



FirstCaribbean  
International Bank

# 2020

ANNUAL REPORT

BAHAMAS



FirstCaribbean  
International Bank

## 2020 | ANNUAL REPORT

### Inside this report

3.....	Corporate Profile
4.....	2020 Highlights
8.....	Message from the Chair of The Board
10.....	The Board of Directors
11.....	Senior Management and Advisors
12.....	Management’s Discussion and Analysis
21.....	Independent Auditor’s Report
28.....	Consolidated Statement of Financial Position
29.....	Consolidated Statement of (Loss)/Income
30.....	Consolidated Statement of Comprehensive (Loss)/Income
31.....	Consolidated Statement of Changes in Equity
32.....	Consolidated Statement of Cash Flows
33.....	Notes to the Consolidated Financial Statements
111.....	Notice of Meeting
113.....	Information Circular
117.....	Directors’ Report
118.....	Statement of Corporate Governance
134.....	Proxy Form
136.....	Ownership Structure
137.....	Main Branches and Centres

# 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 through approximately 2,900 employees in 64 branches and offices. We are one of the largest regionally listed financial services institutions in the English and Dutch speaking Caribbean, with US\$12 billion in assets and market capitalization 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 fifteen (15) branches and agencies, sixty-one (61) Instant Teller Machines, and Wealth Management and Corporate Investment Banking centres spread over New Providence, Grand Bahama, Abaco, Eleuthera and the Turks and Caicos Islands.

## Vision

To be the first choice for financial services in the region by putting our clients at the center of everything we do.

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## Mission

To deliver a simplified, modern everyday banking experience to all of our clients.

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## Values - Trust, Teamwork, Accountability

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

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

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

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

## 2020 Highlights

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### First for Clients

Ever mindful that a key contributor to our business success rests in the advocacy of our clients, in 2020 our lines of business held steadfast to their mission of deepening client relationships and enhancing value to the client. COVID-19 has made this year a particularly challenging one for all of us but FirstCaribbean pressed on through this tough year by never losing sight of why we are in business and whom we serve - our clients.

All the actions of our client-facing teams have been designed to support our clients through this period. To assist those who found themselves in financial difficulty as a result of the pandemic, we offered moratoria on loans and continue to work with those who need ongoing assistance. Some of our clients have returned to their regular payment schedules, and we continue to support others who have requested a bit more help.

To assist with the management of these accounts, we have converted our Bay Street branch into a Center of Excellence to ensure we continue to manage these clients with sensitivity and efficiency.

### Retail and Business Banking

The Retail & Business Banking Segment, with a herculean effort, continued its focus on credit growth and sustainment. In 2020, The Bank remained committed to customer service excellence and our team continued to focus on delivering a personalized, responsive and easy experience to our clients, supported with world class products and services, despite the challenges faced with the COVID 19 pandemic.

- The segment maintained a balanced performance although experiencing continuous competition within the market and a sluggish economy due to national lockdowns. We remained resilient, instantly accelerating our digital transformation journey to enable uninterrupted remote client servicing while faced with insurmountable challenges.
- 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, especially during a year where units operated within reduced opening hours and mandates to manage social distancing.
- Throughout the year, we also introduced some key

improvements to our mobile and online banking platform which included providing our clients with the ability to add notes to account transfer, automatic notifications to recipients for wires and domestic payments, and the ability of our clients to view pending Visa Debit transactions.

- In similar fashion, to meet our clients' needs for end to end convenient service, we provided innovative enhancements at our Call Centre introducing improved self-service features on our voice response system, courtesy call backs to clients and post call surveys, as well as established dedicated teams for social media interactions and online loans.
- We celebrated our two Annual Achievers Award winners selected from across the sixteen territories in which CIBC FirstCaribbean operates. We continued our investments in our people through regional assignments and training.

### Corporate & Investment Banking

Corporate & Investment Banking services a wide range of corporate clients in a variety of industries. Most of our clients are using our cash management and foreign exchange services as well.

- Corporate clients in several industry segments on all islands were adversely impacted by the COVID-19 pandemic. In response we swiftly introduced a robust programme to provide credit relief to our clients on a case-by-case basis.
- Corporate & Investment Banking performed credibly in fiscal 2020 despite the lingering impacts of Hurricane Dorian, the headwinds of lower interest rates and the economic uncertainty driven by the COVID-19 pandemic.
- It is said that the true strength of a relationship is measured during the difficult times. In 2020 we stood shoulder to shoulder with our clients who were impacted by Hurricane Dorian and the COVID-19 pandemic by offering moratoriums and temporary relief financing.
- Additionally as our economies necessitated new modalities of doing business given social distancing and other restrictions on movement we continued to support our clients financing and transactional needs in rolling out new products like our Corporate Online banking platform and other digitally enabled products.
- Our new Corporate Online internet banking platform was launched in January 2020, providing our Corporate Banking, Business Banking and

## 2020 Highlights

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Private Wealth Management customers with an improved client experience. By the end of October 2020, we had successfully migrated the majority of our clients to the new platform. The COVID-19 pandemic drove businesses of all sizes to quickly adapt their operations and business models— and highlighted the critical importance of banking technology and electronic commerce in helping them do so. To this end, our Cash Management team successfully hosted several webinars for clients that provided guidance on initiating an online business presence and showcased CIBC FirstCaribbean’s solutions.

- The team also deployed an upgrade to our regional point-of-sale (POS) merchant system that allows us to remotely deploy software upgrades to our clients’ POS terminals, without the need for an in-person visit. Over the coming months, we will be using this technology to enable contactless card payment on all POS terminals in our network. This will enable our merchants’ customers to make fast and safe payment for their purchases with just a “tap” of their card.
- As a relationship oriented bank, our job remains staying close to, being engaged with and supporting our clients who we eagerly look forward to finding new more efficient ways to serve.

### Private Wealth Management

2020 presented a number of unexpected challenges primarily from the economic and social effects of the COVID-19 Pandemic. Despite this, Private Wealth Management remained focused on the bank’s brand pillars of Personalised, Responsive and Easy, which enabled our teams to swiftly adapt to ensure continued service to our clients with minimal disruption. The bank’s new Online Banking platform was also timely as it allowed our customers to complete most of their activities remotely.

### First For Employees

The COVID-19 pandemic had a huge impact on our employees during 2020. Ensuring the health and safety of our employees was our number one priority, followed closely by adapting where and how we work to ensure that we were able to support our clients through these turbulent times and continue to provide them with the exemplary service they deserve. Despite the impact of COVID-19 and the challenges it brought we continued to develop new, enhanced programmes to support the development, growth and well-being of our employees.

- The onset of COVID-19 resulted in some of our employees not being able to work in our office buildings and branches for extended periods. We very quickly put in place arrangements that allowed some of our employees to work remotely from home.
- This rapid change in working arrangements required significant support for our managers to help them adjust to managing their teams effectively on a remote basis. We introduced a number of new guides, training courses and support mechanisms to assist our managers and our employees with this transition, all of which had to be virtual.
- For those employees who continued to work in our office locations new health and safety protocols were introduced to ensure that everything possible was put in place to ensure the safety of our employees while at work. This included the installation of Plexiglas screens, introduction of hand sanitizer stations, provision of masks for all staff, the implementation of social distancing protocols for clients and staff and the introduction of enhanced cleaning arrangements across all of our locations. These remain in place and are updated to reflect the requirements as they evolve.
- As the pandemic continues to impact our Bank and our employees we are constantly looking at what we need to do to continue to operate in the new, but constantly changing environment. For example, we are transitioning our learning and development programmes to a virtual model and we are implementing more flexible working arrangements that will allow employees to better integrate their work and home lives. Leadership capability was again a key theme from our employee survey, with the focus being on our leaders balancing driving execution of tasks and transactions with taking an active interest in the well-being and development of their teams. Assisting leaders in achieving this balance will be further addressed in the coming year. Our people remain a key priority and a key pillar of our strategy. We will continue to drive forward with new initiatives to support them and their development as our Bank evolves.

### First For Communities

The COVID-19 pandemic significantly changed the way we engaged with our clients and communities in 2020. Lockdowns and curfews meant that a number of our usual outreach and support activities were either halted, scaled down or had to be executed in new and creative ways.

## 2020 Highlights

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Despite the challenges, however, the Bank, through its charitable arm, the FirstCaribbean International ComTrust Foundation, continued to support charities across the country.

- Major focus was placed on the COVID-19 Pandemic response. The bank responded quickly, donating USD\$25,000 to the Bahamas Ministry of Health and USD\$10,000 to the Turks and Caicos Islands (TCI) Ministry of Health to purchase Personal Protective Equipment (PPE) for health workers on the frontline.
- Traditional feeding programmes operated by the Salvation Army, The Red Cross' Meals-on-Wheels, Great Commission Ministries and other charities were also given additional financial support as more families turned to them for assistance due to high levels of unemployment as a result of the fall-out from the pandemic. Organisations involved with the government's national food assistance programme, including the Bahamas Feeding Network and Hands for Hunger, were also given a boost.
- Several public schools and libraries received laptops, desktop towers and all in-one computers from the Bank. The donation of the devices were timely, as online education became the new normal as a result of the pandemic.
- Our commitment to the fight against cancer continued through our signature fundraising event, Walk for the Cure. However, the bank's flagship charitable activity took a completely different route in 2020, going the way of a virtual event on October 4. Teams in The Bahamas and Turks and Caicos Islands were still able to raise funds for cancer support organizations on those islands, thanks to staff fundraising activities and loyal sponsors.
- Donations were made to a number of other non-profit organizations in 2020 such as The Aids Foundation of The Bahamas, The Bahamas Crisis Centre, REACH, children's homes in The Bahamas, Erin H. Gilmore School for Blind and Visually Impaired Children, Every Child Counts and the Salvation Army of TCI, just to name a few.
- 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 2020, we launched a special initiative to recognize and reward those persons in The Bahamas and TCI going above and beyond to assist those in

need during the pandemic, but would usually go unnoticed. A pediatric nurse on Grand Bahama, an inner-city humanitarian on New Providence and a caregiver for the elderly on Providenciales, TCI were named CIBC FirstCaribbean Unsung Heroes.

### Financial Performance

The Bank reported a net loss of \$63.5 million for fiscal 2020. This was due to lower revenues as a result of the steep decline in US interest rates and reduced transaction related income, and increased provisions for credit losses due to the COVID - 19 Pandemic.

The Bank's Tier 1 and Total Capital ratios are at 26% each, which remain in excess of applicable regulatory requirements.

## 2020 Highlights

### Financial Highlights

B\$ thousands, except per share amounts, as at or for the year ended October 31	2020	2019	2018	2017	2016
<b>Common share information</b>					
Per share (B\$ cents)					
- basic (loss)/earnings	(52.9)	78.5	70.8	63.9	58.7
- adjusted basic earnings	68.2	83.6	70.8	66.5	59.0
- regular dividends paid	9.0	36.0	34.0	30.0	30.0
- special dividends paid	42.0	-	54.0	-	-
Share price					
- closing	11.26	11.06	9.25	8.60	8.50
Shares outstanding (thousands) - end of period	120,216	120,216	120,216	120,216	120,216
Market capitalisation	1,353,632	1,329,589	1,111,998	1,033,858	1,021,836
<b>Value measures*</b>					
Dividend yield (dividends per share/share price)	4.5%	2.4%	3.2%	3.5%	3.5%
Dividend payout ratio (dividends/net (loss)/income)	n/m	45.9%	48.1%	47.0%	51.1%
Adjusted dividend payout ratio (dividends/adjusted net income)	13.2%	43.1%	48.05%	45.1%	50.8%
<b>Financial results</b>					
Total revenue	191,013	205,415	188,122	180,286	173,232
Credit loss expense on financial assets	70,027	4,515	12,085	12,308	11,446
Operating expenses	111,782	106,524	90,977	91,219	91,213
Net (loss)/income	(63,543)	94,376	85,060	76,759	70,573
Adjusted net income <sup>(1) (2) (3)</sup>	9,204	97,418	85,060	79,958	70,973
<b>Financial measures</b>					
Efficiency ratio (operating expenses/total revenue)	58.5%	51.9%	48.4%	50.6%	52.7%
Return on equity (net income/average equity)	(9.5%)	13.7%	12.6%	11.4%	11.2%
Adjusted Return on equity (adjusted net income/average equity)	1.4%	14.2%	12.6%	11.9%	11.2%
Net interest margin (net interest income/average total assets)	3.9%	4.4%	4.2%	4.1%	4.2%
<b>Statement of Financial Position Information</b>					
Loans and advances to customers	2,031,739	2,023,654	2,001,401	2,072,500	2,008,325
Total assets	3,654,931	3,705,256	3,499,627	3,522,156	3,228,934
Customer deposits	2,953,593	2,903,742	2,762,770	2,750,848	2,491,947
Total equity	619,815	723,572	652,568	693,144	655,016
<b>Statement of Financial Position quality measures</b>					
Common equity to risk weighted assets	28%	32%	28%	30%	31%
Risk weighted assets	2,236,052	2,277,684	2,304,033	2,315,471	2,139,821
Tier I capital ratio	26%	28%	25%	27%	27%
Tier I and II capital ratio	26%	28%	25%	28%	27%
<b>Other information</b>					
Full time equivalent employees (#)	405	474	516	514	505

\* - exclude special dividends

n/m - not meaningful

Adjusted net income excludes:

(1) 2020 - Goodwill impairment \$73 million

(2) 2019 - 2019 Hurricane Dorian impact \$3 million

(3) 2017 - Hurricane Irma and Maria impact \$3 million



## MESSAGE FROM THE CHAIR OF THE BOARD

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## A Year of Transformation

**Colette Delaney**  
Chair of the Board

**In 2020, CIBC FirstCaribbean International Bank (Bahamas) Limited was named Bank of the Year for the tenth time by international financial publication, The Banker.**

2020 brought unprecedented challenges to our employees, our clients and our communities. However, it was also a year of transformation with advances in digital banking, remote work practices and process modernisation. We remained steadfast in our commitment to demonstrate the many benefits we offer, increase our innovation, and use technology for advancement. These efforts were recognised by renowned international financial publication, The Banker, which named CIBC FirstCaribbean Bank of the Year for The Bahamas in 2020. The Bank of the Year award is an international acknowledgement which highlights achievements in areas critical to success in the banking industry, particularly technological innovation and customer service. This was the bank's tenth time earning the title.

### Financial Performance

The Bank started the fiscal year with a high quality loan portfolio, strong liquidity and solid capital ratios, and that held us in good stead as the COVID-19 pandemic evolved. For the fiscal year ended October 31, 2020, the Bank reported a net loss of \$63.5 million. After adjusting for a goodwill impairment item of note of \$72.7 million, net income for the year was \$9.2 million. This result was significantly lower than prior year's net income of \$94.4 million and was largely driven by two main factors: i) lower revenues due to the steep decline in US interest rates and reduced transaction related income, and ii) increased provisions for credit losses. The Bank's Tier 1 and Total Capital ratios are at 26% each, which remain in excess of applicable regulatory requirements.

### Client Relationships

At CIBC FirstCaribbean we aspire to put the client at the centre of everything we do. Our solid capital base allowed us to provide much needed assistance to clients when the effects of the COVID-19 pandemic began to unfold. All segments of the bank were involved in these efforts, from retail to corporate banking and wealth management. They resulted in deferred payments, emergency loans and concessions to help individuals and businesses cushion the financial impact of the pandemic on households and the economy. We offered initial 6-month moratoria on loans and 3-month moratoria on credit card payments. With the contraction in economic activity from the lockdowns and unemployment reaching unprecedented levels, maintaining adequate cash flow was critical to the ability of businesses and households to keep themselves afloat. A portion of our clients have opted to take advantage of the extended moratoria offer, and we continue to work to help them resume servicing their credit obligations. So critical is this effort, we repurposed the Bay Street branch and reassigned front-line staff to engage and advise clients with loans under moratoria.

### Modern Everyday Banking Experience

In 2020, CIBC FirstCaribbean introduced 1st Pay, the bank's free person-to-person funds transfer service, using either an e-mail address or mobile number. The fast and safe design has redefined clients' payment experience. The Bank's internet banking service was also upgraded to significantly improve the user experience for clients in the Corporate, Business Banking and International Corporate sectors. This new platform delivers an improved client experience. It gives the client more control, allows faster on boarding, improves security, and presents more



## MESSAGE FROM THE CHAIR OF THE BOARD

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readily available information. Not surprisingly, with social distancing protocols in place and many opting not to shop in stores, demand for our electronic banking channels and payment vehicles increased substantially.

### Simplification

We continue our effort to simplify our processes and reduce paper in our business. We saw a strong response from clients, driven in part by the pandemic, to our efforts to help them switch from cheques to more efficient and timely electronic payment solutions. We have also started to automate mundane, repetitive, error-prone operational processes to improve efficiency and allow employees to spend more of their time focused on our clients.

### People

I am extremely proud of the commitment all our employees in The Bahamas and The Turks & Caicos Islands (TCI) have demonstrated in continuing to serve our clients through the difficult times brought on by COVID-19. We made accommodations for many to work from home, and we have adopted all local health and safety protocols to protect both our employees and our clients.

While the pandemic has changed the way we operate, it has not shaken our commitment to investing in our people to ensure business continuity and growth. As the financial year closed, we launched our new enhanced performance management process that strongly emphasizes development and cultivates the corporate behaviours we hold dear.

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

### Community

As our clients and the communities in which we operate felt the impact of the pandemic, we quickly realized that the best way through the challenges was together - taking care of each other. The work of our charitable Foundation - FirstCaribbean ComTrust Foundation - has been one of the bright spots in this time of loss and uncertainty for so many. In 2020, we continued assistance to education and charities involved in the care of the vulnerable, and major focus was placed on the COVID-19 disaster response.

The bank donated USD\$25,000 to the Ministry of Health in The Bahamas and \$10,000 to the Ministry of Health in TCI to purchase Personal Protective Equipment (PPE) for health workers on the frontline. Feeding programmes run by the Salvation Army, The Red Cross' Meals-on-Wheels, and other charities were also given additional financial

support as more families in both countries turned to them due to high levels of unemployment as a result of the fall-out from the pandemic.

Our investment in education continued with a donation to the Junior Achievement of The Bahamas' scholarship program and the School for the Blind. The Bank also donated laptops, desktop towers and all in-one computers to several public schools and libraries to ensure that as many students as possible have access to online education, which has become the new normal as a result of the pandemic.

Despite the challenges posed by the pandemic, our commitment to the fight against cancer continued in 2020 through our signature fundraising event, Walk for the Cure. While the flagship charitable activity took a completely different route in 2020, going the way of a virtual event on October 4, employees in The Bahamas and Turks and Caicos Islands (TCI) were still able to raise funds for cancer support organizations on those islands, thanks to staff fundraising activities and loyal sponsors.

Donations were made to a number of other non-profit organizations in 2020. And, despite lockdowns and strict social distancing and other protocols in place, our staff still managed to reach out and adopt causes in their communities.

### Looking to the Future

On February 3, 2021 it was announced that the transaction which would have seen GNB Financial Group Limited acquire 66 2/3% of CIBC's shares in our parent company would not proceed, as regulatory approval had not been received. Nevertheless, the CIBC FirstCaribbean franchise remains strong and we will continue to build on the 100 years of banking experience which CIBC has in the region.

In November 2020, board member and Managing Director of the Bahamas Operating Company, Mrs. Marie Rodland-Allen, resigned from the bank after 10 years of service. We wish to thank Marie for her contribution to CIBC FirstCaribbean.

As the Bank looks towards a new year with optimism, I wish to express sincere gratitude to the Board of Directors, clients, employees and shareholders for their unwavering support and commitment during the challenges of 2020.



