CIBC FirstCaribbean International Bank

2020

ANNUAL REPORT

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Inside this report

Corporate Profile

CIBC FirstCaribbean is a relationship bank offering a full range of market leading financial services through our Corporate and Investment Banking, Retail and Business Banking and Wealth Management segments. We are located in 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.

Vision

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

Mission

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

Values - Trust, Teamwork, Accountability

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

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

Strategic Priorities

We have 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

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 has 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. The initial moratorium has now ended and some of our clients have returned to their regular payment schedules, while others have requested a bit more help. To assist with the management of these accounts, we have converted some of our offices into Centers of Excellence to ensure we continue to manage these clients with sensitivity and efficiency.

Retail and Business Banking

We must salute those on our frontlines who manned our branches and call centres throughout the national lockdowns to ensure financial services remained available in our communities. The health and safety of our teams and clients have remained paramount; we have continued to ensure adherence to all COVID-19 protocols. During the year, we made significant strides along our digital transformation journey and this served us well as more of our clients sought to conduct their business with us remotely. The commitment and dedication of our teams notwithstanding, our overall performance in fiscal 2020 was a reflection of the impact of COVID-19 on our Caribbean economies and the resulting impact to our clients.

- Partial lockdowns meant that several of our branches throughout the region remained closed while those that reopened were subject to significantly reduced opening hours. Social distancing in queues, which was introduced as part of our territories' national safety measures also applied to our branches and for the first time in history, persons were allowed to cover their faces in the branch!
- The agility with which we were able to leverage our strong technology infrastructure facilitated responses to more than 12,000 clients - or 16,000 accounts seeking loan moratoriums. As a testament to the responsiveness of our teams across the region, we contacted more than 5,000 of these clients within the first two weeks, predominantly through our online platforms. This included executing an automated moratorium for the entire credit card portfolio.
- Additionally, there have been significant take up of our digital products. Our digital platforms have proven to be reliable and convenient for our clients. We continue to receive very positive social media feedback about our Online and Mobile Banking channels and we are confident of having the best mobile and online banking offering in the region. As such, in 2020 we have seen an uptake of 35,361 new active users bringing our active client base using our digital channels to 55.5% of our total client base! During the year, we also processed an additional 1 million transactions through these channels.
- As various countries introduced lockdowns and curfews, we quickly leveraged our strong technology infrastructure to provide unbroken service and support to our clients by providing secure remote access to our teams, while maintaining our excellent Risk & Controls environment
- Throughout the year, we introduced some key improvements to our mobile and online banking platform; this included providing our clients with the ability to add notes to account transfers; automatic notifications to recipients for wires and domestic payments, and our clients can now view pending Visa Debit transactions. Additionally, we can now offer pre-approved cards to our clients with end-to-end online fulfillment. We continue to listen to our clients and deliver enhancements to make their banking experience and easy one.
- We delivered our first Smart ABM in our Warrens Branch in Barbados. 2021 will see more of these ABMs being rolled out across the region.
- In similar fashion, to meet our clients' needs for end-to-end convenient service, we provided innovative enhancements at our Call Centres 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 loan application processing. This resulted in an increased uptake via our Customer Care and Service Centers as we successfully facilitated over 623,000 calls.
- Early in the year, we successfully launched Digital Client Onboarding in Barbados. This means our clients

can now apply to open accounts and upload their supporting documents online from the comfort of their home or office. In September we launched DCO in Aruba, Curacao, St. Lucia, Trinidad and St. Maarten with rollout to all territories to take place over the coming months. To date, we have on-boarded more than 1,600 clients using digital client onboarding.

- The impact of COVID19 on our clients also necessitated several changes in our footprint. As a result, we made the difficult decision to close five of our branches around the region: Nevis, in St. Kitts & Nevis; Soufriere in St. Lucia; Oistins in Barbados; Twin Gates –in Jamaica and Plaza Venezia in the Cayman Islands. Additionally, we have repositioned some of our branches into full-time Loans and Sales Centres (Centers of Excellence) with a focus on our borrowing clients - with and without moratoria. These are Bay Street in The Bahamas; Sunset Crest in Barbados; Grace Bay in TCI and Rodney Bay in St. Lucia.

Private Wealth Management

Although 2020 presented many businesses with headwinds, particularly during the lockdowns associated with COVID-19, our teams continued to service our clients and keep the business running with minimal disruption. The Private Banking team had a strong 2020, Performing loans were 23% ahead of prior year and despite the rate environment, deposits were 11% ahead of prior year.

- The Investment Advisor group also had a strong year of asset growth, resulting in the Private Wealth Management team exceeding Revenue and Operating Profit Plans. In 2020, we transitioned the Curacao Advisory business to the Pershing platform, joining the teams in the Cayman Islands, The Bahamas and Barbados currently using the NetEx 360 system.
- Revenue from our Trust group grew by just over 7% and we successfully recruited a New Business Development officer to assist in continuing our growth. Our Fund Administration services business continues to grow as well and remains a focus for Wealth Management. Our office in Hong Kong obtained their Trust and Company Servicer Providers License, providing us with the opportunity to expand services offered in this market. Our new address for the Hong Kong office is the prestigious Two International Finance Centre.
- Our Asset Management & Securities Trading business was awarded by Paynes Bay Finance as Dealer Manager for the purchase of all the outstanding shares of the Insurance Corporation of Barbados from minority shareholders. Overall, the Private Wealth business continued to grow, adding a record number of new relationships for the year, an increase of 67% year over year.

