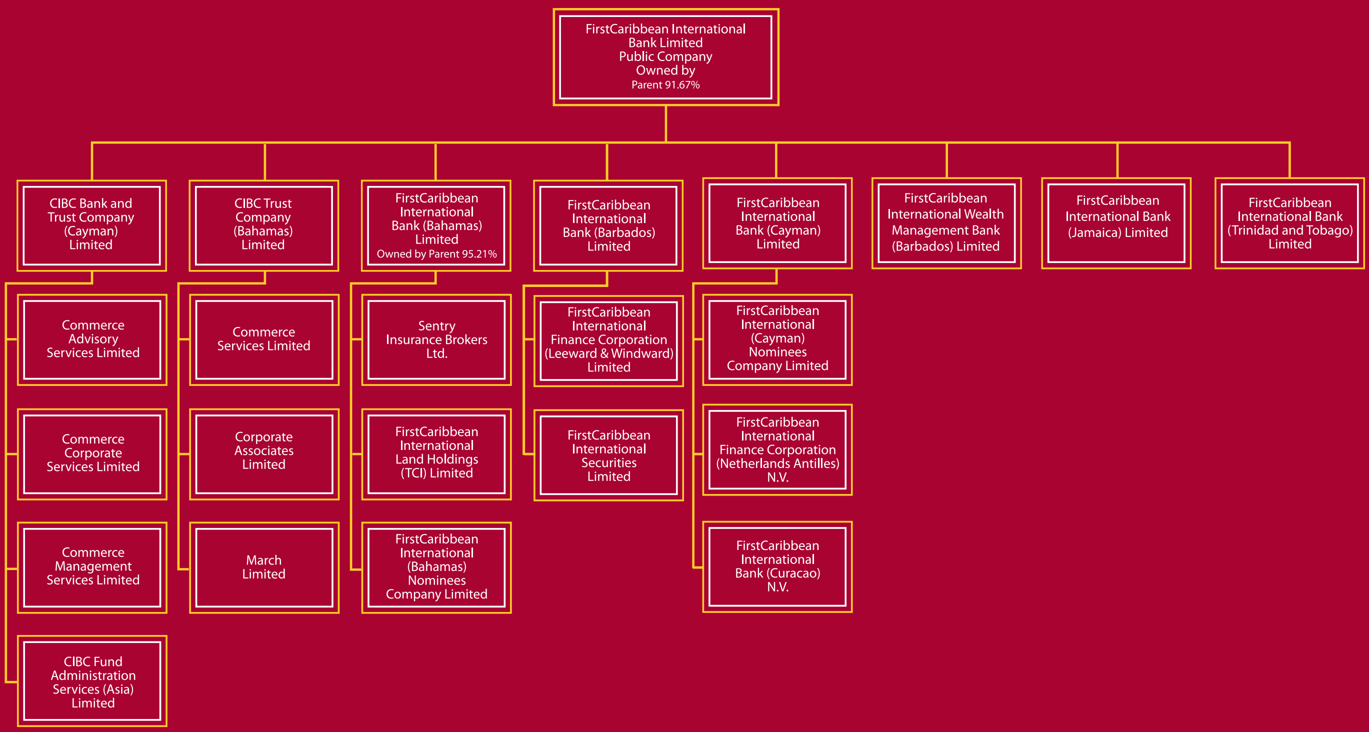
Corporate Seal ....

Notes:

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

In order for this form of proxy or other appropriate forms of proxy to be valid, it must be signed and should be dated by the shareholder or the shareholder's attorney. The signature should be exactly the same as the name in which the shares are registered. The proxy must be sent by mail or hand delivered to the office of CIBC Trust Company (Bahamas) Limited, Registrar and Transfer Agent, Goodman's Bay Corporate Centre, West Bay Street, P.O. Box N-3933, Nassau, Bahamas no later than 48 hours before the time for holding the Meeting. If this form of proxy is received undated but otherwise properly executed, it will for all purposes be deemed to be dated March 13, 2020.

OWNERSHIP STRUCTURE



CIBC FirstCaribbean International Bank

MAIN BRANCHES AND CENTRES

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

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

Grand Bahama
East Mall Branch, Freeport
P O Box F-42556
East Mall
Tel: (242) 300-0002
Fax: (242) 352-6655

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

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

Harbour Bay
P O Box N-8350
East Bay Street
Nassau
Tel: (242) 502-6834
Fax: (242) 393-7170

Marathon Mall
P O Box N-8329
Robinson & Marathon Road
Nassau
Tel: (242) 502-6834
Fax: (242) 394-7077

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

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

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

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

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

Private Wealth Management/
Corporate International Banking
P O Box N-8350
Goodman's Bay
Corporate Centre
Nassau
Tel: (242) 397-8200
Fax: (242) 322-3692
Tel: (242) 502-6834

Wealth Management
P O Box N-8350
Shirley Street
Nassau
Tel: (242) 502-6834
Fax: (242) 302-6091

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

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

Sentry Insurance
Brokers Ltd.
P O Box N-8350
Shirley Street
Nassau
Tel: (242) 502-6834
Fax: (242) 302-6091

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

Turks & Caicos Islands

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

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

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

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

NOTES


CIBC
FirstCaribbean
International Bank
THE BAHAMAS
TURKS AND
CAICOS ISLANDS
THE CAYMAN ISLANDS
JAMAICA
BRITISH
VIRGIN ISLANDS
ST. MAARTEN
ST. KITTS & NEVIS
ANTIGUA
& BARBUDA
DOMINICA
ST. LUCIA
BARBADOS
ST. VINCENT AND
THE GRENADINES
GRENADA &
CARRIACOU
ARUBA
CURAÇAO
TRINIDAD
& TOBAGO
CARIBBEAN SEA
BRAND161268

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