**Colette Delaney**  
Chair of the Board

## THE BOARD OF DIRECTORS

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**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  
(Resigned November 2020)

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 Technology,  
Operations & Corporate Services

Sherrylyn Bastian  
Legal Counsel and Corporate Secretary

Beulah Arthur  
Country Treasurer

Gezel Farrington  
Director,  
Retail Banking Channels

**Not Pictured:**  
Glenda Whyllly  
Senior Manager,  
Managing Director's Office

Stacia Williamson  
Financial Controller

Kemar Polius  
Head,  
Corporate and Investment Banking

Ricardo St. Hill  
Senior Manager,  
Client Credit Management

**Registered Office**

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

**Regional Audit Committee**

Paula Rajkumarsingh - Chair  
Blair Cowan  
Chris de Caires  
Lincoln Eatmon  
Robert Frentzel  
Craig Gomez  
Brian McDonough  
David Ritch

**Auditors**

Ernst & Young Ltd.

**Legal Advisors**

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

**Registrar and Transfer Agents**

CIBC Trust Company (Bahamas) Limited

## MANAGEMENT'S DISCUSSION & ANALYSIS

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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, 2020, 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.

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### 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 the 2020 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.

## MANAGEMENT'S DISCUSSION & ANALYSIS

### Review of results, performance measures and indicators

#### Review of the Consolidated Statement of (Loss)/Income

B\$ thousands, except per share amounts, as at or for the year ended October 31	2020	2019
Total revenue	191,013	205,415
Net (loss)/income	(63,543)	94,376
Adjusted net income	9,204	97,418
Total assets	3,654,931	3,705,256
Basic (loss)/earnings per share (cents)	(52.9)	78.5
Adjusted basic earnings per share (cents)	68.2	83.6
Dividend per share (cents)	51.0	36.0
Closing share price - per share (dollars)	11.26	11.06
Return on equity	(9.5%)	13.7%
Adjusted return on equity	1.4%	14.2%
Efficiency ratio	58.5%	51.9%
Tier 1 capital ratio	26%	28%
Total capital ratio	26%	28%

Net loss for the year was \$64 million, compared to net income of \$94 million in 2019. Excluding the goodwill impairment charge of \$73 million adjusted net income was \$9 million.

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

#### 2020

- \$73 million impairment of goodwill
- \$65 million increase in credit loss expense due mainly to changes in forward-looking economic forecasts as a result of COVID-19
- \$13 million decrease in net interest income due primarily to lower margins as a result of lower US interest rates
- \$5 million increase in operating expense due to higher group service cost, partially offset by lower staff and discretionary costs

## MANAGEMENT'S DISCUSSION & ANALYSIS

### Net interest income and margin

B\$ thousands for the year ended October 31	2020	2019
Average total assets	3,680,094	3,602,442
Net interest income	144,139	156,796
Net interest margin	3.92%	4.35%

Net interest income decreased year on year by \$13 million (8%) largely as a result of lower margins as a result of lower US interest rates.

### Operating income

B\$ thousands for the year ended October 31	2020	2019
Net fee & commission income	34,235	35,047
Foreign exchange earnings	11,705	13,161
Net loss on trading activity, disposal of securities and hedging	(77)	(614)
Other	1,011	1,025
	46,874	48,619

Operating income decreased year-on-year by \$2 million (4%) primarily due to lower transaction based fee - foreign exchange earnings, deposits, cards services.

### Operating expenses

B\$ thousands for the year ended October 31	2020	2019
Staff costs		
Wages and salaries	21,122	21,681
Benefits and others	6,411	7,281
	27,533	28,962
Group service charges	42,436	35,876
Business license	8,447	8,842
Occupancy and maintenance	5,956	11,334
Depreciation	7,875	4,021
Other	19,535	17,489
	111,782	106,524

Operating expenses increased by \$5 million year over year, primarily due to an increase in the Bank's group service charges.

Occupancy and maintenance cost decreased by \$5 million, while depreciation increased by the equivalent amount as a result of the adoption of IFRS 16, the new accounting standard for leases.



## MANAGEMENT'S DISCUSSION & ANALYSIS

### Credit loss expense on financial assets

B\$ thousands for the year ended October 31	2020	2019
Expense on impaired loans - Stage 3		
Residential mortgages	(16)	(605)
Personal	(907)	2,207
Business & Government	(1,209)	5,957
	(2,132)	7,559
Expense on non-impaired loans		
Stage 1	18,891	1,952
Stage 2	50,001	(8,254)
	68,892	(6,302)
Total loans credit loss expense	66,760	1,257
Expense on debt securities		
Stage 1	2,367	(468)
Stage 2	(440)	168
Stage 3	1,340	3,558
Total debt securities credit loss expense	3,267	3,258
Total credit loss expense on financial assets	70,027	4,515

Loan credit loss expense increased by \$66 million due mainly to updated economic forecast incorporated into the expected credit loss calculation model.

The ratio of credit loan allowances to gross loans was 3.0% compared with 0.1% at the end of 2019. Non-performing loans to gross loans declined to 4.6% at the end of 2020 compared to 5.2% as at 2019.

Debt securities credit loss expense was \$3 million in 2020, unchanged from the prior year.

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

B\$ thousands for the year ended October 31	2020	2019
Net (loss)/income	(63,543)	94,376
Other comprehensive income		
Net gains on debt securities at fair value through OCI	6,494	10,866
Re-measurement gains/(losses) on retirement benefits plan	14,600	9,042
Other comprehensive income	21,094	19,908
Total comprehensive (loss)/income	(42,449)	114,284

The net loss in 2020 was mainly attributable to the goodwill write-off and higher expected credit loss allowances.

Other comprehensive income increased marginally year-on-year as a result of higher re-measurement gains on retirement benefit plans mainly due to changes in key assumptions and experience gains on pension liabilities. This was partially offset by lower net gains from debt securities at fair value through OCI due primarily to lower fair values.



## MANAGEMENT'S DISCUSSION & ANALYSIS

### Review of the Consolidated Statement of Financial Position

B\$ thousands for the year ended October 31	2020	2019
<b>Assets</b>		
Cash & balances with The Central Bank and due from banks	606,282	593,474
Securities	917,925	936,576
<b>Loans and advances:</b>		
Residential mortgages	993,898	982,024
Personal	202,516	203,615
Business & Government	994,987	938,243
Provision for impairment (net of recoveries and write-offs)	(158,945)	(100,062)
Interest receivable	10,475	9,784
Unearned fee income	(11,192)	(9,950)
	2,031,739	2,023,654
Other assets	98,985	151,552
	3,654,931	3,705,256
<b>Liabilities and equity</b>		
<b>Customer deposits</b>		
Individuals	1,086,104	1,008,667
Business and governments	1,747,716	1,733,510
Banks	116,744	158,281
Interest payable	3,029	3,284
	2,953,593	2,903,742
Other liabilities	81,523	77,942
Equity	619,815	723,572
	3,654,931	3,705,256

Total assets decreased by \$50 million (1%) primarily due to write-off of the goodwill balance, while total liabilities increased by \$53 million (2%) predominantly due to normal core deposit movements.

Equity has decreased year on year by \$104 million (14%) due mainly to net loss for the year of \$64 million and dividends of \$61 million offset by other comprehensive income of \$21 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 26%, each, at the end of 2020, well in excess of regulatory requirements.

## MANAGEMENT'S DISCUSSION & ANALYSIS

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### Business Segment Overview

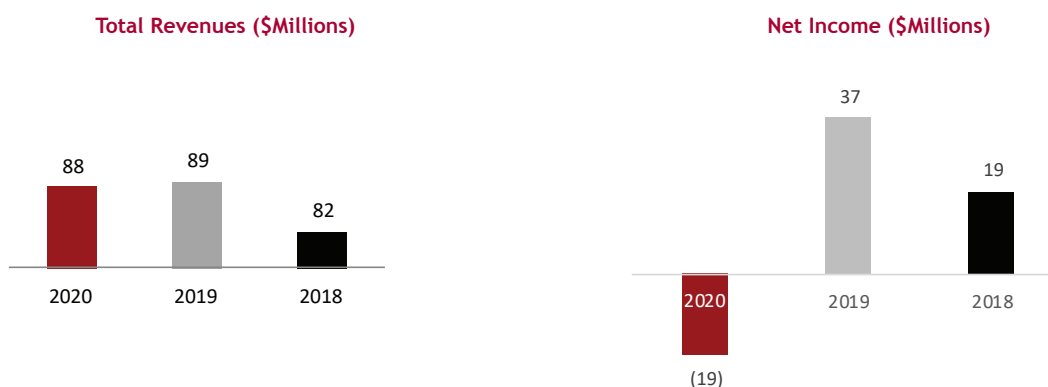
Management monitors the operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment. At the beginning of 2019, the Cards Issuing & Merchant Services businesses were integrated into the Retail & Business Banking and Corporate & Investment Banking businesses respectively. The changes impacted the segment results, and as such all prior period amounts were reclassified accordingly.

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

### Retail & Business Banking

Retail & Business Banking includes Retail, Business Banking, International Banking and Cards Issuing business. The segment provides a full range of financial products and services to individuals which can be accessed through our network of branches and ABMs, as well as through internet and telephone banking channels, inclusive of our 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.

Total revenues decreased year on year by \$1 million or 1% primarily due to lower performing loans income, foreign exchange commissions and cards services income. These decreases were partially offset by lower Fund Transfer Pricing (FTP) on loans. Net income decreased year-on-year by \$56 million driven by the lower revenues and higher provision for credit losses.



### Corporate & Investment Banking

Corporate & Investment Banking includes Corporate, Investment Banking, Forex & Derivative Sales and Merchant Services businesses. 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 and Derivative Sales Group.

Total revenues increased year-on-year by \$5 million or 7% primarily due to lower FTP charged on loans, higher FTP earned on deposits and higher credit service fee income, partially offset by lower loan earnings. Net Income decreased year-on-year by \$8 million primarily as a result of higher provision for credit losses.

## MANAGEMENT'S DISCUSSION & ANALYSIS



### 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 services non-domestic, international corporate and institutional clients with core banking, international payments & cash management, lending, standby letters of credit and investment management alternatives.

Total revenues decreased year-over-year by \$4 million or 21% as a result of lower FTP earnings on deposits due to lower margins. Net income declined by \$3 million year-on-year as lower FTP earnings were partially offset by lower internal expense allocations.



### Administration

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

Treasury is responsible for balance sheet and liquidity risk management for the 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.

## MANAGEMENT'S DISCUSSION & ANALYSIS

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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 analyse these risks, to set appropriate risk limits, and to monitor and enhance risk management practices to reflect changes in markets, products and evolving best practice.

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

### Credit Risk

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

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

### Market Risk

Market risk is the measurement of potential loss arising from adverse movements in interest rates, foreign exchange rates, equity and commodity prices, and credit spread risk in the 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.

## MANAGEMENT'S DISCUSSION & ANALYSIS

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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.



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## Independent Auditor's 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, 2020, and the consolidated statement of (loss)/income, consolidated statement of comprehensive (loss)/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, 2020, 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 *Auditor's 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 (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

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

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



## 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 2.4, 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 judgment 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 \$169M as at October 31, 2020.

This is a key audit matter as the estimation of ECLs is inherently uncertain and requires the application of judgment and use of subjective assumptions by management. Furthermore, models used to determine credit impairment are complex, and certain inputs used are not fully observable. Management compensates for any model and data deficiencies by applying management’s judgmental adjustments overlays to ECL model outputs.

- We obtained an understanding, evaluated the design and tested the operating effectiveness of management’s controls over the process for estimation of ECLs.
- 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 tested the completeness and accuracy of data input to the models used to determine the ECLs. We assessed the reasonableness of the methodologies and assumptions applied in determining 12 month and lifetime probabilities of default (PD), loss given default (LGD), exposure at default (EAD) and the determination of when a loan has experienced a significant increase in credit risk (SICR) by performing the procedures, amongst others, as described below. Management has applied significant judgment in the areas noted above and in their assessment of the impact of COVID-19 on the ECL allowance. In this regard, we adjusted the nature, timing and extent of our procedures including increasing the involvement of our specialists and audit executives.
- We involved our internal credit risk specialists to assist us in evaluating the methodology and assumptions used in the significant models that estimate ECL in comparison to the requirements of IFRS, the Bank’s own historical data and industry standards. This included an assessment of the thresholds used to determine a SICR and the evaluation of management’s judgmental adjustments by evaluating that the amounts recorded were reflective of the credit quality and macroeconomic trends, including the impact of COVID-19, amongst other factors.



Key Audit Matter	How our Audit Addressed the Key Audit Matter
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- We also assessed the reasonableness of the generation of forward-looking information (FLI) by comparing a sample of management's FLI variables to independently derived forecasts and publicly available information and evaluated the probability weights used in the ECL models. On a sample basis, we recalculated the ECL to test the mathematical accuracy of management's models.
- We used our internal valuation specialists to assess the methodology used and values obtained for third party appraisals of real estate held as collateral for loans.
- We assessed the adequacy of disclosures in the consolidated financial statements.

## Key Audit Matter

## How our Audit Addressed the Key Audit Matter

### *Goodwill impairment*

Related disclosures in the consolidated financial statements are included in Note 2.4, Summary of significant accounting policies–Goodwill, and Note 11, Goodwill.

Goodwill represents the excess of the cost of an acquisition over the fair value of the net identifiable assets of the acquired subsidiary undertaking and in accordance with IAS 36, management is required to annually test goodwill for impairment. Goodwill is deemed to be impaired if the carrying amount of a cash generating unit (CGU) is in excess of its recoverable amount. The recoverable amount is defined as the higher of the CGU’s estimated fair value less cost to sell and its value in use. The Bank estimated a total goodwill impairment of \$73M as at October 31, 2020, which represented the entire goodwill balance.

This is a key audit matter since impairment testing requires significant estimation and judgement relative to assumptions used for projected cash flows for CGUs (e.g. growth rates), terminal values and discount rates.

This impairment testing is sensitive to variations in estimates and assumptions that can result in significantly different conclusions.

- We assessed the reasonableness of the key assumptions used by management in the determination of cash flow projections, terminal values and discount rates. We compared these assumptions to historical performance, growth rates in light of future economic conditions and independent sources of information.
- With the assistance of our valuation specialists, we tested the recoverable amount of the CGUs which were determined based on a value in use calculation. We performed audit procedures that included, amongst others, assessing the methodology applied, testing the significant assumptions discussed above and testing the completeness, accuracy and relevance of underlying data used by management in their assessment. We compared the significant assumptions and inputs used by the Bank to externally available industry and economic trends, which considered the impact of COVID-19. We evaluated the reasonableness of management’s estimates by performing a comparison of management’s prior year projections to actual results and current performance and performed sensitivity analysis over the significant assumptions.
- We assessed the adequacy of disclosures in the consolidated financial statements.

Key Audit Matter	How our Audit Addressed the Key Audit Matter
<b><i>Fair value of investment securities</i></b>	

Related disclosures in the consolidated financial statements are included in Note 2.4, Summary of significant accounting policies, Debt instruments at FVOCI, Equity instruments at FVOCI, 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. These 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. The associated risk management disclosure is also complex and dependent upon high quality data.

- We obtained an understanding, evaluated the design and tested the operating effectiveness of management’s controls over the investment securities valuation process.
- We reviewed the market prices applied to the Bank’s debt securities by comparing the prices used by management to an independent external source.
- We involved internal valuation specialists to assess the reasonableness of the fair value of investment securities which did not have observable market prices by testing a sample of modelling assumptions and significant inputs used in the Bank’s valuation methodologies to estimate the fair value.
- We assessed the adequacy of the disclosures in the consolidated financial statements.

**Other information included in the Bank’s 2020 Annual Report**

Management is responsible for the other information. The other information consists of the 2020 Highlights, Message from the Managing Director and Management’s Discussion and Analysis included in the Bank’s 2020 Annual Report but does not include the consolidated financial statements and our auditor’s report thereon.

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

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



## **Responsibilities of Management and the 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.

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

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

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.

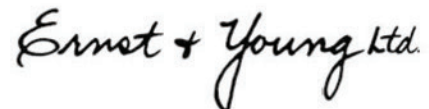
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s 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 auditor’s report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 Board of Directors 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 Board of Directors, 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 auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The partner in charge of the audit resulting in this independent auditor’s report is LaNishka F. McSweeney.



January 29, 2021

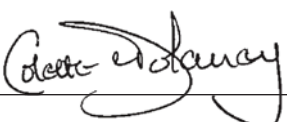
## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at October 31, 2020  
(Expressed in thousands of Bahamian dollars)

	Notes	2020	2019
<b>Assets</b>			
Cash and balances with The Central Bank	3	\$ 286,949	\$ 159,489
Due from banks	4	319,333	433,985
Derivative financial instruments	5	33	49
Other assets	6	11,267	19,680
Securities	7	917,925	936,576
Loans and advances to customers	8	2,031,739	2,023,654
Property and equipment	9	45,400	30,593
Retirement benefit assets	10	42,285	28,483
Goodwill	11	-	72,747
<b>Total assets</b>		<b>\$ 3,654,931</b>	<b>\$ 3,705,256</b>
<b>Liabilities</b>			
Derivative financial instruments	5	21	273
Customer deposits	12	2,953,593	2,903,742
Other liabilities	13	65,443	62,053
Retirement benefit obligations	10	16,059	15,616
<b>Total liabilities</b>		<b>\$ 3,035,116</b>	<b>\$ 2,981,684</b>
<b>Equity</b>			
Issued capital	14	477,230	477,230
Reserves	14	48,159	19,810
Retained earnings		94,426	226,532
<b>Total equity</b>		<b>619,815</b>	<b>723,572</b>
<b>Total liabilities and equity</b>		<b>\$ 3,654,931</b>	<b>\$ 3,705,256</b>

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

Approved by the Board of Directors on January 26, 2021, and signed on its behalf by:



Director



Director

## CONSOLIDATED STATEMENT OF (LOSS)/INCOME

For the year ended October 31, 2020  
*(Expressed in thousands of Bahamian dollars, except as noted)*

	Notes	2020	2019
Interest and similar income		\$ 153,804	\$ 169,968
Interest and similar expense		9,665	13,172
Net interest income	15	144,139	156,796
Operating income	16	46,874	48,619
		191,013	205,415
Operating expenses	17	111,782	106,524
Credit loss expense on financial assets	7,8	70,027	4,515
Impairment of goodwill	11	72,747	-
		254,556	111,039
Net (loss)/income for the year		\$ (63,543)	\$ 94,376
Basic and diluted (loss)/earnings per share (expressed in cents per share)	18	(52.9)	78.5

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



## CONSOLIDATED STATEMENT OF COMPREHENSIVE (LOSS)/INCOME

For the year ended October 31, 2020  
(Expressed in thousands of Bahamian dollars)

	Notes	2020	2019
Net (loss)/income for the year		\$ (63,543)	\$ 94,376
Other comprehensive income to be reclassified to net income or loss in subsequent periods:			
Net gains on debt securities at fair value through OCI	20	6,494	10,866
Net other comprehensive income to be reclassified to net income or loss in subsequent periods		6,494	10,866
Other comprehensive income not to be reclassified to net income or loss in subsequent periods:			
Re-measurement gains on retirement benefit plans	10	14,600	9,042
Net other comprehensive income not to be reclassified to net income or loss in subsequent periods		14,600	9,042
Other comprehensive income for the year		21,094	\$ 19,908
Comprehensive (loss)/income for the year		\$ (42,449)	\$ 114,284

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended October 31, 2020  
(Expressed in thousands of Bahamian dollars)

	Notes	Issued capital	Reserves	Retained earnings	Total equity
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
Net loss for the year		-	-	(63,543)	(63,543)
Other comprehensive income for the year		-	21,094	-	21,094
Total comprehensive loss		-	21,094	(63,543)	(42,449)
Dividends	19	-	-	(61,308)	(61,308)
Transfer to statutory reserve fund - Turks & Caicos Islands	14	-	7,255	(7,255)	-
Balance at October 31, 2020		\$ 477,230	\$ 48,159	\$ 94,426	\$ 619,815

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

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended October 31, 2020  
(Expressed in thousands of Bahamian dollars)

	Notes	2020	2019
<b>Cash flows from operating activities</b>			
Net (loss)/income for the year		\$ (63,543)	\$ 94,376
Adjustments to reconcile net income to net cash from operating activities			
Credit loss expense on financial assets	7, 8	70,027	4,515
Depreciation of property and equipment	9	7,875	4,021
Net losses on write-off of property and equipment	9	-	370
Impairment of goodwill	11	72,747	-
Net gains on disposals and redemption of securities	16	(60)	-
Net hedging losses	16	-	29
Interest income earned on securities	15	(25,407)	(28,076)
Interest (income)/expense (earned)/incurred on derivative financial instruments	15	(24)	131
Interest expense incurred on lease liabilities	15	725	-
Net cash flows from operating income before changes in operating assets and liabilities		62,340	75,366
<b>Changes in operating assets and liabilities:</b>			
- net decrease in due from banks greater than 90 days	4	1,150	5,261
- net increase in mandatory reserves with The Central Bank	3	(9,185)	(3,812)
- net increase in loans and advances to customers		(80,454)	(23,080)
- net decrease/(increase) in other assets		9,227	(11,129)
- net increase in customer deposits		49,851	140,972
- net (decrease)/increase in other liabilities		(2,426)	18,136
Net cash from operating activities		30,503	201,714
<b>Cash flows from investing activities</b>			
Purchases of property and equipment	9	(7,296)	(5,406)
Purchases of investment securities	7	(1,946,930)	(976,229)
Proceeds from disposals and redemption of securities	7	1,970,652	832,523
Interest income received on investment securities		29,232	26,320
Interest expense paid on derivative financial instruments		(86)	(1,469)
Net cash from/(used in) investing activities		45,572	(124,261)
<b>Cash flows from financing activities</b>			
Dividends paid		(68,176)	(58,640)
Payment of principal portion of lease liabilities		(3,126)	-
Net cash used in financing activities		(71,302)	(58,640)
Net increase in cash and cash equivalents		4,773	18,813
Cash and cash equivalents, beginning of year		513,005	494,192
Cash and cash equivalents, end of year	3	\$ 517,778	\$ 513,005

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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For the year ended October 31, 2020  
(Expressed in thousands of Bahamian dollars)

### Note 1 | Corporate Information

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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 26, 2021. 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

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#### 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 consolidated 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 consolidated 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, 2020 (the “reporting date”). The financial statements of the subsidiaries are prepared for the same reporting year as the Bank, using consistent accounting policies.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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For the year ended October 31, 2020  
(Expressed in thousands of Bahamian dollars)

### 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 judgements 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. The COVID-19 pandemic gives rise to heightened uncertainty as it relates to accounting estimates and assumptions and increases the need to apply judgment in evaluating the economic and market environment and its impact on significant estimates. This particularly impacts estimates and assumptions relating to allowance for credit losses, valuation of financial instruments and asset impairment.