Corporate & Investment Banking

Corporate & Investment Banking services a wide range of clients across our footprint including the largest regional corporate & sovereign clients as well as mid-size corporations in a variety of industries including Utilities, Hospitality, Infrastructure, Retail & Distribution, Real Estate and Oil & Gas. We have 10,000 corporate clients, of which approximately 1,500 are borrowing clients, and all are served by a team of 225 dedicated corporate bankers. We have a seasoned leadership team spread out over our footprint. 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. Through this proactive engagement, we have been able to provide support to more than 700 clients. To address the potential increasing portfolio risks, we have established a dedicated team to provide enhanced credit oversight and solutions to support affected clients in the most vulnerable sectors.
- Despite COVID-19, the Corporate & Investment Banking team successfully disbursed over US$800 million in new loans for our clients across the Caribbean, playing leading roles in bringing financial support to our clients including sovereigns,, utilities, hospitality and real estate businesses and infrastructure assets (airports, seaports, etc).
- Our new Corporate Online internet banking platform was launched in January 2020, providing our Corporate Banking, Business Banking and Private Wealth Management customers with an improved client experience. By the end of October 2020, we had successfully migrated virtually all of these 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.
- We continued to build and promote our brand through local, regional and digital campaigns with a focus on successful partnerships with our clients across our footprint. For instance, we were a sponsor of the inaugural Trinidad & Tobago's Best Managed Companies awards for 2019. This was the first Caribbean region edition of the international programme, hosted by Deloitte, which recognizes excellence in business performance among privately-owned companies. Award winners were announced and presented in January 2020.
- In addition, we were once again co-title sponsor of the fourth edition of the Caribbean Infrastructure Forum (CARIF) held in January 2020 in Kingston, Jamaica. This conference continues to be the leading event of its kind, positioning CIBC FirstCaribbean as the regional leader in infrastructure development financing. CARIF 2020 achieved record attendance from interests in the Caribbean and around the world, including regional governmental representatives and key clients.

What a year! All-in-all the responsiveness and agility of our teams, as well as our commitment to make our Clients 1st, remained our number one priority. We look forward to continuing to serve you.

First For Employees

The COVID-19 pandemic had a huge impact on our employees during 2020 and changed the focus of our people objectives for the year. 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 the majority 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 many of our employees to be able to work remotely from home. Over the course of a few weeks we managed to increase the number of employees able to connect to our networks from home from a few hundred to over two thousand, representing almost two thirds of our workforce.
- 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 plexiglass 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 current requirements in each of the countries in which we operate.
- We provided additional financial support for our employees to help them with the burden that the pandemic brought to them and their families. This support was provided through the option of moratoriums on their loan facilities as well as a one off cash payment to assist with unexpected expenses.
- Ensuring that our workforce was kept up to date with what was happening across the organization and what the requirements of them were within each country was key to maintaining confidence across the employee population. A comprehensive communication strategy was implemented to ensure this was maintained throughout the pandemic.
- 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.

- Despite the challenges faced during the year we continued with our focus on leadership development. Our Senior Leadership Development Programme with Harvard Business School and our Branch & Country Manager Development Programmes saw additional cohorts graduate and new cohorts commencing. We also launched a new development programme for our middle manager tier, Being The Boss, which will be used both for existing, and new managers.
- We revamped our Performance Management & Measurement programme during the year to simplify the process for both managers and employees, to increase the focus on the behaviours of our employees as they executed against their objectives and we introduced an increased focus on the development of the individual.
- We also introduced a new element to our succession planning process focused on our high potential employees at lower levels within the organization. We have instituted an annual review process aimed at identifying high potential talent that has the ability to move up several levels within the organization so that accelerated development programmes can be put in place for these individuals.
- We have commenced a transition programme that has moved the bulk of our training to an online environment and are in the process of extending the used experience so that our employees can access our training programmes from outside of our office network through their mobile devices and tablets.
- Due to the COVID-19 pandemic we deferred our annual employee survey until later in the year. Participation levels were lower this year than in previous years and the overall results reflected the impact that the pandemic has had, and continues to have, on our employees. Overall our employees indicated that they were pleased with how our bank had handled the COVID-19 crisis.
- Clearly the changes in how we have been working over the last few months have influenced our employees hugely and the survey results showed there is significant demand for more flexible working arrangements and this is a key focus for us going forward.
- As our business evolves and changes due both to the digital transformation we are undergoing and the impacts of COVID-19, our employees have recognized that this will change the types of roles we need within the organization and will create different opportunities in the future. Our employees overwhelmingly indicated that they would like more opportunities to cross-train in new areas to help position themselves for these new opportunities. This again will be a key focus for us in the coming year.
- 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 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 fundamentally altered the way we engaged with our clients and communities for most of the past year. Lockdowns and curfews across most of our corporate footprint meant that a number of outreach and support activities undertaken by the bank were either halted, scaled down or had to be rendered in new and creative ways. Despite the challenges, however, the bank once again contributed over US$1 million through its charitable arm the FirstCaribbean International ComTrust Foundation to support medical, environmental, educational, youth activities and disaster relief across our 16 territories. Funding was again split roughly in half with about 50% going to regional projects and disaster relief and other half to our country management teams to support activities at the local level.

- This year, thankfully, there was no requirement for hurricane relief given that the region was spared the effect of this type of weather system, but the COVID-19 pandemic represented a disaster of a very different kind. The bank responded quickly, donating USD$250 000 to Ministries of Health and other healthcare organisations and institutions to strengthen their response to the outbreak across our regional footprint.
- The funds were used primarily to purchase Personal Protective Equipment (PPE) and other vital medical supplies and equipment.
- That initial donation was also augmented by business units which also made donations to support the COVID-19 response efforts in their respective countries.
- Traditional feeding programmes run by the Salvation

Army, Meals-on-Wheels and other charities were also given additional financial support as more families turned to them due to high levels of unemployment as a result of the fall-out from the pandemic.

- Scores of schools, churches and other charities received over 1200 refurbished laptops, desktop towers and all-in-one computers from the bank over the past year. The donation of the devices came at a very opportune time for many of the schools as teaching moved online across the region as a result of national lockdowns.
- The bank's flagship charitable activity and the region's largest cancer fundraising event – Walk for the Cure took a completely different route this year as well, going the way of a virtual event on October 4.
- Thousands of "walkers" across the region tuned into the event which was carried on Flow TV, Caribvision and the bank's social media channels. The event featured energetic exercise routines from Barbados, Jamaica and St. Lucia as well as dynamic performances from 13 of the region's top performers.
- The prevailing situation in the region made fundraising an even more daunting prospect this year, however, dedicated bank staff and committed sponsors raised approximately USD$200 000 to support cancer care and awareness causes around the region.