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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For the year ended October 31, 2020  
(Expressed in thousands of Bahamian dollars)

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.

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 a Probability of Default ("PDs") to the individual grades
- The Bank's criteria for assessing if there has been a significant increase in credit risk, and therefore 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 ("EADs") and Loss Given Default ("LGDs")
- 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)

The Bank is required to pay value added tax (VAT) at a rate of 12% on goods and services as prescribed by the Value Added Tax Act of the Commonwealth of The Bahamas. VAT is an indirect tax which is considered a broadly based

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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For the year ended October 31, 2020  
(Expressed in thousands of Bahamian dollars)

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. 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.

In these consolidated financial statements, the Bank adopted IFRS 16 Leases as at November 1, 2019 which supersedes 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. The nature and the impact of the new standard is described below.

Several other amendments and interpretations apply for the first time in 2020, but did not have an impact on the Bank’s consolidated financial statements. The Bank has not early adopted any other standards, interpretations or amendments that have been issued but are not yet effective.

### IFRS 16 Leases

The Bank applied IFRS 16 as at November 1, 2019 using the modified retrospective method of adoption (alternative 2) without restatement of comparative periods as permitted by the standard. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. Therefore comparative figures for 2019 are not restated.

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. Under IFRS 16, the Bank recognised right-of-use assets and lease liabilities for its leases previously recognised as operating leases per IAS 17. Depreciation expense on the right-of-use asset and interest expense on the lease liability replaces the previous operating lease expense. IFRS 16 does not change substantially how a lessor accounts for leases. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently. However, IFRS 16 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual interest in the leased assets.

On initial recognition, the lease liability related to leases previously recognised as operating leases was measured at an amount equal to the present value of 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 weighted average incremental borrowing rate applied on our existing lease portfolio was 5.2%. The capitalised right-of-use assets mainly consist of office property, namely the retail branches and some warehouses used for storage. The standard includes two recognition exemptions for lessees which were applied

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended October 31, 2020  
(Expressed in thousands of Bahamian dollars)

by the Bank - leases of 'low-value' assets and short-term leases (i.e. leases with a lease term of 12 months). Additionally as a practical expedient, each lease component and associated non-lease components was accounted for as a single lease component.

The Bank excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application and also used hindsight in determining the lease term where the contract contained options to extend or terminate the lease. The Bank is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor.

Based on the above as at November 1, 2019:

- Right-of-use assets of \$15.3 million were recognised and presented in the consolidated statement of financial position within 'Property and equipment'
- Additional lease liabilities of \$15.3 million (included in 'Other liabilities') were recognised
- The adoption of IFRS 16 had no impact on the Bank's retained earnings

The lease liabilities as at November 1, 2019 can be reconciled to the operating lease commitments as of October 31, 2019 as follows:

Operating lease commitments as at October 31, 2019	\$	9,601
Adjustments as a result of renewal and termination assumptions		8,859
Impact of discounting		(3,160)
Lease liability recognised as at November 1, 2019	\$	<u>15,300</u>

For the impact of IFRS 16 on profit or loss for the year, see Note 9. For further details of the Bank's accounting policy for leases under IFRS 16 see Note 2.4.

### 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. Early termination can result from a contractual term or from an event outside the control of the parties to the contract, such as a change in law or regulation leading to the early termination of the contract. Where the prepayment is made at current fair value or at an amount that includes the fair value of the cost to terminate associated hedging instruments, the Bank assesses the specific contractual cash flows for the relevant debt instruments in order to determine whether they meet the SPPI criterion. These amendments had no impact on the consolidated financial statements 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 remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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For the year ended October 31, 2020  
(Expressed in thousands of Bahamian dollars)

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 and had no impact on the consolidated financial statements 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 remeasured.

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.

### *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. These amendments had no impact on the consolidated financial statements of the Bank.

### **Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)**

The amendment clarifies that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. Entities must apply the amendments retrospectively, with certain exceptions. These amendments are currently not applicable to the Bank but may apply to future transactions.

### **Amendments to 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 and they had

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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For the year ended October 31, 2020  
(Expressed in thousands of Bahamian dollars)

no impact on the consolidated financial statements of the Bank.

### 2.4 Summary of significant accounting policies

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

#### Foreign currency translation

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

#### Transactions and balances

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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For the year ended October 31, 2020  
(Expressed in thousands of Bahamian dollars)

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

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, 2020, 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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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For the year ended October 31, 2020  
(Expressed in thousands of Bahamian dollars)

interest income. The adjustment is subsequently amortised through Interest and similar income in the consolidated 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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For the year ended October 31, 2020  
(Expressed in thousands of Bahamian dollars)

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.

#### *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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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For the year ended October 31, 2020  
(Expressed in thousands of Bahamian dollars)

### 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 (solely payments of principal and interest) 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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For the year ended October 31, 2020  
(Expressed in thousands of Bahamian dollars)

### 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. 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 financial 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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

---

For the year ended October 31, 2020  
(Expressed in thousands of Bahamian dollars)

- 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. The Bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation and an ECL allowance.

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 and attract allowances based on credit quality.

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 2020.

### 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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

---

For the year ended October 31, 2020  
(Expressed in thousands of Bahamian dollars)

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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

---

For the year ended October 31, 2020  
(Expressed in thousands of Bahamian dollars)

### *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 recognized 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 27.

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. ECL allowances for POCI assets are reported in Stage 3.

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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

---

For the year ended October 31, 2020  
(Expressed in thousands of Bahamian dollars)

### *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.
- **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.

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%.
- **POCI assets:** These are 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

---

For the year ended October 31, 2020  
(Expressed in thousands of Bahamian dollars)

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 but not limited to:

- GDP growth or nominal GDP
- Unemployment rate
- Consumer price index and inflation
- Interest rates

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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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For the year ended October 31, 2020  
(Expressed in thousands of Bahamian dollars)

### 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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

---

For the year ended October 31, 2020  
(Expressed in thousands of Bahamian dollars)

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. Right-of-use assets are presented together with property and equipment in the consolidated statement of financial position. Refer to the accounting policy for leases below.

Depreciation of owned assets 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 - 67%                          |

Right-of-use assets are depreciated over the life of the lease.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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For the year ended October 31, 2020  
(Expressed in thousands of Bahamian dollars)

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

The Bank assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Bank leases various buildings for extended periods. Contracts may contain both lease and non-lease components, however where the Bank has a lease, it has elected not to separate these components and instead accounts for these as a single lease component.

#### *As a lessee*

The Bank applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Bank recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

#### *Right-of-use assets*

The Bank recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

The right-of-use assets are presented within Note 9 Property and equipment and are subject to similar impairment in line with the Bank's impairment policy for non-financial assets.

#### *Lease liabilities*

At the commencement date of the lease, the Bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. The Bank remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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For the year ended October 31, 2020  
(Expressed in thousands of Bahamian dollars)

- case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used)
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The lease liabilities are presented within Other liabilities on the consolidated statement of financial position.

### *Determination of the lease term for lease contracts with renewal and termination options (As a lessee)*

The Bank determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Bank has several lease contracts that include extension and termination options. The Bank applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination.

After the commencement date, the Bank reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation of the leased asset).

### *Estimating the incremental borrowing rate*

The Bank cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (“IBR”) to measure lease liabilities. The IBR is the rate of interest that the Bank would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Bank ‘would have to pay’, which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary’s functional currency). The Bank estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific adjustments (such as the subsidiary’s stand-alone credit rating, or to reflect the terms and conditions of the lease).

To determine the incremental borrowing rate, the Bank uses a build-up approach which incorporates internal Funds Transfer Pricing (FTP) methodology to derive the discount rates which are further duration adjusted to better reflect the amortizing nature of the lease portfolio. The approach makes adjustments specific to the lease, e.g. term, country and currency.

The Bank is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

### **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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

---

For the year ended October 31, 2020  
(Expressed in thousands of Bahamian dollars)

### 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.

### 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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

---

For the year ended October 31, 2020  
(Expressed in thousands of Bahamian dollars)

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 deemed declared, and recognised in equity, in the period in which the dividends are approved by the Board and receive the applicable regulatory approvals.

### 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 Executive Committee as its chief operating decision-maker.

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

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

### Fair value measurement

The 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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

---

For the year ended October 31, 2020  
(Expressed in thousands of Bahamian dollars)

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 new and amended 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.

#### Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7

Interest Rate Benchmark Reform Amendments to IFRS 9, IAS 39 and IFRS 7 includes a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark based cash flows of the hedged item or the hedging instrument. As indicated in the accounting policies, the Bank elected, as a policy choice permitted under IFRS 9, to continue to apply hedge accounting in accordance with IAS 39. IAS 39 requires that for cash flow hedges, a forecast transaction must be highly probable. IAS 39 also requires that a hedging relationship only qualifies for hedge accounting if the hedging relationship is highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk. The assessment of hedge effectiveness is made prospectively and retrospectively.

As a result of interest rate benchmark reform, there may be uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument during the period before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate (an RFR). This may lead to uncertainty about whether a forecast transaction is highly probable and whether prospectively the hedging relationship is expected to be highly effective. The amendments are effective for annual reporting periods beginning on or after January 1, 2020. We continue to evaluate the impact of the amendments to IAS 39 and IFRS 7 on the Bank's consolidated financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

---

For the year ended October 31, 2020  
(Expressed in thousands of Bahamian dollars)

### **Covid-19 related Rent Concessions - Amendments to IFRS 16**

As a result of the COVID-19 pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. In May 2020, the IASB made an amendment to IFRS 16 Leases which provides lessees with an option to treat qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concessions as variable lease payments in the period in which they are granted.

Entities applying the practical expedients must disclose this fact, whether the expedient has been applied to all qualifying rent concessions or, if not, information about the nature of the contracts to which it has been applied, as well as the amount recognised in profit or loss arising from the rent concessions. An entity applies the amendments for annual reporting periods beginning on or after June 30, 2020, with early application permitted. These amendments are not expected to have any material impact on the consolidated financial statements of the Bank and no specific disclosures are required.

### **IFRS 17 Insurance contracts**

In May 2017, the IASB issued IFRS 17 Insurance Contracts (“IFRS 17”), a comprehensive new accounting standard for insurance contracts, covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (“IFRS 4”). IFRS 17 applies to all types of insurance contracts (i.e. life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. IFRS 17 was originally effective for reporting periods beginning on or after January 1, 2021, with comparative figures required, but has been extended to January 1, 2023 by the IASB. This standard is not applicable to the Bank.

### **Amendments to IFRS 3: Definition of a Business**

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments.

An entity applies the amendments for annual reporting periods beginning on or after January 1, 2020, with early application permitted. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Bank will not be affected by these amendments on the date of transition.

### **Amendments to IAS 1 and IAS 8: Definition of Material**

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of ‘material’ across the standards and to clarify certain aspects of the definition. The new definition states that, ‘Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity’.

An entity applies the amendments for annual reporting periods beginning on or after January 1, 2020, with early application permitted. The amendments to the definition of material are not expected to have a significant impact on the Bank’s consolidated financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

---

For the year ended October 31, 2020  
(Expressed in thousands of Bahamian dollars)

### Classification of Liabilities as Current or Non-current - Amendments to IAS 1

The narrow-scope amendments to IAS 1 Presentation of Financial Statements clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability.

The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity. They must be applied retrospectively in accordance with the normal requirements in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. In May 2020, the IASB issued an Exposure Draft proposing to defer the effective date of the amendments from January 1, 2022 to January 1, 2023. The amendments related to the classification of liabilities as current or non-current are not expected to have a significant impact on the Bank's consolidated financial statements.

### Property, Plant and Equipment: Proceeds before intended use - Amendments to IAS 16

The amendment to IAS 16 Property, Plant and Equipment (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.

An entity applies the amendments for annual reporting periods beginning on or after January 1, 2022, with early application permitted. The Bank is currently assessing the impact of these amendments and plans to adopt the new amendment on the required effective date.

### Reference to the Conceptual Framework - Amendments to IFRS 3

Minor amendments were made to IFRS 3 Business Combinations to update the references to the Conceptual Framework for Financial Reporting and add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Interpretation 21 Levies. The amendments also confirm that contingent assets should not be recognised at the acquisition date.

An entity applies the amendments for annual reporting periods beginning on or after January 1, 2022, with early application permitted. The amendments to IFRS 3 Business Combinations are not expected to have any impact on the Bank's consolidated financial statements.

### Onerous Contracts - Cost of Fulfilling a Contract Amendments to IAS 37

The amendment to IAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.

An entity applies the amendments for annual reporting periods beginning on or after January 1, 2022, with early application permitted. The Bank is currently assessing the impact of these amendments and plans to adopt the new amendment on the required effective date.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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For the year ended October 31, 2020  
(Expressed in thousands of Bahamian dollars)

Annual Improvements to IFRS Standards 2018-2020  
The following improvements were finalised in May 2020:

### *IFRS 9 Financial Instruments*

The amendment clarifies which fees should be included in the 10% test for derecognition of financial liabilities.

### *IFRS 16 Leases*

The amendment removes the illustration of payments from the lessor relating to leasehold improvements in illustrative example 13, to remove any confusion about the treatment of lease incentives. These amendments are currently not applicable to the Bank.

### *IFRS 1 First-time Adoption of International Financial Reporting Standards*

The amendment allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption. These amendments are currently not applicable to the Bank.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended October 31, 2020  
(Expressed in thousands of Bahamian dollars)

### Note 3 | Cash and Balances with The Central Bank

	2020	2019
Cash	\$ 34,654	\$ 38,075
Deposits with The Central Bank - non-interest bearing	252,295	121,414
Cash and balances with The Central Bank	286,949	159,489
Less: Mandatory reserve deposits with The Central Bank	(63,404)	(54,219)
Included in cash and cash equivalents, as per below	\$ 223,545	\$ 105,270

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

	2020	2019
Cash and balances with The Central Bank, as per above	\$ 223,545	\$ 105,270
Due from banks, included in cash and cash equivalents (Note 4)	294,233	407,735
	\$ 517,778	\$ 513,005

### Note 4 | Due from Banks

	2020	2019
Included in cash and cash equivalents (Note 3)	\$ 294,233	\$ 407,735
Greater than 90 days maturity from date of acquisition	25,100	26,250
Due from banks	\$ 319,333	\$ 433,985

Due from banks comprises deposit placements and include amounts placed with other FirstCaribbean International Bank entities of \$192,348 (2019: \$246,833) and deposit placements with CIBC entities of \$69,145 (2019: \$40,589) (Note 22). Placements with other FirstCaribbean International Bank entities include amounts with FCIB Jamaica totalling \$25,100 (2019: \$26,438), 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 0.91% (2019: 2.14%).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended October 31, 2020  
(Expressed in thousands of Bahamian dollars)

### Note 5 | Derivative Financial Instruments

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

	Notional Amount		Fair Values	
	Assets	Liabilities	Assets	Liabilities
<b>2020</b>				
Interest rate swaps	\$ 2,345	\$ 2,345	\$ 33	\$ 21
			\$ 33	\$ 21
<b>2019</b>				
Interest rate swaps	\$ 11,129	\$ 5,357	\$ 49	\$ 273
			\$ 49	\$ 273

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.

As at 2020 and 2019, there was no cash collateral pledged with counterparties that have one-way collateral posting arrangements.

#### *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 are hedged by interest rate swaps.

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

During the year, the Bank did not recognise any gains or losses as a result of failed hedges. In 2019, the Bank recognised gains of \$4,737 as a result of failed hedges, along with associated fees of \$4,704, which are included within operating income as part of net trading losses as these derivatives are classified as trading derivatives upon failure.

There are no hedged items currently designated as of October 31, 2020 (2019: \$nil).

As at October 31, 2020, the accumulated fair value hedge adjustments remaining on the consolidated statement of financial position related to discontinued fair value hedges were \$286 net gain (2019: \$82 net loss).



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended October 31, 2020  
(Expressed in thousands of Bahamian dollars)

### Note 6 | Other Assets

	2020	2019
Clearings and suspense	\$ 3,886	\$ 12,591
Other accounts receivables	3,670	4,894
Prepayments and deferred items	3,711	2,195
	\$ 11,267	\$ 19,680

Included in other accounts receivables are balances due from the Bank's retirement benefit pension plan amounting to \$2,649 (2019: \$2,994), which represents amounts paid to pensioners on the plan's behalf.

### Note 7 | Securities

2020	Stage 1	Stage 2	Stage 3	Total
Securities measured at FVOCI:				
Government securities				
- Regional	\$ 539,644	\$ 1,436	\$ -	\$ 541,080
- Non Regional	43,998	-	-	43,998
Total Government securities	583,642	1,436	-	585,078
Corporate debt securities	282,947	25,559	-	308,506
Total debt securities	\$ 866,589	\$ 26,995	\$ -	\$ 893,584
Equity securities - unquoted	219	-	-	219
Total securities measured at FVOCI	\$ 866,808	\$ 26,995	\$ -	\$ 893,803
Debt securities at amortised cost:				
Government securities at amortised cost	\$ -	\$ -	\$ 20,117	\$ 20,117
Total securities at amortised cost	\$ -	\$ -	\$ 20,117	\$ 20,117
Total securities at FVOCI & amortised cost	\$ 866,808	\$ 26,995	\$ 20,117	\$ 913,920
Add: Interest receivable				4,005
Total				\$ 917,925

2019	Stage 1	Stage 2	Stage 3	Total
Securities measured at FVOCI:				
Government securities				
- Regional	\$ 489,438	\$ 19,195	\$ 17,047	\$ 525,680
- Non Regional	23,974	-	-	23,974
Total Government securities	513,412	19,195	17,047	549,654
Corporate debt securities	352,977	25,896	-	378,873
Total debt securities	\$ 866,389	\$ 45,091	\$ 17,047	\$ 928,527
Equity securities - unquoted	219	-	-	219
Total securities measured at FVOCI	\$ 866,608	\$ 45,091	\$ 17,047	\$ 928,746
Add: Interest receivable				7,830
Total				\$ 936,576

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended October 31, 2020  
(Expressed in thousands of Bahamian dollars)

### Barbados Government debt restructuring

On June 1, 2018, the newly elected Barbados government announced its intention to restructure its public debt, and that debt payments to foreign creditors would be suspended and payments to domestic creditors would be made on a best-efforts basis while the government finalised a comprehensive economic reform plan.