  The bank continued its work with the Hospital for Sick Children in Toronto and the SickKids Caribbean Initiative.
- As nurse training partner, the bank has supported the training of 41 nurses so far from Barbados, The Bahamas, Jamaica, St. Vincent and the Grenadines, and Trinidad and Tobago, in a specialised one-year diploma programme at University of the West Indies School of Nursing (UWISoN). The Comtrust Foundation now has a representative on the Advisory Council working toward formulating a sustainable programme to transform the Sickkids Caribbean Initiative to a self-sustaining entity.
- In-person teaching and other activities was also interrupted at the University of the West Indies due to COVID-19 as well, however the bank still awarded 15 under graduate students scholarships in a range of disciplines. The bank also kept up its support for a number of post-graduate programmes and research.
- The Salvation Army in Barbados, the Bahamas and St. Lucia continued to receive support for their community outreach activities such as their Back-To-School programmes as well as their Red Kettle Appeals.
- The bank continued to support the work of the Barbados Vagrants and Homeless Society with the fourth installment of $20 000, part of a five year commitment to assist the society with its feeding programme.
- Staff members across the region also made use of the bank's Adopt-a-Cause Programme despite the severe restrictions on movement and interaction during some parts of the year. Support for schools and education was the main activity with as schools moved online requiring students to have tablets or laptops to continue their education.
- Business units in Barbados, the Bahamas, Grenada and St. Lucia all used their Adopt-a-Cause allocations to purchase tablets for student whose families could not afford to do so.

2020 Highlights

Financial Highlights

US $ millions, except per share amounts, as at or for the year ended October 31		2020	2019	2018	2017	2016
Common share information						
Per share (US cents)	- basic and diluted (loss)/earnings	(10.1)	10.5	6.1	8.7	8.9
	- adjusted basic and diluting earnings	1.0	11.7	10.1	9.4	8.9
	- regular dividends paid	5.0	5.0	6.3	5.0	4.0
	- special dividend paid	3.2	1.6	12.7	-	6.3
Share price (US cents)	- closing	100	140	134	129	113
Shares outstanding (thousands)	- end of the period	1,577,095	1,577,095	1,577,095	1,577,095	1,577,095
Market capitalisation		1,577	2,208	2,120	2,035	1,789
Value measures*						
Dividend yield (dividends per share/share price)		5.0%	3.6%	4.7%	3.9%	3.5%
Dividend payout ratio (dividends/net income)		n/m	46.2%	97.8%	55.7%	44.0%
Adjusted dividend payout ratio (dividends/adjusted net income)		495.2%	41.8%	60.5%	52.2%	44.0%
Financial results						
Total revenue		572	616	581	547	534
Credit loss expense on financial assets		161	4	102	24	17
Impairment of intangible assets		175	-	-	-	-
Operating expenses		396	400	387	372	357
Net (loss)/income		(159)	171	101	142	143
Adjusted net income (1) (2) (3) (4)		16	189	163	151	143
Financial measures						
Efficiency ratio (operating expenses/total revenue)		69.3%	64.9%	66.5%	68.0%	67.0%
Return on equity (net income/average equity)		(14.0%)	14.2%	7.5%	10.0%	10.4%
Adjusted return on equity (adjusted net income/average equity)		1.4%	15.6%	12.2%	10.7%	10.4%
Net interest margin (net interest income/average total assets)		3.3%	3.8%	3.5%	3.3%	3.4%
Statement of Financial Position information						
Loans and advances to customers		6,374	6,145	5,905	6,358	6,212
Total assets		12,179	11,562	10,996	12,251	10,966
Customer deposits		10,844	10,026	9,537	10,372	9,156
Debt securities in issue		76	90	91	213	198
Total equity		1,009	1,257	1,153	1,442	1,375
Statement of Financial Position quality measures						
Common equity to risk weighted assets		12.9%	16.8%	16.2%	20.2%	21.3%
Risk weighted assets		7,836	7,472	7,096	7,134	6,461
Tier I capital ratio		12.3%	14.5%	14.3%	18.0%	18.9%
Tier I and II capital ratio		14.5%	16.2%	15.6%	19.7 %	20.6%
Other information						
Employees (#)		2,982	3,091	3,092	3,013	2,991

* - excludes special dividends

n/m - not meaningful

Adjusted net income excludes:
(1) 2020 - Goodwill impairment $175 million
(2) 2019 - Deferred tax assets write-off $22 million, 2019 Hurricane Dorian impact $3 million, Barbados debt restructure (USD instruments) $1 million, 2017 Hurricane provision release ($8) million
(3) 2018 - Barbados debt restructure (BBD instruments) $88 million, Hurricane related recoveries ($4) million, Taxation credits ($22) million
(4) 2017 - Hurricane Irma and Maria impact $9 million in credit losses, Asset write-down and relief costs $2 million, Taxation and non-controlling interest ($1) million

A Testing Time

David Ritch OBE, J.P
Chair of the Board

2020 is a year that we are not likely to forget for a long time. The unprecedented challenges brought about by the COVID-19 pandemic have tested our company and I am pleased to report to you that the Bank's response has been admirable.

The pandemic toppled the global economy, bringing to the fore the Caribbean's high dependence on the travel industry and the importance of fiscal and external buffers to respond to large external shocks. The virtual shutdown of the region's tourism services, coupled with lockdown measures, led to broad-based contractions across tourism-dependent markets, though declines were particularly acute in the hotel and restaurant sectors. The suspension of commercial air and cruise-based operations meant near zero arrivals to the region in Q2 and a greater than 50% plunge in arrivals over the first six months of the year. Even though most markets have begun welcoming international air travel again, the tourism recovery in the region has been sluggish due to reduced air capacity, apprehension associated with ever-changing protocols, and travel restrictions on markets still deemed high risk, including the US, the region's largest source market.

Moreover, since the reopening of borders and after generally successful containment, some markets in the region have experienced a resurgence of positive cases, and additional waves of lockdown measures. Meanwhile, the fallout for commodity exporters like Trinidad and Tobago ensued largely from the containment measures and the reduced price of and demand for oil, although the consequences were likely not as severe as those for tourism-dependents. The easing of restrictions and the gradual restart of domestic business activity likely tapered the number of unemployed persons relative to the initial spikes, but unemployment rates have so far remained elevated.

Greater spending on healthcare and support for COVID-19 affected individuals and businesses coupled with plummeting revenue has severely worsened the fiscal accounts of regional Governments, most of which were already heavily weighed down by debt and underscores the need for even tighter post-pandemic fiscal consolidation as economies recover. Emergency funding from international financial institutions supported the increased budgetary and external financing needs of most markets. Specifically, the IMF provided financial assistance under its emergency lending facilities to The Bahamas, Jamaica, Dominica, Grenada, St. Lucia, St. Vincent, and Barbados, while The World Bank, the Caribbean Development Bank and the Inter-American Development Bank also provided support to several markets.