On October 18, 2019, the Government of Barbados and the Barbados External Creditor Committee reached an agreement in principle to exchange certain of the Government's US dollar denominated debt for new bonds to be issued by Barbados.

On May 18, 2020, the Government of Barbados and the Barbados External Creditor Committee finalised the exchange of the Government US dollar denominated debt in the final phase of the debt restructuring program. The security measured as FVOCI with a par amount of \$23.0 million and an expected credit loss of \$4.8 million was exchanged for a longer dated security with a par amount of \$25.2 million. The instrument is measured as a POCI amortised cost security at an initial carrying value equal to the estimated fair value of \$21.4 million with no initial allowance for expected credit losses as risk of future losses was reflected in the acquisition date discount. A one-time cash payment of \$0.5 million was also received.

### Impact of COVID-19 pandemic on expected credit losses

To address the uncertainties inherent in the current environment, management overlays were utilised for the impact that the COVID-19 pandemic will have on the migration of exposures that are most susceptible to these risks. This resulted in an ECL increase of approximately \$5 million during the year.

### Allowance for credit losses on securities

The tables below provide a reconciliation of the opening balance to the closing balance of the ECL allowances for debt securities measured at FVOCI and at amortised cost:

2020				
	Stage 1	Stage 2	Stage 3	
	Collective provision 12 month ECL performing	Collective provision lifetime ECL performing	Collective and individual provision lifetime ECL credit impaired	Total
<b>Debt securities at FVOCI</b>				
Balance, beginning of year	\$ 7,218	\$ 626	\$ 4,806	\$ 12,650
Originations net of repayments and other derecognitions	(236)	(32)	804	536
Changes in model	(1,016)	(5)	-	(1,021)
Net remeasurement	3,619	(403)	-	3,216
Credit loss expense/(credit)	2,367	(440)	804	2,731
Write-offs	-	-	(5,610)	(5,610)
Balance, end of year	\$ 9,585	\$ 186	\$ -	\$ 9,771
<b>Debt securities at amortised cost</b>				
Balance, beginning of year	\$ -	\$ -	\$ -	\$ -
Net remeasurement	-	-	536	536
Credit loss expense	-	-	536	536
Balance, end of year	\$ -	\$ -	\$ 536	\$ 536

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended October 31, 2020  
(Expressed in thousands of Bahamian dollars)

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

\* Other represents the write-off of basis adjustments on an ineffective hedge due to the Barbados Government debt restructuring.

The average effective yield during the year on debt securities was 2.73% (2019: 3.23%). 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, 2020, the reserve requirement amounted to \$274,754 (2019: \$246,143) of which \$211,350 (2019: \$191,924) is in the form of government securities and \$63,404 (2019: \$54,219) 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:

	2020	2019
Balance, beginning of year	\$ 928,746	\$ 776,634
Additions (purchases and changes in fair value)	1,955,826	984,635
Disposals (sales and redemptions)	(1,970,652)	(832,523)
Balance, end of year	\$ 913,920	\$ 928,746

The higher volume of securities trades in 2020 was driven by increased deployment to short-term US Government securities for management of surplus liquidity.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended October 31, 2020  
(Expressed in thousands of Bahamian dollars)

### Note 8 | Loans and Advances to Customers

2020	Stage 1	Stage 2	Stage 3	Total
<b>Residential Mortgages</b>				
Gross loans	\$ 552,236	\$ 367,720	\$ 73,942	\$ 993,898
Expected credit loss allowances	11,266	40,709	47,992	99,967
Net residential mortgages	540,970	327,011	25,950	893,931
<b>Personal loans</b>				
Gross loans	130,564	56,773	15,179	202,516
Expected credit loss allowances	4,697	5,570	11,019	21,286
Net personal loans	125,867	51,203	4,160	181,230
<b>Business &amp; Government loans</b>				
Gross loans	827,378	155,821	11,788	994,987
Expected credit loss allowances	22,935	12,705	2,052	37,692
Net business & government loans	804,443	143,116	9,736	957,295
<b>Total net loans</b>	<b>\$ 1,471,280</b>	<b>\$ 521,330</b>	<b>\$ 39,846</b>	<b>\$ 2,032,456</b>
Add: Interest receivable				10,475
Less: Unearned fee income				(11,192)
				<b>\$ 2,031,739</b>
<b>2019</b>				
<b>Residential Mortgages</b>				
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
<b>Personal loans</b>				
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
<b>Business &amp; Government loans</b>				
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
<b>Total net loans</b>	<b>\$ 1,738,992</b>	<b>\$ 245,889</b>	<b>\$ 38,939</b>	<b>\$ 2,023,820</b>
Add: Interest receivable				9,784
Less: Unearned fee income				(9,950)
				<b>\$ 2,023,654</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended October 31, 2020  
(Expressed in thousands of Bahamian dollars)

2020				
	Stage 1	Stage 2	Stage 3	
	Collective provision 12 month ECL performing	Collective provision lifetime ECL performing	Collective and individual provision lifetime ECL credit impaired	Total
<b>Residential Mortgages</b>				
Balance, beginning of year	\$ 5,946	\$ 4,420	\$ 46,350	\$ 56,716
Originations net of repayments and other derecognitions	728	158	(1,153)	(267)
Changes in model	-	1,142	(36)	1,106
Net remeasurement	10,361	28,676	1,717	40,754
Transfers				
- to 12-month ECL	2,242	(2,010)	(232)	-
- to lifetime ECL non-credit-impaired	(8,006)	8,690	(684)	-
- to lifetime ECL credit-impaired	(5)	(367)	372	-
Credit loss expense/(credit)	5,320	36,289	(16)	41,593
Net recoveries	-	-	3,601	3,601
Interest income on impaired loans	-	-	(1,943)	(1,943)
Balance, end of year	\$ 11,266	\$ 40,709	\$ 47,992	\$ 99,967
<b>Personal loans</b>				
Balance, beginning of year	\$ 2,904	\$ 1,023	\$ 12,478	\$ 16,405
Originations net of repayments and other derecognitions	879	(9)	(146)	724
Changes in model	-	(216)	26	(190)
Net remeasurement	2,651	2,979	(731)	4,899
Transfers				
- to 12-month ECL	414	(319)	(95)	-
- to lifetime ECL non-credit-impaired	(2,145)	2,202	(57)	-
- to lifetime ECL credit-impaired	(6)	(90)	96	-
Credit loss expense/(credit)	1,793	4,547	(907)	5,433
Net write-offs	-	-	(212)	(212)
Interest income on impaired loans	-	-	(340)	(340)
Balance, end of year	\$ 4,697	\$ 5,570	\$ 11,019	\$ 21,286

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended October 31, 2020  
(Expressed in thousands of Bahamian dollars)

2020	Stage 1	Stage 2	Stage 3	
	Collective provision 12 month ECL performing	Collective provision lifetime ECL performing	Collective and individual provision lifetime ECL credit impaired	Total
<b>Business &amp; government loans</b>				
Balance, beginning of year	\$ 11,157	\$ 3,540	\$ 12,244	\$ 26,941
Originations net of repayments and other derecognitions	3,011	1,839	(452)	4,398
Changes in model	(744)	(374)	27	(1,091)
Net remeasurement	12,616	4,617	(806)	16,427
Transfers				
- to 12-month ECL	2,126	(2,092)	(34)	-
- to lifetime ECL non-credit-impaired	(5,220)	5,229	(9)	-
- to lifetime ECL credit-impaired	(11)	(54)	65	-
Credit loss expense/(credit)	11,778	9,165	(1,209)	19,734
Net write-offs	-	-	(8,484)	(8,484)
Interest income on impaired loans	-	-	(499)	(499)
Balance, end of year	\$ 22,935	\$ 12,705	\$ 2,052	\$ 37,692
<b>Total Bank</b>				
Balance, beginning of year	\$ 20,007	\$ 8,983	\$ 71,072	\$ 100,062
Originations net of repayments and other derecognitions	4,618	1,988	(1,751)	4,855
Changes in model	(744)	552	17	(175)
Net remeasurement	25,628	36,272	180	62,080
Transfers				
- to 12-month ECL	4,782	(4,421)	(361)	-
- to lifetime ECL non-credit-impaired	(15,371)	16,121	(750)	-
- to lifetime ECL credit-impaired	(22)	(511)	533	-
Credit loss expense/(credit)	18,891	50,001	(2,132)	66,760
Net write-offs	-	-	(5,095)	(5,095)
Interest income on impaired loans	-	-	(2,782)	(2,782)
Balance, end of year	\$ 38,898	\$ 58,984	\$ 61,063	\$ 158,945
<b>Total ECL allowance comprises:</b>				
- Loans	\$ 36,011	\$ 58,358	\$ 61,063	\$ 155,432
- Undrawn credit facilities	2,887	626	-	3,513

As a result of the impact of the COVID-19 pandemic and the potential negative impact on the Bank's loan portfolio arising from the decline in economic activity, a heightened application of judgment in a number of areas was required in the determination of whether a significant increase in credit risk (SICR) has occurred. This included the careful evaluation of the evolving macroeconomic environment and the various client relief programs that were provided to clients. Interest or principal deferments pursuant to various relief programs provided in some cases,



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended October 31, 2020  
(Expressed in thousands of Bahamian dollars)

resulted in a SICR that would trigger migration to stage 2 as it was determined that there was a SICR based on an assessment of related forward-looking indicators. Management overlays to ECL allowance estimates are adjustments which the Bank uses in circumstances where existing inputs, assumptions and model techniques are determined to not capture all relevant risk factors. To address the uncertainties inherent in the current environment, management overlays were utilised for the impact that the COVID-19 pandemic will have on the migration of exposures that are most susceptible to these risks. Based on the COVID-19 management overlay assessment performed, the Bank has made high level assumptions related to the probability of default, stage migration and loss given default rates and estimated an increase in ECL of approximately \$62 million during the year.

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
<b>Residential Mortgages</b>				
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)
Net recoveries	-	-	377	377
Interest income on impaired loans	-	-	(4,642)	(4,642)
Balance, end of year	\$ 5,946	\$ 4,420	\$ 46,350	\$ 56,716
<b>Personal loans</b>				
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
Net write-offs	-	-	(1,118)	(1,118)
Interest income on impaired loans	-	-	(1,479)	(1,479)
Balance, end of year	\$ 2,904	\$ 1,023	\$ 12,478	\$ 16,405

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended October 31, 2020  
(Expressed in thousands of Bahamian dollars)

2019	Stage 1	Stage 2	Stage 3	Total
	Collective provision 12 month ECL performing	Collective provision lifetime ECL performing	Collective and individual provision lifetime ECL credit impaired	
<b>Business &amp; Government loans</b>				
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
Net write-offs	-	-	(4,214)	(4,214)
Interest income on impaired loans	-	-	(1,768)	(1,768)
Balance, end of year	\$ 11,157	\$ 3,540	\$ 12,244	\$ 26,941
<b>Total Bank</b>				
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
Net write-offs	-	-	(4,955)	(4,955)
Interest income on impaired loans	-	-	(7,889)	(7,889)
Balance, end of year	\$ 20,007	\$ 8,983	\$ 71,072	\$ 100,062
<b>Total ECL allowance comprises:</b>				
- Loans	\$ 18,633	\$ 8,811	\$ 71,072	\$ 98,516
- Undrawn credit facilities	1,374	172	-	1,546

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended October 31, 2020  
(Expressed in thousands of Bahamian dollars)

### Impaired Loans

	2020			2019		
	Gross impaired	Stage 3 allowance	Net impaired	Gross impaired	Stage 3 allowance	Net impaired
Residential mortgages	\$ 73,942	\$ 47,992	\$ 25,950	\$ 74,339	\$ 46,350	\$ 27,989
Personal loans	15,179	11,019	4,160	15,713	12,478	3,235
Business & government loans	11,788	2,052	9,736	19,959	12,244	7,715
<b>Total impaired loans</b>	<b>\$ 100,909</b>	<b>\$ 61,063</b>	<b>\$ 39,846</b>	<b>\$ 110,011</b>	<b>\$ 71,072</b>	<b>\$ 38,939</b>

The average interest yield during the year on loans and advances was 5.92% (2019: 6.47%). Gross impaired loans as at October 31, 2020 amounted to \$100,909 (2019: \$110,011) and interest taken to income on those loans during the year amounted to \$2,782 (2019: \$3,091).

### 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:

2020	Residential Mortgages	Personal Loans	Business & Government loans	Total
Less than 30 days	\$ 38,754	\$ 8,533	\$ 89,711	\$ 136,998
31 - 60 days	51,379	8,423	14,316	74,118
61 - 89 days	16,772	7,326	1,934	26,032
	\$ 106,905	\$ 24,282	\$ 105,961	\$ 237,148

2019	Residential Mortgages	Personal Loans	Business & Government loans	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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended October 31, 2020  
(Expressed in thousands of Bahamian dollars)

### Note 9 | Property and Equipment

2020	Land and buildings	Equipment, Furniture and vehicles	Leasehold improvements	Right of use assets (Buildings)	Total
<b>Cost</b>					
Balance, beginning of year	\$ 23,331	\$ 55,491	\$ 19,861	\$ -	\$ 98,683
Effect of adoption of IFRS 16	-	-	-	15,300	15,300
Purchases	-	4,544	2,729	23	7,296
Disposals	-	-	-	(86)	(86)
Modifications/net transfers	-	733	(733)	172	172
<b>Balance, end of year</b>	<b>\$ 23,331</b>	<b>\$ 60,768</b>	<b>\$ 21,857</b>	<b>\$ 15,409</b>	<b>\$ 121,365</b>
<b>Accumulated depreciation</b>					
Balance, beginning of year	\$ 9,863	\$ 43,743	\$ 14,484	\$ -	\$ 68,090
Depreciation (Note 17)	537	3,676	779	2,883	7,875
Disposals	-	-	-	(7)	(7)
Modifications	-	-	-	7	7
<b>Balance, end of year</b>	<b>\$ 10,400</b>	<b>\$ 47,419</b>	<b>\$ 15,263</b>	<b>\$ 2,883</b>	<b>\$ 75,965</b>
<b>Net book value, end of year</b>	<b>\$ 12,931</b>	<b>\$ 13,349</b>	<b>\$ 6,594</b>	<b>\$ 12,526</b>	<b>\$ 45,400</b>

2019	Land and buildings	Equipment, Furniture and vehicles	Leasehold improvements	Right of use assets (Buildings)	Total
<b>Cost</b>					
Balance, beginning of year	\$ 22,486	\$ 53,425	\$ 17,366	\$ -	\$ 93,277
Purchases	580	2,045	2,781	-	5,406
Net transfers	265	21	(286)	-	-
<b>Balance, end of year</b>	<b>\$ 23,331</b>	<b>\$ 55,491</b>	<b>\$ 19,861</b>	<b>\$ -</b>	<b>\$ 98,683</b>
<b>Accumulated depreciation</b>					
Balance, beginning of year	\$ 8,713	\$ 39,717	\$ 15,269	\$ -	\$ 63,699
Depreciation (Note 17)	732	4,074	(785)	-	4,021
Net transfers/write-offs	418	(48)	-	-	370
<b>Balance, end of year</b>	<b>\$ 9,863</b>	<b>\$ 43,743</b>	<b>\$ 14,484</b>	<b>\$ -</b>	<b>\$ 68,090</b>
<b>Net book value, end of year</b>	<b>\$ 13,468</b>	<b>\$ 11,748</b>	<b>\$ 5,377</b>	<b>\$ -</b>	<b>\$ 30,593</b>

This note also provides information for operating leases where the Bank is a lessee. There are no operating leases where the Bank is a lessor. Included as part of leasehold improvements is an amount for \$5,184 (2019: \$3,187) relating to systems development costs and work in progress which is incomplete, not yet in operation and on which no depreciation has been charged.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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For the year ended October 31, 2020  
(Expressed in thousands of Bahamian dollars)

### Note 10 | Retirement Benefit Assets and Obligations

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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 \$416 (2019: \$446), 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 the Bank's defined benefit pension or post-retirement medical benefit plans in 2020 or 2019.

#### 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 the defined benefit pension and post-retirement medical benefit plans in which the Bank operates.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended October 31, 2020  
(Expressed in thousands of Bahamian dollars)

	Defined benefit pension plans		Post-retirement medical benefits	
	2020	2019	2020	2019
Fair value of the plan assets	\$ 143,482	\$ 134,938	\$ -	\$ -
Present value of the obligations	(107,706)	(111,676)	(9,550)	(10,395)
Net retirement benefit asset/(obligations)	\$ 35,776	\$ 23,262	\$ (9,550)	\$ (10,395)

The Retirement Benefit Assets reported on the statement of financial position comprises of the Bahamas Defined Benefit Pension Plan's net asset of \$42,285 (2019: \$28,483).

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 \$6,509 (2019: \$5,221) and the Post-Retirement Medical Benefits obligation of \$9,550 (2019: \$10,395).

The pension plan assets include 100,000 (2019: 100,000) ordinary shares in the Bank, with a fair value of \$1,126 (2019: \$1,106).

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

	2020	2019
Opening fair value of plan assets	\$ 134,938	\$ 125,455
Benefits paid	(3,265)	(3,357)
Actuarial gains	12,017	13,042
Plan administration costs	(208)	(202)
Closing fair value of plan assets	\$ 143,482	\$ 134,938

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

	2020	2019
Opening obligations	\$ (111,676)	\$ (109,321)
Interest costs	(5,769)	(5,513)
Current service costs	(2,414)	(2,432)
Benefits paid	3,265	3,357
Actuarial gains on obligations	8,888	2,233
Closing obligations	\$ (107,706)	\$ (111,676)

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

	2020	2019
Opening obligations	\$ (10,395)	\$ (10,515)
Interest costs	(529)	(524)
Benefits paid	503	504
Actuarial gains on obligations	871	140
Closing obligations	\$ (9,550)	\$ (10,395)



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended October 31, 2020  
(Expressed in thousands of Bahamian dollars)

The Bank expects to contribute \$nil (2019: \$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 the next three years. The contribution holiday is expected to last for six years if the existing surplus is to be fully amortised, and this will be re-evaluated in the plans' next triennial valuation.