Even though the global economy has recovered somewhat from the depths it plunged to in Q2, second waves and the reintroduction of lockdowns in several advanced economies undermine a robust global recovery in the near-term. With the region's slow tourism recovery likely to persist for some time, the consensus suggests steep and in several cases double-digit declines in economic activity for the markets of the Caribbean in 2020.

So what has the effect of all this been on the operations of CIBC FirstCaribbean? From mid-March, with the series of lockdowns that became necessary across the Caribbean, more than half of our people were forced to begin working from home. The exception to this was our branches, Call Centers and Operations teams, who, having been classified in many quarters as an essential service, continued to go into their offices to serve our clients and keep the process of payments functioning. Our sincerest thanks to those members of our team who continued to provide high quality of service in difficult times.

That the Bank was able to pivot smoothly and continue to provide service despite the obvious challenges is a testament to the dedication of our people around the region. The Bank mounted a strong response to the difficulties that large-scale job losses and the slowdown in general economic activity brought to our clients. From the earliest stages of the pandemic, we sought to keep in contact with our clients, to reassure them, and to provide support in the form of loan moratoria for payments on credit cards, mortgages and consumer loans.

The management of these moratoria will continue well into the new fiscal, and I can report to you that the management of the bank has developed a robust protocol around this, to the extent of converting some of our branches into Centers of Excellence, which will concentrate on this task for the foreseeable future. I believe we have been able to strike the right balance between managing our Bank prudently and doing whatever we can financially to help our clients through what has been an extremely testing time for most of them.

Even in the face of everything that has occurred in 2020, our Bank has managed its affairs well through the efforts of our team around the Caribbean region. For the fiscal year ending October 31, 2020, the bank recorded a net loss of $158.7 million. This year's results were negatively affected by one item of note relating to a non-cash goodwill impairment charge of $174.6 million. Excluding the goodwill impairment, the bank generated net income of $15.9 million, a significant reduction versus prior year's net income of $170.5 million as a result of $156.9 million of incremental provision for credit losses and lower revenue due to declines in US interest rates and business activity. The provision for credit losses and the reduction in the carrying value of goodwill reflects our revised expectations on the extent and anticipated timing of recovery in the Caribbean region as well as recent economic forecasts due to the impact of COVID-19.

Against this backdrop, we have decided not to declare a dividend and will review our dividend policy next quarter.

The sobering effects of the pandemic on this year's performance notwithstanding, our Tier 1 and Total Capital ratios are 12.3% and 14.4% remain strong and in excess of the applicable regulatory requirements.

It will be some time before the world, and by extension our region, can lay claim to having achieved a level of economic recovery. How we navigate the difficult waters created by the pandemic will largely be dependent on how rapidly medical experts are able to introduce effective therapeutics and/or a vaccine, which will allow the world to fully emerge from its state of sequestration, dictated by the pandemic.

In light of continuing vigilance, rigorous safety protocols, and some restrictions on movement and activity, the Bank's operations have returned to something approaching an "adjusted normal", as many of our countries cautiously start to reopen their economies.

The pandemic has also provided the opportunity for the Bank to maximize the advancement of our digital agenda, and even against the backdrop of the challenges faced by the team, we expanded and upgraded our digital banking services, with a resulting pleasing take up among clients, as persons opted to do their banking from home, rather than visit the branches.

The Bank has also stepped up its already sterling contribution to the communities in which we serve, with our charitable foundation providing additional donations for the procurement of Personal Protective Equipment and Testing Kits to aid in the fight against COVID-19, as well as assistance to those who have been personally affected through the loss of their income.

Despite the unusual nature of the year, your Board kept in close contact with the management of the Bank, to offer advice and support where necessary and we are happy to report that all statutory requirements for our meetings were met using the available technology.

Prior to the onset of the pandemic, board member Ms. Lynne Kilpatrick, resigned from the board and was replaced by Mr. Chris Anderson. We wish to thank Lynne for her contribution to CIBC FirstCaribbean and welcome Chris aboard.

I wish to record my personal thanks – and the sincere thanks of the Board - to the Bank's CEO, Colette Delaney and her Executive Management team, and every member of staff at all levels, for the herculean effort they have put into steering our Bank through this time.

David Ritch OBE, J.P
Chair of the Board

A Year of Transformation

Colette Delaney
Chief Executive Officer

2020 brought unprecedented challenges to our people, our clients and to our region. However, it has also been a year of transformation with advances in digital banking, remote work practices and process modernization. The bank started the fiscal year with a high quality loan portfolio, strong liquidity and solid capital ratios, and that has continued to hold us in good stead as the pandemic has evolved.

For the fiscal year ending October 31, 2020, the Bank reported a net loss of $158.7 million. After adjusting for a goodwill impairment item of note of $174.6 million, net income for the year was $15.9 million. This result was significantly lower than prior year's net income of $170.5 million and largely driven by two main factors; (i) lower revenue due to the steep decline in US interest rates and reduced transaction related non-interest income and (ii) increased provisions for credit losses of $156.9 million. This increase in credit provisions together with the aforementioned reduction in the carrying value of goodwill, reflect updated macro-economic forecasts driven by the extent and timing of the impact from COVID-19. Management has worked diligently during the year to mitigate these headwinds by curtailing expenses.

Capital remains strong. The Bank's Tier 1 and Total Capital ratios are 12.3% and 14.5% which remain in excess of the applicable regulatory requirements. Due to the significant uncertainty in the current environment, the Directors have decided not to declare a dividend. We will continue to monitor the impact from COVID-19, the expected recovery and reasses dividend payouts next quarter.

Client Relationships

At CIBC FirstCaribbean we aspire to put the client at the centre of everything we do. That is why as the effects of the pandemic began to unfold in March, we offered initial 6-month moratoria on loans and 3-month moratoria on credit card payments. With the contraction in economic activity from the initial lockdowns and unemployment reaching unprecedented levels in many of our markets, maintaining adequate cash flow was, and still is, critical to the ability of businesses and households to keep themselves afloat. Those initial moratoria have now ended, and many clients have resumed repaying their loans. A portion, however, has opted to take advantage of our extended moratoria offer, and we continue to work to help them resume servicing their credit obligations. So critical is this effort, that we repurposed branches and reassigned front-line staff to engage and advise clients with loans under moratoria.

Modern Everyday Banking Experience

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. This year we also introduced

Digital Client Onboarding which allows clients to apply to open accounts, submit supporting documentation online, and drastically reduce time spent in branch for account opening. Building on our leading Online Banking and Mobile App for personal banking clients, we launched our upgraded Corporate Online Banking. This new platform delivers an improved client experience. It gives the client more control, allows faster onboarding, improves security, and presents more readily available information. Also, we began the process of rolling out "Smart ABMs" – ABMs that can count cash and give immediate value – across our network.