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

	Defined benefit pension plans		Post-retirement medical benefits	
	2020	2019	2020	2019
Current service costs	\$ 2,414	\$ 2,432	\$ -	\$ -
Interest costs	5,769	5,513	529	524
Interest income on plan assets	(7,201)	(6,373)	-	-
Plan administration costs	208	202	-	-
Total amount included in staff costs (Note 17)	\$ 1,190	\$ 1,774	\$ 529	\$ 524
Actual return on plan assets	\$ (12,017)	\$ (13,042)	\$ -	\$ -

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

	Defined benefit pension plans		Post-retirement medical benefits	
	2020	2019	2020	2019
Actuarial (gains)/losses on defined benefit obligation arising from:				
- Financial assumptions	\$ (6,934)	\$ (1,828)	\$ (317)	\$ (97)
- Experience adjustments	(1,954)	(405)	(581)	(45)
Return on plan assets excluding interest income	(4,816)	(6,669)	2	2
Net re-measurement gains recognised in OCI	\$ (13,704)	\$ (8,902)	\$ (896)	\$ (140)

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	
	2020	2019	2020	2019
Balance, beginning of year	\$ 23,262	\$ 16,134	\$ (10,395)	\$ (10,515)
Charge for the year (Note 17)	(1,190)	(1,774)	(529)	(524)
Contributions by employer	-	-	478	504
Effect on statement of other comprehensive income	13,704	8,902	896	140
Balance, end of year	\$ 35,776	\$ 23,262	\$ (9,550)	\$ (10,395)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended October 31, 2020  
(Expressed in thousands of Bahamian dollars)

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	
	2020	2019	2020	2019
Active members	\$ 59,980	\$ 61,345	\$ -	\$ -
Inactive and retired members	47,726	50,331	9,550	10,395
	\$ 107,706	\$ 111,676	\$ 9,550	\$ 10,395

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	
	2020	2019	2020	2019
Average duration, in years	19	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):

	2020		2019	
	\$	%	\$	%
Quoted equity instruments				
- International	1,140	1	1,168	1
Quoted debt				
- Government bonds	1,939	1	1,768	1
Investment Funds				
- U.S. Equity	64,143	45	64,909	48
- International Equity	27,937	19	28,866	21
- Fixed Income	46,696	33	36,423	27
Other assets	1,627	1	1,804	2
	143,482	100%	134,938	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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended October 31, 2020  
(Expressed in thousands of Bahamian dollars)

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

	Defined benefit pension plans	
	2020	2019
Discount rate (TCI, Bahamas)	2.7%, 6.1%	3.1%, 5.6%
Expected return on plan assets (TCI, Bahamas)	2.7%, 6.1%	3.1%, 5.6%
Future salary increases	4.0%	4.0%
Future pension increases	2.5%	2.5%
	Post-retirement medical benefits	
	2020	2019
Discount rate (TCI, Bahamas)	2.7%, 6.1%	3.1%, 5.6%
Premium escalation rate	6.0%	6.0%
Existing retiree age	60	60

A quantitative sensitivity analysis for significant assumptions as at October 31, 2020 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%	91,486	128,483	8,476	10,864
Future salary increases	0.5%	110,348	105,232	n/a	n/a
Future pension increases	0.5%	113,042	102,878	n/a	n/a
Premium escalation rate	1.0%	n/a	n/a	10,810	8,497
Existing retiree age	1 year	110,877	n/a	9,992	n/a

- n/a - not applicable

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

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

	2020	2019
Within the next 12 months	\$ 2,658	\$ 2,602
Between 1 and 5 years	13,994	12,972
Between 5 and 10 years	25,706	24,165
Total expected payments	\$ 42,358	\$ 39,739

The last actuarial valuation was conducted as at November 1, 2019 and revealed a fund surplus of \$35,448.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended October 31, 2020  
(Expressed in thousands of Bahamian dollars)

### Note 11 | Goodwill

	2020	2019
Cost		
Balance, beginning and end of year	\$ 187,747	\$ 187,747
Accumulated impairment		
Balance, beginning of year	115,000	115,000
Impairment	72,747	-
Balance, end of year	187,747	115,000
Carrying amount, end of year	\$ -	\$ 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.

During 2020, the COVID-19 pandemic led to significant volatility in financial markets across the world and prompted material reductions in interest rates. Based on impairment testing, the recoverable amount of the CGU was less than the carrying value and as a result, management recognised an impairment charge of \$72,747 against goodwill with a carrying amount of \$72,747 as at October 31, 2019. The impairment charge is recorded in the consolidated statement of loss.

#### 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	
	2020	2019	2020	2019
Bahamas	15%	14%	2%	2%

Estimation of the recoverable amount is an area of significant judgment. Reductions in the estimated recoverable amount could arise from various factors, such as, reductions in forecasted cash flows, an increase in the assumed level of required capital, and any adverse changes to the discount rate or the growth rate, either in isolation or in any combination thereof.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended October 31, 2020  
(Expressed in thousands of Bahamian dollars)

### Note 12 | Customer Deposits

	Payable on demand	Payable after notice	Payable at a fixed date	2020 Total	2019 Total
Individuals	\$ 343,768	\$ 380,634	\$ 361,702	\$ 1,086,104	\$ 1,008,667
Business and governments	1,351,299	20,318	376,099	1,747,716	1,733,510
Banks	3,723	-	113,021	116,744	158,281
	1,698,790	400,952	850,822	2,950,564	2,900,458
Add: Interest payable	138	37	2,854	3,029	3,284
	\$ 1,698,928	\$ 400,989	\$ 853,676	\$ 2,953,593	\$ 2,903,742

These customer deposits are measured at amortised cost. Included in deposits from banks are deposits from other Parent Group entities of \$116,487 (2019: \$157,615) (Note 22).

The average effective rate of interest on deposits during the year was 0.29% (2019: 0.46%).

### Note 13 | Other Liabilities

	2020	2019
Accounts payable and accruals, including clearings	\$ 44,929	\$ 33,414
Lease liabilities	12,843	-
Amounts due to related parties (Note 22)	7,671	28,639
	\$ 65,443	\$ 62,053

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.

#### Lease Liabilities

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	2020
As at November 1, 2019 - effect of adoption of IFRS 16	\$ 15,300
Additions	23
Terminations	(79)
Modifications	172
Accretion of interest	725
Payments	(3,298)
As at October 31, 2020	\$ 12,843

The maturity analysis of lease liabilities are disclosed in Note 27 and the future rental commitments (undiscounted) under these leases in Note 24.

Total expenditure related to leases which are not recognised on balance sheet due to the recognition exemption per the IFRS 16 practical expedients are outlined below:

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended October 31, 2020  
(Expressed in thousands of Bahamian dollars)

	2020
Expenses relating to short-term leases included in administrative expenses	\$ 43
Expenses relating to leases of low-value assets not shown above as short-term	1,037
Expenses relating to variable lease payments not included in lease liability payments	(11)
	<u>\$ 1,069</u>

The Bank had total cash outflows for leases of \$3,125 as at October 31, 2020. The initial application of IFRS 16 resulted in non-cash additions to right-of-use assets and lease liabilities of \$15.3 million at November 1, 2019.

### Note 14 | Issued Capital and Reserves

	2020	2019
Issued capital, beginning and end of year	\$ 477,230	\$ 477,230
<b>Reserves</b>		
Statutory reserve fund - Turks and Caicos Islands	62,875	55,620
Revaluation reserve - debt securities measured at FVOCI	14,370	7,876
Retirement benefit reserve	34,480	19,880
Reverse acquisition reserve	(63,566)	(63,566)
Total reserves	48,159	19,810
Total issued capital and reserves	\$ 525,389	\$ 497,040

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 2020 and 2019. At October 31, 2020 and 2019, 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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended October 31, 2020  
(Expressed in thousands of Bahamian dollars)

### 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.

In 2020, Tier 1 and Total Capital ratios were 26% and 26%, respectively (2019: 28% and 28%, respectively).

The movements in reserves were as follows:

#### Statutory reserve fund - Turks and Caicos Islands

	2020	2019
Balance, beginning of year	\$ 55,620	\$ 49,091
Transfers from retained earnings	7,255	6,529
Balance, end of year	\$ 62,875	\$ 55,620

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 \$7,255 (2019: \$6,529) 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, 2020, no statutory loan loss reserve was required as the general provision was sufficient (2019: \$nil).

#### Revaluation reserve - debt securities measured at FVOCI

	2020	2019
Balance, beginning of year	\$ 7,876	\$ (2,990)
Net gains on debt securities measured at FVOCI (Note 20)	6,494	10,866
Balance, end of year	\$ 14,370	\$ 7,876

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended October 31, 2020  
(Expressed in thousands of Bahamian dollars)

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.

### Retirement benefit reserve

	2020	2019
Balance, beginning of year	\$ 19,880	\$ 10,838
Re-measurement gains on retirement benefit plans	14,600	9,042
Balance, end of year	\$ 34,480	\$ 19,880

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

### Reverse acquisition reserve

	2020	2019
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

	2020	2019
Interest and similar income		
Cash and due from banks	\$ 3,560	\$ 8,857
Securities	25,407	28,076
Loans and advances to customers	124,813	133,035
Derivative financial instruments	24	-
	\$ 153,804	\$ 169,968
Interest and similar expense		
Banks and customers	\$ 8,940	\$ 13,041
Derivative financial instruments	-	131
Lease liabilities	725	-
	\$ 9,665	\$ 13,172
Net interest income	\$ 144,139	\$ 156,796

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended October 31, 2020  
(Expressed in thousands of Bahamian dollars)

### Note 16 | Operating Income

	2020	2019
Fee and commission income	\$ 34,235	\$ 35,047
Foreign exchange commissions	11,716	13,197
Net foreign exchange revaluation losses	(11)	(36)
Net gains on disposal and redemption of securities (Note 20)	60	-
Net hedging losses (Note 5)	-	(29)
Net trading losses	(137)	(585)
Other operating income	1,011	1,025
	\$ 46,874	\$ 48,619

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

Net hedging 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 derivatives held for trading, which include failed hedges.

Analysis of fee and commission income:

	2020	2019
Underwriting	\$ 796	\$ 614
Deposit services	9,992	10,223
Credit services	3,198	1,946
Card services	13,499	14,484
Funds transfer	5,686	6,303
Other	1,064	1,477
	\$ 34,235	\$ 35,047

### Note 17 | Operating Expenses

	2020	2019
Staff costs	\$ 27,533	\$ 28,962
Business licence	8,447	8,842
Occupancy and maintenance	5,956	11,334
Depreciation (Note 9)	7,875	4,021
Other operating expenses	61,971	53,365
	\$ 111,782	\$ 106,524

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended October 31, 2020  
(Expressed in thousands of Bahamian dollars)

### Analysis of staff costs:

	2020	2019
Wages and salaries	\$ 21,122	\$ 21,681
Pension costs:		
- defined benefit sections of the plan (Note 10)	1,190	1,774
- defined contribution section of the plan (Note 10)	416	446
Post-retirement medical benefits charge (Note 10)	529	524
Employee share purchase plan (Note 21)	150	145
Severance	359	94
Insurance and risk benefits	2,566	2,657
Other staff related costs	1,201	1,641
	\$ 27,533	\$ 28,962

### Analysis of other operating expenses:

	2020	2019
Group service charges (Note 22)	\$ 42,436	\$ 35,876
Professional fees	1,363	1,795
Communications	2,329	1,971
Business development	148	325
Advertising and marketing	104	177
Consumer related expenses	896	1,247
Non-credit losses	1,080	676
Postage, courier and stationery	1,436	1,935
General insurances	650	638
Outside services	3,714	3,849
Other	7,815	4,876
	\$ 61,971	\$ 53,365

## Note 18 | (Loss)/earnings per Share

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

### Basic (loss)/earnings per share

	2020	2019
Net (loss)/income attributable to shareholders	\$ (63,543)	\$ 94,376
Weighted average number of common shares in issue (Note 14)	120,216,204	120,216,204
Basic (loss)/earnings per share (expressed in cents per share)	(52.9)	78.5

There are no potentially dilutive instruments.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended October 31, 2020  
(Expressed in thousands of Bahamian dollars)

### Note 19 | Dividends

The Directors previously declared dividends totalling \$0.78 per share, which are not reflected in these consolidated financial statements as they are subject to regulatory approvals and are pending the Central Bank of The Bahamas' lifting of its current suspension of dividend approvals for domestic banks.

### Note 20 | Components of Other Comprehensive Income

	2020	2019
Debt securities at fair value through other comprehensive income:		
Net gains arising during the year	\$ 6,554	\$ 10,866
Reclassification to the statement of income (Note 16)	(60)	-
Other comprehensive income for the year (Note 14)	\$ 6,494	\$ 10,866

### 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 \$150 in 2020 (2019: \$145) (Note 17).

### Note 22 | Related Party Transactions and Balances

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

A number of banking transactions are entered into with related parties in the normal course of business. Included in Other liabilities is a dividend payable to the Bank's Parent of \$nil (2019: \$6,868). The key related party balances and transactions included in the Bank's financial statements are disclosed below.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended October 31, 2020  
(Expressed in thousands of Bahamian dollars)

	Directors and key management personnel		Parent Group		Ultimate Parent	
	2020	2019	2020	2019	2020	2019
Asset balances:						
Due from banks	\$ -	\$ -	\$ 192,348	\$ 246,833	\$ 69,145	\$ 40,589
Derivative financial instruments	-	-	-	-	-	34
Loans and advances to customers	3,484	3,326	-	-	-	-
Liability balances:						
Derivative financial instruments	-	-	-	-	9	99
Customer deposits	3,036	2,266	116,487	157,615	-	-
Other liabilities	-	-	7,671	28,639	-	-
Revenue transactions:						
Interest income	139	118	2,788	6,282	99	749
Other income/(loss) from derivative relationship	-	-	-	-	59	(709)
Expense transactions:						
Interest expense	16	23	1,418	4,553	-	-
Other expenses*	-	-	42,442	39,669	-	-

\* Expenses incurred in relation to banking and support services.

	2020	2019
Key management compensation		
Salaries and short term benefits	\$ 2,270	\$ 2,265

### Directors' remuneration

A listing of the members of the Board of Directors is included within the Bank's Annual Report. In 2020, total remuneration for the non-executive directors was \$105 (2019: \$105). The executive director's remuneration is included under key management compensation.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended October 31, 2020  
(Expressed in thousands of Bahamian dollars)

### 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:

	2020	2019
Letters of credit	\$ 32,396	\$ 36,904
Undrawn loan commitments	244,876	303,846
Guarantees and indemnities	12,766	12,697
Total (Note 27)	\$ 290,038	\$ 353,447

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, 2021. As of October 31, 2020, no advances were made from the facility and all balances are undrawn.

### Note 24 | Future Rental Commitments under Operating Leases

As at October 31, the Bank held leases on buildings for extended periods. The leases have an average life of between 1 and 15 years. There are no restrictions placed upon the lessee by entering into these contracts. The Bank has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Bank's business needs. Management exercises significant judgment in determining whether these extension and termination options are reasonably certain to be exercised (refer to Note 2.2). As at October 31, 2020, there are no material extension options expected not to be exercised or termination options expected to be exercised. The future rental commitments (undiscounted) under these leases were as follows:

	2020	2019
Not later than 1 year	\$ 3,078	\$ 2,778
Later than 1 year and less than 5 years	7,860	5,708
Later than 5 years	4,343	1,115
	\$ 15,281	\$ 9,601

As at October 31, 2020, there are no leases to which the Bank is committed that have not yet commenced.

### 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 and management on behalf of third parties amounting to \$101,835 (2019: \$178,394).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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For the year ended October 31, 2020  
(Expressed in thousands of Bahamian dollars)

### Note 26 | Business Segments

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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.

#### 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.

#### 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended October 31, 2020  
(Expressed in thousands of Bahamian dollars)

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. Transfer pricing methodologies are reviewed 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.

In 2020, the Bank enhanced its reporting relating to the allocation of assets and liabilities. Prior period disclosures have been amended to conform to this current presentation basis.

### 2020 Segment reporting

2020	RBB	CIB	WM	Admin	Total
External revenue	\$ 69,787	\$ 47,679	\$ (190)	\$ 26,863	\$ 144,139
Internal revenue	(6,188)	18,265	10,391	(22,468)	-
Net interest income	63,599	65,944	10,201	4,395	144,139
Operating income	24,307	19,520	4,034	(987)	46,874
	87,906	85,464	14,235	3,408	191,013
Depreciation	1,779	17	60	6,019	7,875
Operating expenses	24,941	5,339	2,409	71,218	103,907
Indirect expenses	29,464	29,243	15,734	(74,441)	-
Credit loss expense on financial assets	50,381	15,667	712	3,267	70,027
Impairment of goodwill	-	-	-	72,747	72,747
Net (loss)/income for the year	\$ (18,659)	\$ 35,198	\$ (4,680)	\$ (75,402)	\$ (63,543)

Total assets and liabilities by segment are as follows:

	RBB	CIB	WM	Admin	Total
Segment assets	\$ 1,053,118	\$ 964,290	\$ 24,649	\$ 1,612,874	\$ 3,654,931
Segment liabilities	\$ 1,295,545	\$ 1,191,684	\$ 568,776	\$ (20,889)	\$ 3,035,116

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended October 31, 2020  
(Expressed in thousands of Bahamian dollars)

### 2019 Segment reporting

2019	RBB	CIB	WM	Admin	Total
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/(loss) 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	Total
Segment assets	\$ 1,097,425	\$ 916,183	\$ 21,827	\$ 1,669,821	\$ 3,705,256
Segment liabilities	\$ 1,165,744	\$ 1,232,988	\$ 544,713	\$ 38,239	\$ 2,981,684

## 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

---

For the year ended October 31, 2020  
(Expressed in thousands of Bahamian dollars)

### 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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended October 31, 2020  
(Expressed in thousands of Bahamian dollars)

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, 2020, 83% (2019: 87%) of stage 3 impaired loans were either fully or partially collateralised.

### 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	2020 Gross maximum exposure	Drawn	Undrawn	2019 Gross maximum exposure
Bahamas	\$ 1,895,094	\$ 186,565	\$ 2,081,659	\$ 1,853,767	\$ 260,269	\$ 2,114,036
Turks & Caicos Islands	296,307	58,311	354,618	270,115	43,577	313,692
	\$ 2,191,401	\$ 244,876	\$ 2,436,277	\$ 2,123,882	\$ 303,846	\$ 2,427,728

### Exposure 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	2020 Gross maximum exposure	Drawn	Undrawn	2019 Gross maximum exposure
Agriculture	\$ 12	\$ 25	\$ 37	\$ 539	\$ 76	\$ 615
Construction	54,345	36,614	90,959	34,791	25,230	60,021
Distribution	67,812	29,908	97,720	66,538	33,248	99,786
Education	438	46	484	-	60	60
Fishing	279	76	355	1,790	1,617	3,407
Governments	365,129	3,060	368,189	366,730	38,057	404,787
Health & social work	16,559	-	16,559	17,731	-	17,731
Hotels & restaurants	68,473	14,241	82,714	50,455	47,668	98,123
Individuals & individual trusts	1,133,352	126,988	1,260,340	1,120,871	113,928	1,234,799
Manufacturing	25,333	1,631	26,964	26,475	609	27,084
Mining & Quarrying	50,000	-	50,000	50,000	-	50,000
Miscellaneous	289,113	24,088	313,201	270,103	27,642	297,745
Other financial corporations	2,826	1,208	4,034	3,194	1,053	4,247
Real estate, renting & other business activities	59,699	4,164	63,863	69,198	4,764	73,962
Transport, storage & communication	58,031	2,827	60,858	45,467	9,894	55,361
	\$ 2,191,401	\$ 244,876	\$ 2,436,277	\$ 2,123,882	\$ 303,846	\$ 2,427,728



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

---

For the year ended October 31, 2020  
(Expressed in thousands of Bahamian dollars)

### 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended October 31, 2020  
(Expressed in thousands of Bahamian dollars)

### Gross maximum exposure

	2020	2019
Balances with The Central Bank	\$ 252,295	\$ 121,414
Due from banks	319,333	433,985
Derivative financial instruments	33	49
Securities		
- Equity securities - unquoted	219	219
- Government debt securities	605,206	549,654
- Other debt securities	308,495	378,873
- Interest receivable	4,005	7,830
Loans and advances to customers		
- Mortgages	993,898	982,024
- Personal loans	202,516	203,615
- Business & Government loans	994,987	938,243
- Interest receivable	10,475	9,784
Other assets	7,556	17,485
<b>Total</b>	<b>\$ 3,699,018</b>	<b>\$ 3,643,175</b>
Commitments, guarantees and contingent liabilities (Note 23)	290,038	353,447
<b>Total credit risk exposure</b>	<b>\$ 3,989,056</b>	<b>\$ 3,996,622</b>

### Geographical concentration

The following tables reflect additional geographical concentration information:

2020	Total assets	Total liabilities	Commitments, guarantees and contingent liabilities	Total revenues	Capital expenditure*	Non-current assets**
Bahamas	\$ 3,301,217	\$ 2,760,850	\$ 228,123	\$ 158,819	\$ 5,720	\$ 37,717
Turks & Caicos Islands	972,034	892,586	61,915	32,194	1,576	7,683
	4,273,251	3,653,436	290,038	191,013	7,296	45,400
Eliminations	(618,320)	(618,320)	-	-	-	-
	<b>\$ 3,654,931</b>	<b>\$ 3,035,116</b>	<b>\$ 290,038</b>	<b>\$ 191,013</b>	<b>\$ 7,296</b>	<b>\$ 45,400</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended October 31, 2020  
(Expressed in thousands of Bahamian dollars)

2019	Total assets	Total liabilities	Commitments, guarantees and contingent liabilities	Total revenues	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.