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 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.

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. Business units across our footprint used their foundation funds in a variety of ways to bring assistance to healthcare and educational institutions as well as charities involved in the care of the vulnerable.

We donated US$250,000 to assist Ministries of Health and healthcare facilities with the purchase of Personal Protective Equipment, testing kits and other supplies for those on the front line. Food banks and feeding programmes run by governments and other entities like the Salvation Army, meals-on-wheels and other charities also received much-needed support as many more families found themselves in need. 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. A number of students in schools in Barbados, Bahamas, Jamaica and St. Lucia benefited from donations of tablets to help with online learning.

Our flagship cancer support fundraiser, Walk for the Cure took a virtual route across the region this year. On Sunday October 4, thousands tuned in to Flow TV and CaribVision and logged on to our social media pages to take part in our Virtual Walk for the Cure and Concert of Hope which featured energetic exercise routines and 13 top performances from the region. While the emphasis was on awareness and not fundraising this year, we are extremely grateful to our staff and corporate donors who again pulled out all the stops and raised over USD$200 000 for various cancer care organisations around the region.

Looking to the Future

At the beginning of our 2020 fiscal year we announced that GNB Financial Group Limited had agreed to acquire 66.73% of the Bank's shares from CIBC subject to regulatory approval. All parties continue to pursue the transaction and the regulatory review process.

Our franchise remains strong and we will continue to build on the 100 years of banking experience which CIBC has in the region. As we look towards a new year with optimism, I wish to express our sincerest gratitude to our clients, employees, shareholders and directors for their ongoing support and commitment during the challenges of 2020.

Colette Delaney
Chief Executive Officer

THE BOARD OF DIRECTORS

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

David Ritch is the Senior Partner in the law firm of Ritch & Conolly in the Cayman Islands.

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

On July 8, 2019, David was elected to the Council of the Cayman Islands Legal Practitioners Association. The Association has approximately 550 attorneys as members and has been appointed by the Government as the new Supervisory Authority for the legal profession in the Islands.

David is a former Chairman, Planning Appeals Tribunal, 1987 - 1989, Member, Cayman Islands Currency Board, July 1987 - 1997, former Chairman, Labour Law Appeals Tribunal 1988 - 1991, former Chairman, Caymanian Protection Board, January 1989 - December 1990, former Chairman, Port Authority of the Cayman Islands, January 1992 - December 1992, former Chairman Trade & Business Licensing Board - November 2000 to May 2002, Chairman, Immigration Board 2002 - 2003, Chairman Work Permit Board, 2005 -2007, Chairman Constitutional Commission, 2013 - 2016 and Cayman Islands Law Society (Past President).

In recognition of his services to the Islands, David was awarded the honour of Officer of the Most Excellent Order of the British Empire (OBE) in 2003 by her Majesty, Queen Elizabeth II and received the Cayman Islands Quincentennial Lifetime Achievement Award for Law. He is also a Justice of the Peace, current Chairman of the Board of Directors of Caribbean Utilities Company, Ltd. and a director of FirstCaribbean International Bank (Cayman) Limited. David is also a director of the R3 Cayman Foundation which was established in the summer of 2020 in response to the COVID 19 pandemic but also in anticipation of other natural disasters. R3 Cayman Foundation was established as a charitable organisation focused on Readiness, Relief and Recovery in the Cayman Islands.

Year Joined Board	2020 Meeting Attendance	
	Overall Attendance	Interim Meetings
2002	4/4	5/5
Board Committee Memberships		
Committee memberships		
• Audit Committee	4/4	3/3
• Compensation Committee	4/4	1/1
• Nominating and Corporate Governance Committee – Chair	4/4	2/2
• Risk Committee	4/4	8/8

Interlocking/Other Current Directorships	Other Former Positions Held in the Cayman Islands
Caribbean Utilities Company, Ltd. – Chair CIBC Bank and Trust (Cayman) Limited FirstCaribbean International Bank (Cayman) Limited R3 Cayman Foundation	Cayman Islands Currency Board-Member Cayman Islands Law Society (Past President) Caymanian Protection Board - Chair Constitutional Commission Chair Immigration Board – Chair Labour Law Appeals Tribunal – Chair Planning Appeals Tribunal – Chair Port Authority of the Cayman Islands - Chair Trade & Business Licensing Board - Chair Work Permit Board – Chair

CHRISTOPHER ANDERSON
Canada
Non-Independent

Christopher Anderson is Executive Vice President and Controller, CIBC.

Chris has been with CIBC for 20 years, he was a partner at Arthur Andersen LLP prior to joining CIBC.

Chris assumed the role of Global Controller for CIBC in March 2020 and is responsible for accounting and financial and regulatory reporting of the CIBC Group of Companies. Prior to this, he spent 11 years in CIBC'S Corporate Development group focusing on CIBC'S M&A opportunities and assisting with the bank's corporate strategy. Before joining CIBC's Corporate Development group, Mr. Anderson spent 8 years as the Chief Financial Officer for CIBC'S retail and wealth businesses.

Chris is a Chartered Accountant and a Chartered Insolvency Practitioner and holds an Honours Bachelor of Commerce degree.

Year Joined Board	2020 Meeting Attendance	
	Overall Attendance	Interim Meetings
2020	4/4	1/5*
Board Committee Memberships		
• Compensation Committee	4/4	0/1*
• Nominating and Corporate Governance Committee	4/4	0/2*

Interlocking/Other Current Directorships	Former Directorships
CIBC Life Insurance Company Limited CIBC Mellon Global Securities Services Company CIBC Mellon Trust Company INTRIA Items Inc.	

*Directors residing in Canada could not participate in meetings from Canada at the start of the year, as they could not arrange to attend in person due to short notice given for the interim meetings. Later in the year directors participated in interim meetings as travel restrictions due to the COVID-19 pandemic did not permit travel.

BLAIR COWAN
Canada
Non-Independent

Blair Cowan is Senior Vice-President, Head of Corporate Finance and Transaction Banking, CIBC.