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:

	2020	2020	2019	2019
	\$	%	\$	%
Bahamas	1,753,968	86	1,760,914	87
Turks & Caicos Islands	277,771	14	262,740	13
	2,031,739	100	2,023,654	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 unlikelihood 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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

---

For the year ended October 31, 2020  
(Expressed in thousands of Bahamian dollars)

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 Parent 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 by applying a scaling factor to the 12-month PDs' forward looking factor.

### 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 Pools, and assigns the internal rating, as shown in the credit quality table.

### 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended October 31, 2020  
(Expressed in thousands of Bahamian dollars)

- 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. All retail loans on which repayment of principal or payment of interest is contractually 30 days in arrears are automatically migrated to Stage 2.

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. Deterioration or improvement in the risk ratings or adjustments to the risk rating downgrade thresholds used to determine a significant increase in credit risk can cause significant migration of loans and securities between Stage 1 and Stage 2, which in turn can have a significant impact on the amount of ECL allowances recognised.

	Loans and advances to customers
Grade description	Days past due
Very low (Stage 1)	0
Low (Stage 1)	1 - 29
Medium (Stage 2)	30 - 60 <sup>1</sup>
High (Stage 2)	61 - 89
Default (Stage 3)	90+

<sup>1</sup>Includes accounts subject to trends for significant increases in credit risk less than 29 days past due at the reporting date

	Business & Government loans and Securities		
Grade description	Standard & Poor's equivalent	Moody's Investor Services	Internal ORRs
Investment grade	AAA to BBB-	Aaa to Baa3	1.0 to 4.0
Non-investment grade	BB+ to C	Ba to C	5.0 to 8.0
Default	D	D	9.0
Not rated	No obligor risk rating (ORR)		

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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended October 31, 2020  
(Expressed in thousands of Bahamian dollars)

The table below shows the credit quality by class of asset for gross loans and advances to customers, based on the 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.

2020	Stage 1	Stage 2	Stage 3	Total
<b>Residential mortgages</b>				
- Very low	\$ 534,756	\$ -	\$ -	\$ 534,756
- Low	17,480	-	-	17,480
- Medium	-	357,199	-	357,199
- High	-	10,521	-	10,521
- Default	-	-	73,942	73,942
<b>Gross residential mortgages</b>	<b>\$ 552,236</b>	<b>\$ 367,720</b>	<b>\$ 73,942</b>	<b>\$ 993,898</b>
<b>Personal loans</b>				
- Very low	\$ 122,869	\$ -	\$ -	\$ 122,869
- Low	7,695	-	-	7,695
- Medium	-	52,893	-	52,893
- High	-	3,880	-	3,880
- Default	-	-	15,179	15,179
<b>Gross personal loans</b>	<b>\$ 130,564</b>	<b>\$ 56,773</b>	<b>\$ 15,179</b>	<b>\$ 202,516</b>
<b>Business &amp; Government loans</b>				
- Investment grade	\$ 179,525	\$ -	\$ -	\$ 179,525
- Non-Investment grade*	600,029	147,464	-	747,493
- Default	-	-	11,788	11,788
- Not rated*	47,824	8,357	-	56,181
<b>Gross business &amp; government loans</b>	<b>\$ 827,378</b>	<b>\$ 155,821</b>	<b>\$ 11,788</b>	<b>\$ 994,987</b>
<b>Total gross amount of loans</b>	<b>\$ 1,510,178</b>	<b>\$ 580,314</b>	<b>\$ 100,909</b>	<b>\$ 2,191,401</b>

\*During 2020, the Bank changed its IFRS 9 methodology for certain classes of Business & Government loans. These loans, previously assessed on a collective basis, are now individually risk rated. The impact of the change in methodology was a reduction in the "Not rated" category and corresponding increase in the "Non-Investment grade" category.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended October 31, 2020  
(Expressed in thousands of Bahamian dollars)

2019	Stage 1	Stage 2	Stage 3	Total
<b>Residential mortgages</b>				
- Very low	\$ 644,592	\$ -	\$ -	\$ 644,592
- Low	143,195	-	-	143,195
- Medium	-	104,664	-	104,664
- High	-	15,234	-	15,234
- Default	-	-	74,339	74,339
Gross residential mortgages	\$ 787,787	\$ 119,898	\$ 74,339	\$ 982,024
<b>Personal loans</b>				
- Very low	\$ 151,046	\$ -	\$ -	\$ 151,046
- Low	25,508	-	-	25,508
- Medium	-	10,649	-	10,649
- High	-	699	-	699
- Default	-	-	15,713	15,713
Gross personal loans	\$ 176,554	\$ 11,348	\$ 15,713	\$ 203,615
<b>Business &amp; Government loans</b>				
- Investment Grade	\$ 233,648	\$ -	\$ -	\$ 233,648
- Non-Investment Grade	465,773	116,025	-	581,798
- Default	-	-	19,959	19,959
- Not rated	95,237	7,601	-	102,838
Gross business & government loans	\$ 794,658	\$ 123,626	\$ 19,959	\$ 938,243
Total gross amount of loans	\$ 1,758,999	\$ 254,872	\$ 110,011	\$ 2,123,882

For Business & Government loans, the Bank employs risk ratings in managing the credit portfolio. Business borrowers with elevated default risk are monitored on our Early Warning List. Early Warning List characteristics include borrowers exhibiting a significant decline in revenue, income, or cash flow or where we have doubts as to the continuing viability of the business. Early Warning List customers are often, but not always, also delinquent. As of October 31, 2020, Early Warning List customers in the medium to high risk category amounted to \$11,549 (2019: \$12,203).

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 and the trends of delinquency over the lifetime of the loan indicates increased risk, 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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended October 31, 2020  
(Expressed in thousands of Bahamian dollars)

The following table highlights credit quality of securities based on the risk rating, systems, trends and the methodology to support performing securities, along with significant increases in credit risk.

2020	Stage 1	Stage 2	Stage 3	Total
<b>Securities</b>				
Investment grade	\$ 330,355	\$ -	\$ -	\$ 330,355
Non-Investment grade	536,234	26,995	-	563,229
Default	-	-	20,117	20,117
Not rated	219	-	-	219
<b>Gross securities</b>	<b>\$ 866,808</b>	<b>\$ 26,995</b>	<b>\$ 20,117</b>	<b>\$ 913,920</b>

2019	Stage 1	Stage 2	Stage 3	Total
<b>Securities</b>				
Investment grade	\$ 379,344	\$ -	\$ -	\$ 379,344
Non-Investment grade	487,045	45,091	-	532,136
Default	-	-	17,047	17,047
Not rated	219	-	-	219
<b>Gross securities</b>	<b>\$ 866,608</b>	<b>\$ 45,091</b>	<b>\$ 17,047</b>	<b>\$ 928,746</b>

### 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 and the COVID-19 pandemic. Such adjustments would result in an increase or decrease in the overall ECLs.

### Modified financial assets and client relief moratorium programs

During the financial year, the COVID-19 pandemic significantly impacted the world resulting in economic and financial fallout. The Bahamas and the Turks & Caicos Islands were negatively affected, and the Bank was able to respond by providing support to clients via the COVID-19 relief program. As at October 31, 2020 the gross outstanding balance of loans in the moratorium program was \$86 million for residential mortgages, \$13 million for personal loans and \$327 million for business & government loans. Of the loans that were under the program as at October 31, 2020, the gross outstanding balance of loans that received extension of an initial deferral, or in the process of being provided an extension, was \$205 million.

The Bank's regulators have provided guidance stating that clients who have entered into the COVID-19 moratorium programs should be frozen at their days past due position prior to entry into the program until expiry of the moratorium period. Additionally, no loans which have greater than 90 days past due (non-performing) should be granted entry into the program.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended October 31, 2020  
(Expressed in thousands of Bahamian dollars)

The following table provides the aging profile of accounts under moratorium by product as at October 31, 2020.

	Clean	1-30 days	31-60 days	61-90 days	Total
Residential mortgages	\$ 73,100	\$ 8,419	\$ 3,656	\$ 398	\$ 85,573
Personal loans	10,358	2,113	121	133	12,725
Business & government loans	320,710	2,223	2,160	1,429	326,522
<b>Total</b>	<b>\$ 404,168</b>	<b>\$ 12,755</b>	<b>\$ 5,937</b>	<b>\$ 1,960</b>	<b>\$ 424,820</b>

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.

During the year ended October 31, 2020, loans classified as stage 2 or stage 3 with an amortised cost of \$152 million (2019: \$10 million) were either modified through the granting of a financial concession in response to the borrower having experienced financial difficulties or were subject to the client relief programs in response to COVID-19, in each case before the time modification, or deferred. In addition, the gross carrying amount of previously modified or deferred stage 2 or stage 3 loans that have returned to stage 1 during the year ended October 31, 2020 was \$17 million (2019: \$6 million).

### 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:

- i. Changes in GDP growth rates are assumed to directionally affect performing loan growth rates and fee & commission income levels.
- ii. Changes in interest rates 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 loan 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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For the year ended October 31, 2020  
(Expressed in thousands of Bahamian dollars)

### 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. The Market Risk Group, which is a centralised group that is independent from the front line, monitors this risk within the Bank. 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. There are also notional position limits on the size of the bond portfolios.

#### *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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

---

For the year ended October 31, 2020  
(Expressed in thousands of Bahamian dollars)

### *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:

- 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.

### *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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended October 31, 2020  
(Expressed in thousands of Bahamian dollars)

	2020			2019		
Currency	Position Long/(Short) vs BSD	Stressed Loss	Average Position*	Position Long/(Short) vs BSD	Stressed Loss	Average Position*
US dollars	\$ 29,531	\$ 8,859	\$ 13,122	\$ 7,655	\$ 2,296	\$ (137)

\* 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 the most significant interest rate exposures.

	2020		2019	
Currency	60 day Stressed Loss	Currency	60 day Stressed Loss	
Bahamian dollar	\$ 5,893	\$ 734	\$ 13,638	\$ 1,120

### 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.

	2020			2019		
	Notional	Credit Spread DV01	Stress Loss	Notional	Credit Spread DV01	Stress Loss
Regional hard currency bond portfolio	\$ 75,432	\$ 19	\$ 5,005	\$ 87,960	\$ 32	\$ 11,782
Non-regional hard currency bond portfolio	257,500	34	6,964	334,500	59	12,076
Total	\$ 332,932	\$ 53	\$ 11,969	\$ 422,460	\$ 91	\$ 23,858

At the fiscal year end the weighted average rating of the positions in the Regional Hard Currency Portfolio is A. The average weighted maturity is 2 years. The weighted average rating of the positions in the Non-Regional Hard Currency Portfolio remained AA. The average weighted maturity is 1 year.

### 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended October 31, 2020  
(Expressed in thousands of Bahamian dollars)

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

2020	BAH	US	Other	Total
<b>Assets</b>				
Cash and balances with The Central Bank	\$ 275,387	\$ 11,004	\$ 558	\$ 286,949
Due from banks	-	244,561	74,772	319,333
Derivative financial instruments	-	33	-	33
Other assets	7,671	3,596	-	11,267
Securities	536,949	380,976	-	917,925
Loans and advances to customers	1,266,748	765,026	(35)	2,031,739
Property and equipment	37,512	7,807	81	45,400
Retirement benefit assets	42,285	-	-	42,285
<b>Total assets</b>	<b>\$ 2,166,552</b>	<b>\$ 1,413,003</b>	<b>\$ 75,376</b>	<b>\$ 3,654,931</b>
<b>Liabilities</b>				
Derivative financial instruments	\$ -	\$ 21	\$ -	\$ 21
Customer deposits	1,654,835	1,222,555	76,203	2,953,593
Other liabilities	(5,258)	71,368	(667)	65,443
Retirement benefit obligations	7,784	8,275	-	16,059
<b>Total liabilities</b>	<b>\$ 1,657,361</b>	<b>\$ 1,302,219</b>	<b>\$ 75,536</b>	<b>\$ 3,035,116</b>
<b>Net assets</b>	<b>\$ 509,191</b>	<b>\$ 110,784</b>	<b>\$ (160)</b>	<b>\$ 619,815</b>
<b>Commitments, guarantees and contingent liabilities (Note 23)</b>	<b>\$ 155,955</b>	<b>\$ 133,943</b>	<b>\$ 140</b>	<b>\$ 290,038</b>

2019	BAH	US	Other	Total
<b>Assets</b>				
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
<b>Total assets</b>	<b>\$ 2,006,413</b>	<b>\$ 1,610,277</b>	<b>\$ 88,566</b>	<b>\$ 3,705,256</b>
<b>Liabilities</b>				
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
<b>Total liabilities</b>	<b>\$ 1,469,525</b>	<b>\$ 1,428,795</b>	<b>\$ 83,364</b>	<b>\$ 2,981,684</b>
<b>Net assets</b>	<b>\$ 536,888</b>	<b>\$ 181,482</b>	<b>\$ 5,202</b>	<b>\$ 723,572</b>
<b>Commitments, guarantees and contingent liabilities (Note 23)</b>	<b>\$ 161,348</b>	<b>\$ 187,449</b>	<b>\$ 4,650</b>	<b>\$ 353,447</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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For the year ended October 31, 2020  
(Expressed in thousands of Bahamian dollars)

### D. Cash flow and fair value interest rate risk

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

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

### E. Liquidity risk

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

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

#### *Process and control*

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

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

#### *Risk measurement*

The Bank's liquidity measurement system provides daily liquidity risk exposure reports for monitoring and review by the Treasury department. The Bank's 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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended October 31, 2020  
(Expressed in thousands of Bahamian dollars)

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

2020	0-3 months	3-12 months	1-5 years	Over 5 years	Total
<b>Assets</b>					
Cash and balances with The Central Bank	\$ 286,949	\$ -	\$ -	\$ -	\$ 286,949
Due from banks	319,333	-	-	-	319,333
Derivative financial instruments	-	33	-	-	33
Other assets	11,267	-	-	-	11,267
Securities	367,980	163,093	217,786	169,066	917,925
Loans and advances to customers	116,681	107,293	470,867	1,336,898	2,031,739
Property and equipment	3,586	2,606	19,502	19,706	45,400
Retirement benefit assets	-	-	-	42,285	42,285
<b>Total assets</b>	<b>\$ 1,105,796</b>	<b>\$ 273,025</b>	<b>\$ 708,155</b>	<b>\$ 1,567,955</b>	<b>\$ 3,654,931</b>
<b>Liabilities</b>					
Derivative financial instruments	\$ -	\$ 21	\$ -	\$ -	\$ 21
Customer deposits	2,548,926	378,226	24,262	2,179	2,953,593
Other liabilities	53,235	1,855	6,447	3,906	65,443
Retirement benefit obligations	-	-	-	16,059	16,059
<b>Total liabilities</b>	<b>\$ 2,602,161</b>	<b>\$ 380,102</b>	<b>\$ 30,709</b>	<b>\$ 22,144</b>	<b>\$ 3,035,116</b>
<b>Net assets/(liabilities)</b>	<b>\$ (1,496,365)</b>	<b>\$ (107,077)</b>	<b>\$ 677,446</b>	<b>\$ 1,545,811</b>	<b>\$ 619,815</b>
<b>Commitments, guarantees and contingent liabilities (Note 23)</b>	<b>\$ 169,771</b>	<b>\$ 74,568</b>	<b>\$ 10,908</b>	<b>\$ 34,791</b>	<b>\$ 290,038</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended October 31, 2020  
(Expressed in thousands of Bahamian dollars)

2019	0-3 months	3-12 months	1-5 years	Over 5 years	Total
<b>Assets</b>					
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
<b>Total assets</b>	<b>\$ 1,075,478</b>	<b>\$ 647,093</b>	<b>\$ 405,464</b>	<b>\$ 1,577,221</b>	<b>\$ 3,705,256</b>
<b>Liabilities</b>					
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
<b>Total liabilities</b>	<b>\$ 2,529,423</b>	<b>\$ 22,737</b>	<b>\$ 411,674</b>	<b>\$ 17,850</b>	<b>\$ 2,981,684</b>
<b>Net assets/(liabilities)</b>	<b>\$ (1,453,945)</b>	<b>\$ 624,356</b>	<b>\$ (6,210)</b>	<b>\$ 1,559,371</b>	<b>\$ 723,572</b>
<b>Commitments, guarantees and contingent liabilities (Note 23)</b>	<b>\$ 217,594</b>	<b>\$ 39,775</b>	<b>\$ 64,500</b>	<b>\$ 31,578</b>	<b>\$ 353,447</b>

### 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended October 31, 2020  
(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 Quoted market price	Level 2 Valuation technique- observable market input	Level 3 Valuation technique- non-observable market input	Total 2020	Total 2019
<b>Financial Assets</b>					
Cash and balances with The Central Bank*	\$ 286,949	\$ -	\$ -	\$ 286,949	\$ 159,489
Due from banks*	319,333	-	-	319,333	433,985
Derivative financial instruments	-	33	-	33	49
Debt securities at FVOCI	-	897,320	219	897,539	936,576
Debt securities at amortised cost	-	18,440	-	18,440	-
Loans and advances to customers	-	-	2,033,381	2,033,381	2,019,713
<b>Total financial assets</b>	<b>\$ 606,282</b>	<b>\$ 915,793</b>	<b>\$ 2,033,600</b>	<b>\$ 3,555,675</b>	<b>\$ 3,549,812</b>
<b>Financial Liabilities</b>					
Derivative financial instruments	\$ -	\$ 21	\$ -	\$ 21	\$ 273
Customer deposits	-	-	2,950,512	2,950,512	2,906,707
<b>Total financial liabilities</b>	<b>\$ -</b>	<b>\$ 21</b>	<b>\$ 2,950,512</b>	<b>\$ 2,950,533</b>	<b>\$ 2,906,980</b>

\*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 2020 or 2019.

2020	Carrying value	Fair value	Fair value over/(under) carrying value
<b>Financial assets</b>			
Cash and balances with The Central Bank	\$ 286,949	\$ 286,949	\$ -
Due from banks	319,333	319,333	-
Derivative financial instruments	33	33	-
Debt securities at FVOCI	897,539	897,539	-
Debt securities at amortised cost	20,386	18,440	(1,946)
Loans and advances to customers	2,031,739	2,033,381	1,642
<b>Total financial assets</b>	<b>\$ 3,555,979</b>	<b>\$ 3,555,675</b>	<b>\$ (304)</b>
<b>Financial liabilities</b>			
Derivative financial instruments	\$ 21	\$ 21	\$ -
Customer deposits	2,953,593	2,950,512	(3,081)
<b>Total financial liabilities</b>	<b>\$ 2,953,614</b>	<b>\$ 2,950,533</b>	<b>\$ (3,081)</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended October 31, 2020  
(Expressed in thousands of Bahamian dollars)

2019	Carrying value	Fair value	Fair value over/(under) carrying value
<b>Financial assets</b>			
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)
<b>Total financial assets</b>	<b>\$ 3,553,753</b>	<b>\$ 3,549,812</b>	<b>\$ (3,941)</b>
<b>Financial liabilities</b>			
Derivative financial instruments	\$ 273	\$ 273	\$ -
Customer deposits	2,903,742	2,906,707	2,965
<b>Total financial liabilities</b>	<b>\$ 2,904,015</b>	<b>\$ 2,906,980</b>	<b>\$ 2,965</b>

### 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, 2020	2020		Valuation technique	Key non-observable inputs	Range of inputs	
	Amortised cost	Fair value			Low	High
Loans and advances to customers	\$ 2,031,739	\$ 2,033,381	Market proxy	Market proxy	3.5%	18.5%
Customer Deposits	\$ 2,953,593	\$ 2,950,512	Market proxy	Market proxy	0.1%	0.1%
Equity Securities	\$ 219	\$ 219	n/a	n/a	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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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For the year ended October 31, 2020  
(Expressed in thousands of Bahamian dollars)

- **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.

### 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

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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.

## NOTICE OF MEETING

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### Annual General Meeting

Notice is hereby given that the twenty-sixth annual general meeting (“the Meeting”) of the shareholders of FirstCaribbean International Bank (Bahamas) Limited (“the Company”) will be held virtually <https://web.lumiagm.com/232-607-764> on Tuesday, March 23, 2021 at 6:00 p.m. for the following purposes:

1. To consider and if deemed advisable to pass with or without variation the following resolution, which will be passed as a Special Resolution:

BE IT RESOLVED that the second Amended and Restated Articles of Association of the Company, as amended, be adopted as the Third Amended and Restated Articles of Association of the Company.

2. To receive and consider the minutes of the last annual general meeting held on March 17, 2020.
3. To receive the Chair’s review.
4. To receive audited accounts for the year November 1, 2019 to October 31, 2020 and the report of the directors and auditors thereon.
5. To re-elect the following directors who retire by rotation and being eligible, offer themselves for re-election to serve until the next annual general meeting of the Company:
  - i. Colette Delaney
  - ii. Daniel Wright
  - iii. Willie Moss
  - iv. Felix Stubbs
  - v. Craig Gomez
6. To appoint the auditors of the Company and to authorize the directors to fix their remuneration.
7. To ratify the dividends for fiscal 2020.
8. To discuss any other business which may be properly considered at the Meeting.

BY ORDER OF THE BOARD

Sherrylyn Bastian  
Corporate Secretary  
February 26, 2021

## NOTICE OF MEETING

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### Notes

#### Record Date

Holders of FirstCaribbean International Bank (Bahamas) Limited's ordinary shares of record at the close of business on Thursday, February 17, 2021 are entitled to vote at the Meeting.

#### Financial Statements

The Company's audited financial statements for the year November 1, 2019 to October 31, 2020 are included in the Company's 2020 annual report.

#### Proxies

Shareholders are entitled to attend and vote at the virtual 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 FirstCaribbean International 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 virtual Meeting instead of their proxies and voting in person. In the event of a poll, their proxy votes deposited with FirstCaribbean International Trust Company (Bahamas) Limited, the Registrar and Transfer Agent will be excluded.

#### Dividend

Interim dividends of nine cents (\$0.09) per ordinary share was declared by the directors on March 17, May 27 and September 15, 2020. The payment of the above-mentioned dividends are pending regulatory approval.

#### Attendance at the meeting

Due to the COVID-19 pandemic, the 2021 annual meeting will be held virtually. Shareholders on record as of Thursday February 17, 2021 and duly appointed proxy holders may attend and vote using a computer or other device connected to the internet.

Shareholders who wish to attend, vote or submit questions must register as soon as possible in order to obtain their login credentials by contacting us by email at bahamasagm@cibcfib.com. Shareholders must register by March 21, 2021.

Once registered shareholders will receive an email with a username and password that will enable access to the meeting.

#### Voting

Once the voting has opened, the resolutions and voting choices will be displayed. To vote, simply select your voting direction from the options shown on screen. A confirmation message will appear to show your vote has been received. To change your vote, simply select another direction. If you wish to cancel your vote, please press 'Cancel'.

Votes will be tallied according to the number of shares held by each shareholder.

#### Questions

Shareholders attending electronically may ask questions by typing and submitting their question in writing-Select the messaging icon from within the navigation bar and type your question at the bottom of the screen. To submit your question click the send arrow button to the right of the text box.

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



## INFORMATION CIRCULAR

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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 2021 virtual 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 23, 2021 beginning at 6:00 p.m. as a virtual meeting at <https://web.lumiagm.com/232-607-764>. Shareholders will be admitted to the virtual Meeting beginning at 5:30 p.m.

This financial year of FirstCaribbean International Bank (Bahamas) Limited began on November 1, 2019 and ended October 31, 2020. References in this proxy statement to the year 2020 or financial year 2020 refer to the period as mentioned above.

This proxy statement and accompanying forms of proxy and voting instructions will be available on the Company's website [www.cibcfib.com](http://www.cibcfib.com) on Friday, February 26, 2021 to holders of the Company's ordinary shares as at the close of business on Wednesday, February 17, 2021, 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 virtual 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 FirstCaribbean International 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 FirstCaribbean International 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 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.

## INFORMATION CIRCULAR

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### 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 17, 2021 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 17, 2021 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.

### 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 2020.

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 was 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.

## INFORMATION CIRCULAR

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Name	Principal Occupation	Director Since	Number of Shares Beneficially Owned or Controlled Directly or Indirectly
Colette Delaney	Chief Executive Officer	2017	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 2020.

### Senior Management Compensation

The senior management of the Company received aggregate compensation amounting to \$2,270,263.06 in the financial year 2020.

### Indebtedness of Management

There is a total indebtedness of approximately \$3,484,013.88 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.

## INFORMATION CIRCULAR

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### 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 26, 2021.

COLETTE DELANEY  
Chair

SHERRYLYN BASTIAN  
Corporate Secretary

## DIRECTORS' REPORT

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### 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. Daniel Wright
3. Willie Moss
4. Felix Stubbs
5. Craig Gomez

### FINANCIAL RESULTS AND DIVIDENDS

The directors report that for the fiscal year ended October 31, 2020, the Company reported a net loss of \$63.5 million. After adjusting for a goodwill impairment item of note of \$72.7 million, net income for the year was \$9.2 million. All statutory requirements for the year ended October 31, 2020 have been fulfilled.

Interim dividends of nine cents (\$0.09) per ordinary share was declared by the directors on March 17, 2020, May 27, 2020 and September 15, 2020 respectively. The payment of the interim dividends is pending regulatory approval.

### SHARE CAPITAL

Substantial Interest as at October 31, 2020\*

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  
February 26, 2021

## STATEMENT OF CORPORATE GOVERNANCE

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### Introduction to the Corporate Governance Statement

It is important that you, our shareholders, understand how the Board of Directors of FirstCaribbean International Bank (Bahamas) Limited (the “Board”) fulfils its corporate governance oversight responsibilities. FirstCaribbean International Bank (Bahamas) Limited (“FCIB Bahamas”) is a subsidiary of FirstCaribbean International Bank Limited (“CIBC FirstCaribbean”). CIBC FirstCaribbean, as majority and controlling shareholder, ensures that FCIB Bahamas’ business is carried out in a manner that will achieve performance objectives set by the Board. Achieving such performance objectives will be done through maximum use of the skills and expertise resident respectively in Bahamas and CIBC FirstCaribbean while satisfying CIBC FirstCaribbean’s larger strategic objectives, corporate policies and values and regulatory responsibilities.

FCIB Bahamas committee structure is based on membership in the regional CIBC FirstCaribbean Board of Directors Committee structure. The regional CIBC FirstCaribbean Board Committees which meet on a quarterly basis are:

1. Risk Committee
2. Audit Committee
3. Nominating and Corporate Governance Committee
4. Compensation Committee

The above-mentioned Committees provide oversight for FCIB Bahamas.

The governance framework that guides the Board is described in FCIB Bahamas’ Corporate Governance Statement, which follows this introduction.

Certain documents are incorporated by reference into the Corporate Governance Statement and may be found on the Bank’s website at [www.cibcfib.com](http://www.cibcfib.com). These include

1. Board of Directors Mandate
2. Audit Committee Mandate
3. Compensation Committee Mandate
4. Nominating and Corporate Governance Committee Mandate
5. Risk Committee Mandate
6. Board Committee Chair Mandate
7. Code of Conduct for Employees
8. Code of Ethics for Directors
9. Insider Trading Policy

## STATEMENT OF CORPORATE GOVERNANCE

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This statement of corporate governance practices describes the governance framework that guides FCIB Bahamas' Board and management in fulfilling their obligation to FCIB Bahamas and its stakeholders. It was reviewed and approved by the Board.

### 1. Governance Structure

At the foundation of FCIB Bahamas' governance structure are knowledgeable, effective, independent and non-independent directors. Documenting clear roles and responsibilities for the Board and CIBC FirstCaribbean's committees assists the Board in supervising the management of FCIB Bahamas' business and affairs.

### 2. Board composition

The composition of the Board and CIBC FirstCaribbean's committees ("the committees") are driven by legal and regulatory requirements and the strategic direction of CIBC FirstCaribbean.

**Legal requirements** - The Board adheres to all local and regional legal and regulatory requirements, guidelines and recommendations applicable to directors and the Board, including the legal and regulatory requirements of the Central Bank of The Bahamas, the Securities Commission of The Bahamas, The Bahamas International Securities Exchange and the Turks and Caicos Islands Financial Services Commission.

**Board size** - FCIB Bahamas' Articles of Association requires a minimum of five directors and a maximum of twelve directors. For fiscal 2020 the Board was comprised of six directors, three directors were independent and three were non-independent. As at November 27, 2020, the Board is comprised of five directors, three directors who are independent and two who are non-independent.

#### Board responsibilities

The Board is responsible for the management of the business and affairs of FCIB Bahamas. Craig Gomez, a director of the Board serves on CIBC FirstCaribbean Board as well as the Audit Committee and Risk Committee. The Board and the committees, provide direction to senior management, generally through the Managing Director to pursue the best interest of FCIB Bahamas.

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

**Risk management** - With assistance from the Risk Committee and the Audit Committee, the Board approves CIBC FirstCaribbean's risk appetite and reviews management reports on material risks associated with FCIB Bahamas' business and operations, the implementation by management of systems to manage those risks and material deficiencies in the operation of those systems.

**Human Resources management** - With assistance from the Compensation Committee, the CIBC FirstCaribbean's Board reviews CIBC FirstCaribbean's approach to human resources management, employment arrangements and the succession planning process for senior management considering business performance, including its risk-related aspects and the extent to which management fosters a culture of integrity.

**Corporate governance** - With assistance from the Nominating and Corporate Governance Committee, the Board reviews FCIB Bahamas' approach to corporate governance, and code of conduct and ethics for employees and directors respectively.



## STATEMENT OF CORPORATE GOVERNANCE

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**Financial information** - With assistance from the Audit Committee, the Board reviews FCIB Bahamas' internal controls relating to financial information, management reports on material deficiencies relating to those controls and the integrity of FCIB Bahamas' financial and information systems.

**Board Committees** - CIBC FirstCaribbean establishes committees (which FCIB Bahamas is a member) and their mandates.

**Director development and evaluation** - Each director participates in CIBC FirstCaribbean's orientation in programme and director development sessions. Each year the Board engages in a process to evaluate Board performance to enhance its effectiveness and during the fiscal year all directors participate in interactive development sessions on a variety of relevant topics.

### 3. Director Independence

The Board believes that director independence is an important part of fulfilling its duty to supervise the management of FCIB Bahamas' business and affairs. The Board relies on regulatory requirements and guidance, best practices and good judgement to determine independence. A director is considered to be independent only where the Board determines that the director has no material relationship with FCIB Bahamas.

The Board and the committees also foster independence by:

- Having independent directors on each of the committees;
- Reviewing board interlocks;
- Conducting in camera sessions without management;
- Determining whether directors have a material interest in transactions;
- Having the Audit Committee chaired by an independent director and is comprised of a majority of independent members;
- Having the Nominating and Corporate Governance nominate independent directors.

A majority of the members of the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee are independent.

### Conflicts of interest

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

### 4. Director Nomination Process

#### Nominating a new director for election

The Nominating and Corporate Governance Committee is responsible for recommending director candidates for election. In practice, before making a recommendation on a new director candidate, the Chair of CIBC FirstCaribbean's Board, the Chair of the Nominating and Corporate Governance Committee, and any other designated CIBC FirstCaribbean Board member(s) will agree on the skills and characteristics of a prospective director candidate. Once a candidate or candidates are identified, the Chair of CIBC FirstCaribbean's Board, the Chair of the Nominating and Corporate Governance Committee and other CIBC FirstCaribbean board members meet with the candidate to discuss his or her background, skill set, and ability to devote the time and commitment required to serve on FCIB Bahamas' Board. The Nominating and Corporate Governance Committee assesses the candidate's integrity and suitability by obtaining

## STATEMENT OF CORPORATE GOVERNANCE

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references, verifies his or her educational background, conducts a background check on the candidate and assessed any potential conflicts, independence concerns or disclosure issues. Once the Nominating and Corporate Governance Committee approves the new director candidate, thereafter the Board approves the director.

### Meeting attendance record

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

During fiscal 2020 the Board met eight times. The Audit Committee met seven times. The Risk Committee met twelve times. The Compensation Committee met five times and the Nominating and Corporate Governance Committee met six times.

### Annual Meeting

FCIB Bahamas' annual meeting was held on March 17, 2020 and was attended by the Board. FCIB Bahamas' Financial Controller and external auditor, Ernst & Young Ltd. ("EY"), were also present as well as other members of FCIB Bahamas Country Management team and senior management.

## 5. Annual Performance Evaluation of the Board

The Board of Directors Mandate requires the Board to conduct a review of the role of the Board and committees, the methods and processes by which the Board fulfils its duties, the effectiveness of the Board structure and its directors, and the performance of the Chair of the Board against criteria the Board considers appropriate.

The evaluation addresses the performance and effectiveness of the Board and the Chair of the Board. The evaluation is based on confidential feedback obtained from a survey completed by each director and submitted to the Corporate Secretary. The Nominating and Corporate Governance Committee also conducts this evaluation with the assistance of the Group Corporate Secretary for CIBC FirstCaribbean. The evaluation addresses the performance and effectiveness of CIBC FirstCaribbean Board, each Board committee and the Chair of CIBC FirstCaribbean Board.

The survey solicits feedback on what was done well, what could be done better and covers Board and committee structure and composition, Board leadership, management, succession planning, strategic planning, risk management, operational performance and Board processes and effectiveness. The evaluation process helps identify opportunities and continuing Board and director development and forms the basis of any action plans for improving the Board's operations.

## 6. The Managing Director

The Managing Director has primary accountability for the overall financial, reputational and market performance of the Bahamas and Turks and Caicos Islands. The Managing Director is responsible for overseeing the management of day to day business and interface with the line of business and support functions of CIBC FirstCaribbean Group through FCIB Bahamas Country Management Team and the Head, Country, Turks and Caicos Islands. The Managing Director, reports to the Chief Executive Officer of CIBC FirstCaribbean, and as a member of the Board and Country Manager for Bahamas, is accountable to the Board, and reports to the Chair of the Board. The Managing Director is also a member of the Senior Executive Team of CIBC FirstCaribbean and through this contributes to the development of strategy and policy of the CIBC FirstCaribbean Group.

## STATEMENT OF CORPORATE GOVERNANCE

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### 7. The Chair of the Board

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

### 8. Board Committees

Each member of a committee is appointed by CIBC FirstCaribbean Board on an annual basis and serves at the pleasure of CIBC FirstCaribbean's Board, or until the earlier of:

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

CIBC FirstCaribbean's Board may fill a vacancy in the membership of the committee. At the time of the annual appointment of the members of the committee, CIBC FirstCaribbean's Board appoints a chair of the committee.

#### Audit Committee

The Audit Committee is responsible for reviewing the integrity of the financial statements of CIBC FirstCaribbean, related management's discussion and analysis and internal control over financial reporting, monitoring the system of internal control, monitoring compliance with legal and regulatory requirements including Sarbanes Oxley reporting requirements, selecting external auditors for shareholder approval, reviewing the qualifications, independence and performance of the external auditors, reviewing the qualifications, independence and performance of the internal auditors, managing the determination the Bank's financial year, and monitoring the internal audit function and auditing, accounting and financial reporting processes generally. All members of the Audit Committee are financially literate.

The members of the Audit Committee are:

Chair:	Paula Rajkumarsingh (independent)
Membership:	Blair Cowan
	Christopher de Caires (independent)
	Lincoln Eatmon (independent)
	Robert Frentzel
	Craig Gomez (independent)
	Brian McDonough
	David Ritch (independent)

## STATEMENT OF CORPORATE GOVERNANCE

Committee met six times

Scheduled quarterly meetings

Board Member	Board of Directors' Meetings	Audit Committee Meetings	Compensation Committee Meetings	Nominating and Corporate Governance Committee Meetings	Risk Committee Meetings
David Ritch	Not a member	4/4	4/4	4/4	4/4
Christopher Anderson	Not a member	Not a member	4/4	4/4	Not a member
Colette Delaney	4/4	Not a member	Not a member	Not a member	4/4
Blair Cowan	Not a member	4/4	Not a member	Not a member	4/4
Christopher de Caires	Not a member	4/4	4/4	4/4	4/4
Robert Frentzel	Not a member	4/4	4/4	4/4	4/4
Craig Gomez	4/4	4/4	Not a member	Not a member	4/4
Brian McDonough	Not a member	4/4	Not a member	Not a member	4/4
Paula Rajkumarsingh	Not a member	4/4	4/4	4/4	4/4
Lincoln Eatmon	Not a member	4/4	Not a member	Not a member	Not a member
Marie Rodland-Allen *	4/4	Not a member	Not a member	Not a member	Not a member
Daniel Wright	4/4	Not a member	Not a member	Not a member	Not a member
Willie Moss	4/4	Not a member	Not a member	Not a member	Not a member
Felix Stubbs	4/4	Not a member	Not a member	Not a member	Not a member

Interim meetings called at short notice

Board Member	Board of Directors' Meetings	Audit Committee Meetings	Compensation Committee Meetings	Nominating and Corporate Governance Committee Meetings	Risk Committee Meetings
David Ritch	Not a member	3/3	1/1	2/2	8/8
Christopher Anderson	Not a member	Not a member	0/1	0/2	Not a member
Colette Delaney	4/4	Not a member	Not a member	Not a member	8/8
Blair Cowan	Not a member	1/3	Not a member	Not a member	1/8
Christopher de Caires	Not a member	3/3	1/1	2/2	8/8
Robert Frentzel	Not a member	3/3	1/1	2/2	7/8
Craig Gomez	4/4	3/3	Not a member	Not a member	8/8
Brian McDonough	Not a member	1/3	Not a member	Not a member	2/8
Paula Rajkumarsingh	Not a member	3/3	1/1	2/2	7/8
Lincoln Eatmon	Not a member	3/3	Not a member	Not a member	Not a member
Marie Rodland-Allen*	4/4	Not a member	Not a member	Not a member	Not a member
Daniel Wright	4/4	Not a member	Not a member	Not a member	Not a member
Willie Moss	4/4	Not a member	Not a member	Not a member	Not a member
Felix Stubbs	4/4	Not a member	Not a member	Not a member	Not a member

\* Marie Rodland-Allen resigned as a Director of the Board with effect from November 27, 2020.

## STATEMENT OF CORPORATE GOVERNANCE

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### Compensation Committee

The Compensation Committee is responsible for assisting CIBC FirstCaribbean's Board in fulfilling its governance and supervisory responsibilities relating to compensation of the Chief Executive Officer, the Chief Financial Officer and other executive officers and senior management. The committee is also responsible for assisting CIBC FirstCaribbean's Board in fulfilling its strategic oversight of the Bank's human capital, including overall employee compensation, the levels and degrees of participation in incentive compensation programs, including bonuses and stock plans, and oversight of management's progress in employee development and relations, and their alignment with the Bank's strategy of consistent, sustainable performance, its risk appetite and risk and control governance framework.