Blair is a business leader and corporate finance professional with more than 24 years' experience operating in the Canadian corporate and commercial markets. After 8 years at a competing bank, Blair joined CIBC in 2004 as the Head of CIBC's Mezzanine Finance Group. In subsequent years, he has held increasingly progressive leadership roles including as Head of Leveraged Finance, Vice-President of Corporate Finance and Vice-President of Corporate and Client Relationships in the Office of the CEO. In late 2015 Blair was appointed SVP and resumed his role as Head of a further expanded Corporate Finance Division which now includes the Leveraged Finance, Asset-Based Lending, Mid-Market Investment Banking and Franchising Teams. In March 2020 Blair's Corporate Finance role was further augmented as the Head of Transaction Banking which includes responsibility for CIBC's Commercial Client Experience, Commercial Solutions, Business Contact Centre and National Cash Management Sales teams.

Blair holds a Masters of Business Administration degree from Dalhousie University, an Honours Bachelor of Business Administration degree from Wilfrid Laurier University, and is a Fellow of the Institute of Canadian Bankers. Over the years, Blair has held several positions on the boards of both for profit and not-for-profit organizations. He currently serves as a director on the boards of both the Canadian Business Growth Fund and Jack.org, a youth mental health organization.

Year Joined Board	2020 Meeting Attendance	
	Overall Attendance	Interim Meetings
2017	4/4	2/5*
Board Committee Memberships		
• Audit Committee	4/4	1/3*
• Risk Committee	4/4	1/8*

Interlocking/Other Current Directorships	Former Directorships
Canadian Business Growth Fund Jack. Org.	CIBC Mortgages Inc.

*Directors residing in Canada could not participate in meetings from Canada at the start of the year, as they could not arrange to attend in person due to short notice given for the interim meetings. Later in the year directors participated in interim meetings as travel restrictions due to the COVID-19 pandemic did not permit travel.

CHRIS DE CAIRES
Barbados
Independent

Chris de Caires is the Chairman and Managing Director of Fednav International Ltd, an international shipping group.

Chris was the senior vice president of the Interamericana Trading Corporation, a regional Caribbean automotive group, and a partner in the East Caribbean firm of PricewaterhouseCoopers. Chris was the finance manager of The Barbados Light & Power Company Limited and also worked with the accounting firms of Coopers & Lybrand in Barbados and Reeves and Neylan in the U.K.

Chris is a director on several captive insurance companies and is Chairman of the Caribbean Broadcasting Corporation, a government corporation with responsibility for broadcasting in Barbados. He has also served as a director for a number of companies, including Sagicor Financial Corporation, Banks Holdings Limited, Trinidad Cement Limited and Scotia Insurance (Barbados) Ltd. Chris was Chairman of the Barbados Private Sector Association, the Barbados Tourism Investment Inc., World Cup Barbados Inc., and the Barbados Entrepreneurship Foundation. He also served as president of the Institute of Chartered Accountants in Barbados.

He holds a Masters degree in Business Administration from the Henley Management College in the U.K. and qualified as a Chartered Accountant with the Institute of Chartered Accountants in England and Wales.

Year Joined Board	2020 Meeting Attendance	
	Overall Attendance	Interim Meetings
2018	4/4	5/5
Board Committee Memberships		
Committee memberships		
• Audit Committee	4/4	3/3
• Compensation Committee	4/4	1/1
• Nominating and Corporate Governance Committee	4/4	2/2
• Risk Committee	4/4	8/8

Interlocking/Other Current Directorships	Former Directorships
Fednav International Ltd and subsidiaries Caribbean Broadcasting Corporation	Banks Holdings Limited Barbados Entrepreneurship Foundation Barbados Private Sector Association – Chair Barbados Tourism Investment Inc. – Chair ICC Cricket World Cup – local organizing committee – Chair Sagicor Financial Corporation Scotia Insurance (Barbados) Ltd. Trinidad Cement Limited

COLETTE DELANEY
Barbados
Non-Independent

Colette Delaney was appointed Chief Executive Officer of CIBC FirstCaribbean with effect from November 1, 2018.

Colette joined CIBC FirstCaribbean in 2013, and amongst other roles she has served as the Bank's Chief Risk and Administrative Officer. She was appointed Chief Operating Officer with effect from December 8, 2017.

Colette is a banking professional of over thirty years' experience, having begun her career with CIBC in 1987, and previously with National Westminster Bank plc. She holds a Master of Arts degree from St. Anne's College, University of Oxford in the United Kingdom, an MBA from City University Business School in London, and received the designation of Associate of the Chartered Institute of Bankers in the United Kingdom in 1990.

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

Year Joined Board	2020 Meeting Attendance	
	Overall Attendance	Interim Meetings
2017	4/4	5/5
Board Committee Memberships		
• Risk Committee	4/4	8/8

Interlocking/Other Current Directorships	Former Directorships
FirstCaribbean International Bank (Bahamas) Limited – Chair FirstCaribbean International Bank Cayman) Limited CIBC Bank and Trust Company (Cayman) Limited – Chair FirstCaribbean International Trust Company (Bahamas) Limited	FirstCaribbean International Bank (Jamaica) Limited FirstCaribbean International Bank (Trinidad & Tobago) Limited Canadian Payments Association Acxsys Corporation Skills for Change

ROBERT FRENTZEL
USA
Non-Independent

Robert Frentzel is Managing Director and President of Commercial Banking for CIBC's U.S. Region.

Bob co-heads the Commercial Banking Department that includes: middle market banking, 18 regional offices, 7 national specialized banking groups, financial institutions & structured finance, asset based lending, mid-corporate banking, treasury management services and syndications. He is a member of the U.S. Executive Committee and the Global Leadership Team.

Bob joined CIBC through the 2017 acquisition of The PrivateBank, where he served as President, Specialized Industries. Prior to joining The PrivateBank, Frentzel served as Group Senior Vice President at LaSalle Bank for 11 years. At LaSalle Bank, he was responsible for building and managing many of its specialty commercial lending divisions, including construction and engineering, for-profit education, environmental, food and agribusiness, insurance, power and energy, security alarm and surface transportation. Frentzel began his career at Harris Trust & Savings Bank (now BMO Harris Bank) where he worked for 9 years in business development and commercial lending.

Bob received his Bachelor of Science in Business Administration from Miami University and a Master's of Business Administration in Finance and Marketing from Northwestern University – Kellogg School of Management. He serves on the Board for The Boys & Girls Clubs of Chicago and is a trustee for The Chicago Academy of Science and its Peggy Notebaert Nature Museum. He is also a member of the Illinois Road and Transportation Builders Association, Leadership Greater Chicago, The Bankers Club of Chicago, Chicago Club, Economic Club of Chicago, Union League Club and Executive's Club of Chicago.

Year Joined Board	2020 Meeting Attendance	
	Overall Attendance	Interim Meetings
2018	4/4	5/5
Board Committee Memberships		
Committee memberships		
• Audit Committee	4/4	3/3
• Compensation Committee	4/4	1/1
• Nominating and Corporate Governance Committee	4/4	2/2
• Risk Committee	4/4	7/8

Interlocking/Other Current Directorships	Former Directorships
The Boys & Girls Clubs of Chicago Trustee for The Chicago Academy of Science and its Peggy Notebaert Nature Museum	None

CRAIG GOMEZ
The Bahamas
Independent

Craig A. (Tony) Gomez is the Managing Partner of Baker Tilly, Chartered Accountants, Nassau, Bahamas.

Craig is responsible for the firm's overall practice and the management of its day-to-day operations. The firm provides audit, accounting, consulting, corporate restructuring (liquidations and receiverships) and other professional services to a broad range of clients in The Bahamas and internationally. The firm is an independent member of Baker Tilly International.

Craig is a graduate of Minnesota State University at Mankato, Minnesota, where he earned a Bachelor of Science degree in Accounting and subsequently qualified as a Certified Public Accountant in the state of Minnesota, U.S.A. He began his career as a staff accountant with PriceWaterhouseCoopers, Minneapolis, Minnesota, USA, prior to returning to The Bahamas.

He is a member of the Bahamas Institute of Chartered Accountants (BICA); a member of the American Institute of Certified Public Accountants (AICPA) and a member of Insol International. He is Chair of Bahamas Central Securities Depository; a Trustee of the Mitchell / Ekedede Brain Injury Foundation; a director with Minnesota State University Foundation, Minnesota, USA and Chair of its Audit Committee.

Craig is also the former President of Bahamas Red Cross Society; former Deputy Chair of Bank of The Bahamas Limited and former Chair of The Bahamas Financial Services Board (BFSB).

Year Joined Board	2020 Meeting Attendance	
	Overall Attendance	Interim Meetings
2018	4/4	5/5
Board Committee Memberships		
• Audit Committee	4/4	3/3
• Risk Committee	4/4	8/8

Interlocking/Other Current Directorships	Former Directorships
Bahamas Central Securities Depository Trustee of the Mitchell / Ekedede Brain Injury Foundation Minnesota State University Foundation - Audit Committee Chair	Bahamas Financial Services Board (BFSB) - Chair Bank of Bahamas Limited - Deputy Chairman

BRIAN MCDONOUGH
Canada
Non-Independent

Brian McDonough retired from the Canadian Imperial Bank of Commerce (CIBC) in May of 2019.

Brian was previously the Executive Vice-President, CRO Global Credit Risk Management, at the Bank's parent company, CIBC. He led CIBC's Corporate and Commercial Adjudication globally and was responsible for assessment, adjudication and monitoring of credit risk in Wholesale Banking and Commercial Banking for CIBC.

Brian joined CIBC in 1983, has held various senior positions in Risk Management, and was appointed to the position of Executive Vice-President, Wholesale Credit and Investment Risk Management in July 2008.

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

Year Joined Board	2020 Meeting Attendance	
	Overall Attendance	Interim Meetings
2013	4/4	2/5*
Board Committee Memberships		
Committee memberships		
• Audit Committee	4/4	1/3*
• Risk Committee	4/4	2/8*

Interlocking/Other Current Directorships	Former Directorships
None	None

*Directors residing in Canada could not participate in meetings from Canada at the start of the year, as they could not arrange to attend in person due to short notice given for the interim meetings. Later in the year directors participated in interim meetings as travel restrictions due to the COVID-19 pandemic did not permit travel.

PAULA RAJKUMARSINGH
Trinidad & Tobago
Independent

Paula Rajkumarsingh is the Senior Vice President, Projects of Massy Holdings Ltd.

Paula is a business executive with over 20 years of experience at the executive level in a large conglomerate with operations in the Caribbean and Latin America. She currently serves as a director for the St Joseph Convent Cluny Board of Management and the Financial Council of the Archdiocese.

She previously served on several boards in the region including the publicly listed parent company of the Massy Group of companies and several of its main subsidiaries for over 10 years. She also served on the Trinidad and Tobago Chamber of Commerce, National Productivity Council, Development Finance Corporation and the Sugar Manufacturing Company as well as a private Equity Fund. She has extensive business experience in the areas of strategic financial management, performance management, enterprise risk management, and mergers & acquisitions.

Year Joined Board	2020 Meeting Attendance	
	Overall Attendance	Interim Meetings
2008	4/4	5/5
Board Committee Memberships		
Committee memberships		
• Audit Committee	4/4	3/3
• Compensation Committee	4/4	1/1
• Nominating and Corporate Governance Committee	4/4	2/2
• Risk Committee	4/4	7/8

Interlocking/Other Current Directorships	Former Directorships
FirstCaribbean International Bank (Trinidad & Tobago) Limited	Massy Holdings Ltd. DevCap - A private Equity Fund Financial Council of the Roman Catholic Church of Trinidad and Tobago National Productivity Council St. Joseph Convent Cluny Schools Board of Management Sugar Manufacturing Company Trinidad & Tobago Chamber of Industry and Commerce

MARK ST. HILL
Barbados
Non-Independent

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

Mark has responsibility for the development and growth of CIBC FirstCaribbean's Retail & Business Banking operations including the Bank's cards issuing business across 16 countries. Previous to his current appointment, Mark was the Barbados Country Manager and Managing Director of CIBC FirstCaribbean's Barbados Operating Company.

Previous to that he was the Director, International Banking with responsibility for the leadership and development of the International Banking (Personal & Corporate) offering across the six centers in Bahamas, Barbados, British Virgin Islands, Cayman, Curacao and Turks and Caicos Islands.

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

An experienced banker with over 30 years in various positions spanning Insurance Brokerage, Retail Banking, Corporate Banking, Credit Risk, International Banking and Wealth Management, Mark has also held senior management positions in several countries in the Caribbean such as Grenada, British Virgin Islands and Barbados.