The members of the Compensation Committee are:

Chair:	Christopher Anderson
Membership:	Christopher de Caires (independent)
	Robert Frentzel
	Paula Rajkumarsingh (independent)
	David Ritch (independent)

### Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee is responsible for assisting CIBC FirstCaribbean's Board in fulfilling its responsibilities relating to identifying individuals qualified to become directors and selecting, or recommending that CIBC FirstCaribbean's Board selects, the candidates for all directorships to be filled by CIBC FirstCaribbean's Board or by the shareholders. The committee is also responsible for taking a leadership role in shaping the corporate governance of the CIBC FirstCaribbean Group. In addition, the committee is the nominating committee for membership in all boards of directors in the CIBC FirstCaribbean Group.

The members of the Nominating and Corporate Governance Committee are:

Chair:	David Ritch (independent)
Membership:	Christopher Anderson
	Christopher de Caires (independent)
	Robert Frentzel
	Paula Rajkumarsingh (independent)

## STATEMENT OF CORPORATE GOVERNANCE

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### Risk Committee

The Risk Committee is responsible for overseeing and approving the enterprise-wide risk management practices to assist CIBC FirstCaribbean's Board and the Board in fulfilling its governance and supervisory responsibilities including strategic oversight of business risks and for reviewing and approving significant disposals, investments, changes in nature of business, expansion and major contracts. The committee is also responsible for the review of the performance of operations and technology functions, and the management of information security and for the review and monitoring of risks such as strategic, financial, credit, investment, market, security, treasury and liquidity, property, IT, legal, regulatory, reputational, operational and other risks of the CIBC FirstCaribbean Group.

The members of the Risk Committee are:

Chair:	Brian McDonough
Membership:	Blair Cowan
	Christopher de Caires (independent)
	Robert Frentzel
	Craig Gomez (independent)
	Paula Rajkumaringh (independent)
	David Ritch (independent)

### 9. Board Access to Independent Advisors and Management

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

### 10. Director Orientation and Continuing Development

FCIB Bahamas' ongoing director development programme fosters the continuous education of Board members. The programme has two components:

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

#### New director orientation

New directors are presented with an orientation package which includes the Board and committee mandates, the most recent Chief Executive Officer ("CEO") business update, current financial and capital plans, the most recent annual report, the Code of Ethics for Directors, a description of the committee and Group structure, information on director and officer liability insurance, Board meeting dates, and any other material the Chair of the Board considers appropriate.

#### Ongoing director development

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

## STATEMENT OF CORPORATE GOVERNANCE

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### 11. Director Compensation

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

The independent directors are paid a flat annual fee for attending all board and committee meetings, whether scheduled or not. CIBC FirstCaribbean executives, who are directors, are not paid fees. Independent committee chairs and committee members who are not directors are paid fees. The independent directors of the Board are paid an aggregate total of \$105,000.

### 12. Approval of the Managing Directors' Service Contract

The Compensation Committee reviews the performance and compensation of the Managing Director annually.

### 13. Organization of Management

An Executive Committee ("EXCO") appointed by the CEO, leads the execution of the Bank's business strategy.

The ECO is constituted as follows:

Chief Executive Officer	Colette Delaney
Chief Administrative Officer	Neil Brennan
General Counsel & Corporate Secretary	Brian Clarke
Chief Risk Officer	Patrick McKenna
Chief Information Officer and Managing Director, Technology & Operations	Esan Peters
Managing Director, Retail and Business Banking	Mark St. Hill
Managing Director, Corporate & Investment Banking	Willem van der Burg
Chief Financial Officer	Doug Williamson
Managing Director, Wealth Management	Daniel Wright

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

Chief Auditor	Carl Lewis
Managing Director, Jamaica	Nigel Holness
Managing Director, Cayman, BVI & Dutch Islands	Mark McIntyre
Managing Director, Bahamas & TCI	Marie Rodland Allen (resigned with effect November 27, 2020)
Managing Director, Trinidad	Anthony Seeraj
Managing Director, Barbados & Eastern Caribbean	Donna Wellington



## STATEMENT OF CORPORATE GOVERNANCE

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

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

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

- Asset Liability Committee
- Credit Committee
- Strategic Project Office
- Reputational and Legal Risk Committee
- Operational Risk and Control Committee

FCIB Bahamas' Committee structure utilizes membership from the above-mentioned committees to ensure that best practices are uniformly adopted. FCIB Bahamas management committees are:

- Bahamas Country Management Committee
- Bahamas Asset Liability Management Committee
- Bahamas Risk Committee

## STATEMENT OF CORPORATE GOVERNANCE

### Executive compensation

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

It is the mandate of the Compensation Committee to make executive pay decisions and recommendations to CIBC FirstCaribbean's Board.

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

ELEMENT	PURPOSE	HOW IT IS DETERMINED
Base Salary	Provide competitive fixed pay	<ul style="list-style-type: none"> <li>Based on job scope, experience and market pay</li> </ul>
Discretionary Variable Incentive Award (cash incentive and deferred cash incentive)	Align compensation with business and individual performance	<ul style="list-style-type: none"> <li>Absolute and relative business performance measured against balanced scorecard</li> <li>Measures are weighted, vary by role, and are designed to promote strong alignment with CIBC FirstCaribbean's corporate and business unit goals</li> <li>Individual performance assessed against a series of Committee approved goals focused on strategy execution</li> </ul>
Benefits and Perquisites	Investment in employee health, wellness and engagement	<ul style="list-style-type: none"> <li>A range of benefit programmes provided to all employees across the Caribbean to support health and well-being</li> </ul>
Retirement Programmes	Contribute to financial security after retirement	<ul style="list-style-type: none"> <li>Competitive pension arrangements are provided to all employees in the Caribbean</li> </ul>

## STATEMENT OF CORPORATE GOVERNANCE

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

ELEMENT	PERFORMANCE MEASURES	DESCRIPTION
Annual Cash Incentive Award (approximately 50% of total incentive)	<ul style="list-style-type: none"> <li>Grant measures:               <ul style="list-style-type: none"> <li>Financial</li> <li>Risk</li> <li>Client</li> <li>Employee</li> <li>Strategy execution</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Short term (annual)</li> <li>Focused on:               <ul style="list-style-type: none"> <li>Profitability</li> <li>Growth</li> <li>Adherence to Risk Appetite</li> <li>Strategy execution</li> <li>Client and employee satisfaction</li> </ul> </li> </ul>
Deferred Cash Award (approximately 50% of total incentive)	<ul style="list-style-type: none"> <li>Grant measures:               <ul style="list-style-type: none"> <li>Financial</li> <li>Risk</li> <li>Client</li> <li>Employee</li> <li>Strategy execution</li> </ul> </li> <li>Vesting measures:               <ul style="list-style-type: none"> <li>Cumulative company performance over vesting period using a range of financial performance measures</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Long term</li> <li>Deferred cash incentive award with three year cliff vesting</li> <li>Each year over the vesting period business performance factor is applied to initial grant to reflect the performance of the business over that year</li> <li>Business performance factor is determined based on a number of financial performance measures</li> <li>At vesting the initial grant multiplied by the business performance factor for each of the three years of the vesting period is paid, subject to a maximum of 125% and minimum of 75% of the original award</li> <li>CIBC FirstCaribbean’s Board retains discretion to adjust further to reflect extraordinary circumstances</li> </ul>

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

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

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

All directors are required to review and attest to compliance with the applicable code annually.

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

## STATEMENT OF CORPORATE GOVERNANCE

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### 15. External Auditors: Oversight & Fees

The external auditors report to the Audit Committee. The E&Y Partner for FCIB Bahamas business also provides a report to the Board in December of each year.

Fees billed for professional services rendered by EY across its regional footprint for the consolidated financial statements years ended October 31, 2020 and October 31, 2019 are set out as follows:

Unaudited, \$000's	2020	2019
Audit Fees <sup>(1)</sup>	2,614	2,899
Audit related fees <sup>(2)</sup>	269	310
Tax fees <sup>(3)</sup>	184	197
Total	3,067	3,406

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

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

(3) For tax compliance services.

### 16. Engagement of Non-Audit Services by External Auditors

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

### 17. Oversight of the Internal Audit function by the Audit Committee

#### Internal Audit function

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

#### Organizational Framework

At least annually, the Audit Committee will review Internal Audit's organizational framework and charter (developed in accordance with professional standards promulgated by the Institute of Internal Auditors), having regard to its role and an independent control function. The Committee will also review the activities, staffing, organizational structure and credentials of Internal Audit.

At least annually, the Audit Committee will:

- i. Review the Internal Audit function's financial plan, staff resources and recommend for CIBC FirstCaribbean's Board approval;
- ii. Receive and review reports on the status of significant findings, recommendations and Management's responses.

The Audit Committee will also review the extent to which Internal Audit has reviewed computer systems and applications, the security of such systems and applications and contingency plans in the event of a systems breakdown.

## STATEMENT OF CORPORATE GOVERNANCE

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### Chief Auditor

The Audit Committee will review and, if advisable, approve the appointment of the Chief Auditor. At least annually, the Committee will review the goals, approve the Internal Audit Charter and review an assessment of the effectiveness and performance of the Chief Auditor and the Internal Audit function, as required. The Audit Committee will also have input into the performance evaluation of the Chief Auditor, as required. At least annually, the Committee will review succession plans for the Chief Auditor.

### Organization Placement

Internal Audit is led by the Chief Auditor, who in turn reports directly to the Chief Auditor of CIBC, and to the Audit Committee Chair. The Chief Auditor also reports administratively to the Chief Executive Officer.

The Chief Auditor has unencumbered access to the Audit Committee, and may freely discuss policies, audit findings recommendations, audit follow-up, guidance issues and any other matters deemed applicable.

### Professional Standards and Independence

Internal Audit follows the professional standards of relevant professional organizations including:

- i. Code of Ethics of the Institute of Internal Auditors (IIA) and the International Standards for the Professional Practice of Internal Auditing as set forth by the IIA; and
- ii. Code of Professional Ethics of the Information Systems Audit and Control Association (ISACA) and the Information Systems Audit and Assurance Standards as set forth by the ISACA.

### Resources and skillset

The Audit Committee recognizes that professional standards require internal auditors to have knowledge of operations and appropriate expertise in the subject matter that is being audited. The Chief Auditor provides the Audit Committee with an annual report on personnel, including the sufficiency of resources, qualifications, certifications and development.

### Independence

The Chief Auditor will periodically discuss standards of professional audit independence with the Audit Committee Chair and the Audit Committee. The Audit Committee also periodically reviews management's assessment of the independence and effectiveness of the Internal Audit function, and evaluates the Chief Auditor's administrative reporting line.

Internal Audit will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair its independence.

### Periodic Review

The Audit Committee is responsible for reviewing the effectiveness of the Internal Audit function and will receive quarterly reports from the Chief Auditor. Additionally, once every five years, the Committee will engage an independent third party to assess the Internal Audit function in accordance with professional standards promulgated by the Institute of Internal Auditors and in the context of regulatory expectations and practices of leading institutions. The Audit Committee will review the results of that assessment.

### Audit Plan

The Audit Committee will review and approve the annual audit plan including the audit scope and all major changes to the plan presented by the Chief Auditor to ensure that it is appropriately risk based and addresses all relevant activities over a measurable cycle. The Audit Committee will review and discuss with the Chief Auditor the scope, progress and results of executing the Internal Audit plan.

## STATEMENT OF CORPORATE GOVERNANCE

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The Chief Auditor, on a quarterly basis, will review the status of the audit plan and any changes needed, including a review of:

- i. the results of audit activities, including any significant issues reported to Management and Management's response and/or corrective actions
- ii. the status of identified control weaknesses
- iii. the adequacy and degree of compliance with systems of internal control

### 18. Risk and Control Governance Framework

CIBC FirstCaribbean's management follows a consistent approval in developing and determining, with reasonable assurance, that the Bank's risk and control environment is designed and operating effectively. It also provides key stakeholders with the structure required to assess the strength of CIBC FirstCaribbean's Risk and Control Governance systems.

In addition, CIBC FirstCaribbean has implemented the Risk and Control Governance Framework to help ensure that its parent CIBC, meets the requirements of the Sarbanes-Oxley Act (2002), for management to assess the effectiveness of the system of internal control.

The Framework has been developed based on the Committee of Sponsoring Organizations of Treadway Commission's (COSO) widely accepted "Enterprise Risk Management-Integrated Framework" (the COSO Framework) which is the most broadly used standard.

There are five components to this Framework, these are define as follows:-

1. **Management Objectives** - The Bank's risk and control systems are designed to ensure the achievement of three categories of objectives:
  - a) **Effective Operations** - The operations of CIBC FirstCaribbean are effective in meeting its strategic objectives;
  - b) **Reliable Reporting** - The financial reports provided to shareholders and other external stakeholders are accurate and reliable in all material aspects; and
  - c) **Regulatory Compliance** - The conduct and actions of CIBC FirstCaribbean's Board of Directors, the Board, executives and contingent workers comply with all applicable laws and regulations.
2. **Internal Environment** - The internal environment sets the foundation for how risk is viewed and encompasses the Bank's General Entity Controls (GEC), this is represented by three main components:
  - a) **Vision, Mission, Values and Strategic Priorities** - Tone from the Top- the board of directors and executive management of the Bank has overall responsibility for the Bank including determining, approving and overseeing the Bank's strategic objectives, risk strategy, governance structure, corporate values and strategic priorities. This shapes the Risk and Control Governance Framework of the Bank.
  - b) **Risk Appetite** - defines the level of risk the Bank is prepared to accept in pursuit of the Bank's mission, vision, strategic objectives and corporate values.
  - c) **Risk and Control related Policies and Limits** - sets the boundaries for positive actions and behaviors of CIBC FirstCaribbean employees and contingent workers in alignment with the Bank's Risk Appetite.

## STATEMENT OF CORPORATE GOVERNANCE

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3. **Risk Identification and Control Management Activities** - This is the process to identify and assess risks and controls relevant to the achievement of the Bank's objectives, which has six elements:
  - a) **Risk Assessment, Documentation and Maintenance** - determining what needs to be done (objectives/goals being assessed) determining what can go wrong (risks) and prioritizing what can go wrong (ranking). Control Activities must be documented and updated as changes occur;
  - b) **Monitoring and Testing** - a robust monitoring and testing methodology must be designed and implemented to confirm risks are within acceptable thresholds and key controls are designed and operating effectively;
  - c) **Assessment** - management must complete steps to determine whether or not their risks are within acceptable thresholds and the system of internal control is working effectively or if there are deficiencies that need to be identified;
  - d) **Deficiency Management** - once a deficiency has been identified, the severity of the issue must be determined, action plans to remediate should be documented and executed to ensure the issue is addressed; and
  - e) **Assertion** - Accountable officers and executive management complete quarterly assertions on the state of controls and deficiencies within their respective strategic business units and Strategic Support Units.
  - f) **Procedures, Standards and Guidelines** - Procedures, standards and guidelines are developed and implemented to support respective risk policies and limits.
4. **Stress Testing** - CIBC FirstCaribbean performs stress tests and scenario analyses in order to gain a better understanding of the significant risks the Bank potentially faces under extreme conditions and to provide important input into the determination of related regulatory and economic capital requirements. Stress testing refers to shifting the values of individual parameters that affect our financial position and determining the effect on the business (for example, a doubling of staff turnover in a key, high dependence business function). Scenario analysis refers to a wider range of parameters being varied at the same time.
5. **Reporting** - The appropriate management information must be communicated to the Board and the executive management in a timely, complete, understandable and accurate manner so that they are equipped to make informed decisions.

### 19. Insider Trading

CIBC FirstCaribbean's policy on insider trading, employees of CIBC FirstCaribbean described as insiders and their trading activity can be found at [www.cibcfib.com](http://www.cibcfib.com).



## PROXY FORM

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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, Mr. Craig Gomez, 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 virtually on Tuesday, March 23, 2021 at 6:00 p.m. 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. To vote for, against or withhold from voting on the Special Resolution that the second Amended and Restated Articles of Association of the Company, as amended, be adopted as the Third Amended and Restated Articles of Association of the Company.

2. Specified in the accompanying information circular:

Colette Delaney	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 ___

3. To vote for or withhold from voting on the adoption of the audited consolidated financial statements of the Company for the year November 1, 2019 to October 31, 2020:

VOTE FOR \_\_\_ WITHHOLD FROM VOTING \_\_\_

4. 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 \_\_\_

5. To vote for or withhold from voting for the ratification of dividends for fiscal 2020:

VOTE FOR \_\_\_ WITHHOLD FROM VOTING \_\_\_

6. 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 .....2021

Corporate Seal .....

## PROXY FORM

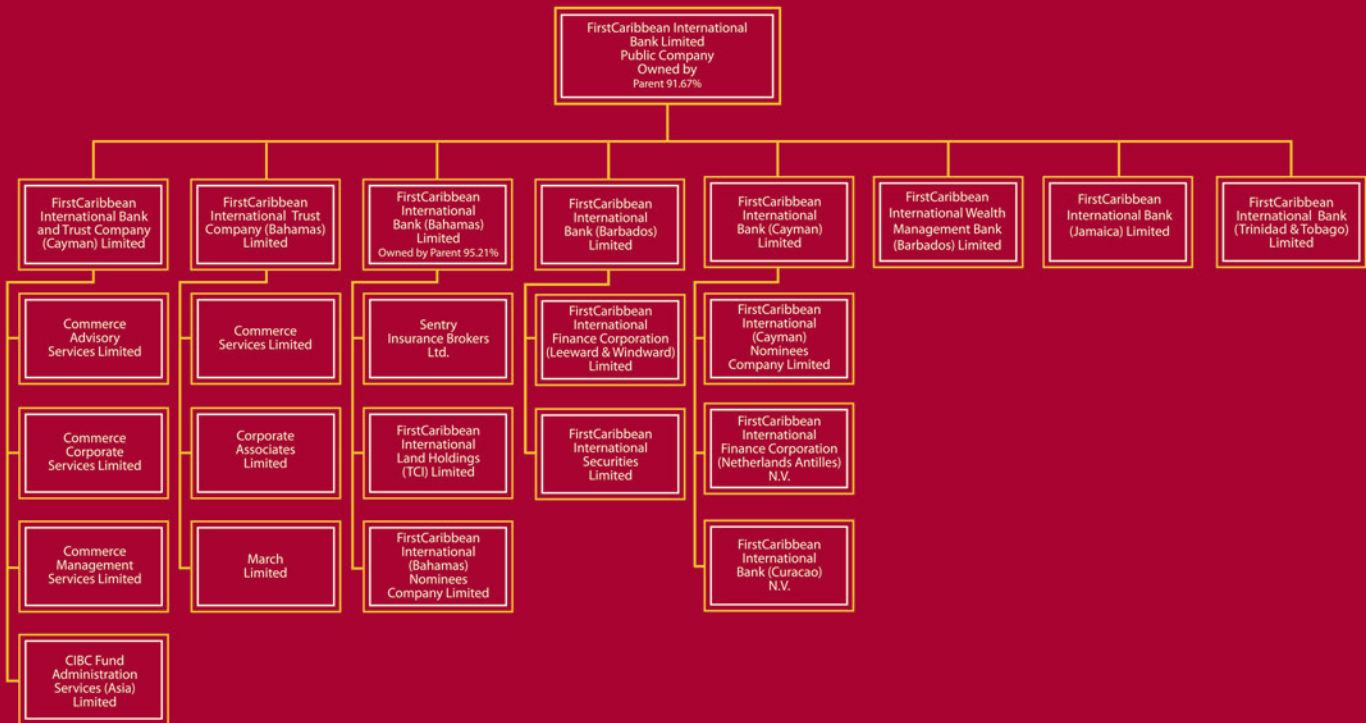
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### Notes:

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 virtual 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 FirstCaribbean International 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 21, 2021.

# OWNERSHIP STRUCTURE



**FirstCaribbean**  
International Bank

## MAIN BRANCHES AND CENTRES

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### 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

#### Pioneer's Way, 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

## NOTES

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**FirstCaribbean**  
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CARIBBEAN SEA



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