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

Year Joined Board	2020 Meeting Attendance	
	Overall Attendance	Interim Meetings
2018	4/4	5/5
Board Committee Memberships		
None	N/A	N/A

Interlocking/Other Current Directorships	Former Directorships
FirstCaribbean International Bank (Barbados) Limited – Chair FirstCaribbean International Wealth Management Bank (Barbados) Limited - Chair FirstCaribbean International Bank (Jamaica) Limited – Chair FirstCaribbean International Bank (Trinidad & Tobago) Limited - Chair FirstCaribbean International Finance Corporation (Leeward & Windward) Limited - Chair FirstCaribbean International ComTrust Foundation Limited	CIBC Reinsurance Company Limited

EXECUTIVE COMMITTEE AND SENIOR EXECUTIVE TEAM

NEIL BRENNAN
Barbados
Executive Committee
Senior Executive Team

Neil was appointed to the position of Chief Administrative Officer in November 2018 where he has overall responsibility for CIBC FirstCaribbean's Human Resources, Property Services, Enterprise Security, Marketing & Communications, Strategy and Customer Experience functions.

Neil joined CIBC FirstCaribbean in 2004 as Director, Compensation, Benefits & HR Operations until 2009. He returned to CIBC FirstCaribbean in 2012 to the position of Director, Financial Integration and Operations, Human Resources. In this role, he was responsible for the Bank's compensation and benefits programmes, pension plans and for delivering HR operational support to the business. In 2015 Neil was appointed Managing Director, Human Resources where he had overall responsibility for CIBC FirstCaribbean's employee policies and programmes.

Prior to joining CIBC FirstCaribbean Neil was Global VP, Human Resources at AET, one of the world's largest petroleum logistics companies. He has also held a number of consulting positions including Head of UK Benefits Consulting for Arthur Andersen and HR Consulting Services Director, Jardine Lloyd Thompson.

Neil has an Honours Bachelor of Engineering degree from Heriot-Watt University, Edinburgh, and is a Fellow of the Faculty of Actuaries and a Fellow of the Pensions Management Institute.

BRIAN CLARKE
Barbados
Executive Committee
Senior Executive Team

Brian Clarke has been CIBC FirstCaribbean's General Counsel & Group Corporate Secretary since June 2012.

Brian is a member of the Bank's Executive Committee and oversees all legal, board, corporate governance, securities commission and stock exchange matters. Brian also chairs the Bank's Reputation & Legal Risk Committee. Brian graduated from the University of the West Indies in 1984, the Norman Manley Law School in 1986, and was made a Queen's Counsel in 2013.

Brian was a director of FirstCaribbean International Bank Limited, a lieutenant in the Coast Guard Reserve of the Barbados Defence Force, and formerly served on the Pension Committee of the Barbados Defence Force, the Barbados Income Tax Appeal Board and the Advisory Board of the Barbados Salvation Army.

COLETTE DELANEY
Barbados
Executive Committee
Senior Executive Team

Colette Delaney was appointed Chief Executive Officer of CIBC FirstCaribbean with effect from November 1, 2018.

Colette joined CIBC FirstCaribbean in 2013, and amongst other roles she has served as the Bank's Chief Risk and Administrative Officer. She was appointed Chief Operating Officer with effect from December 8, 2017 and is a member of the board of CIBC FirstCaribbean International Bank.

Colette is a banking professional of over thirty years' experience, having begun her career with CIBC in 1987, and previously with National Westminster Bank plc. She holds a Master of Arts degree from St. Anne's College, University of Oxford in the United Kingdom, an MBA from Cass Business School in London, and received the designation of Associate of the Chartered Institute of Bankers in the United Kingdom in 1990.

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

PATRICK McKENNA
Barbados
Executive Committee
Senior Executive Team

As Chief Risk Officer, Patrick McKenna oversees risk for CIBC FirstCaribbean.

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

Patrick has over 30 years of banking experience in a variety of Front Office and Risk Management roles. Prior to joining CIBC, Patrick was the CRO and subsequently the Chief Oversight and Control Executive for JP Morgan Asset Management. Prior to that he held a variety of Senior Risk Management positions at Deutsche Bank including CRO for the Americas, Co-head of the Asset Reduction and Restructuring program, and Global Credit Risk Head for a variety of Business areas (including Hedge Funds, FIs, Securitization, Private Clients, and Emerging Markets). He is a past member of several Risk Management organizations including: the RMA New York Chapter Board of Governors, the CRO Buy Side Risk Managers Forum and The Professional Risk Managers' International Association.

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

ESAN PETERS
Barbados
Executive Committee
Senior Executive Team

Esan Peters was appointed Chief Information Officer & Managing Director, Technology & Operations, with effect from February 1, 2018.

Esan has worked in the technology and financial services industries for the past 22 years. He held a number of progressively senior roles in the offshore software development sector from 1998 to 2002, where he worked on the development of technology platforms for trading, investment and portfolio management.

Prior to joining CIBC FirstCaribbean, Esan worked with the Caribbean Development Bank (CDB) from 2002, supporting various CDB financial systems.

In 2004, he joined CIBC FirstCaribbean as a software developer in the Technology function to support the Treasury systems of the Bank. Esan transitioned from Technology to Finance in 2005 as Manager of Financial Systems where he was responsible for the financial accounting, planning and reporting systems of the Bank, a role he held for 2 years.

Esan returned to Technology in 2009 in the role of Associate Director of Applications and took on responsibility for the Corporate Centre Technology functions, including management of the data and business intelligence functions of the Bank. In 2014, he was appointed Director of Technology Application Services with overall responsibility for leading all aspects of application delivery for the organization including design, development, testing, implementation and support of software solutions for all business segments.

In 2017, Esan was appointed Deputy Chief Information Officer & Senior Director of Technology, responsible for leading the Architecture, Digital Client Experience, Data & Risk Services, Infrastructure & Application Support, and End User Technology functions for the Bank. Esan is currently responsible for an annual budget of US$100 million and the leadership of a team of over 600 persons.

He holds a Bachelor's degree in Mathematics & Computer Science (with First Class honors) from the University of the West Indies (UWI).

EXECUTIVE COMMITTEE AND SENIOR EXECUTIVE TEAM

MARK ST. HILL
Barbados
Executive Committee
Senior Executive Team

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

Mark has responsibility for the development and growth of CIBC FirstCaribbean's Retail & Business Banking operations including the Bank's cards issuing business across 16 countries. Previous to his current appointment, Mark was the Barbados Country Manager and Managing Director of CIBC FirstCaribbean's Barbados Operating Company.

Previous to that he was the Director, International Banking with responsibility for the leadership and development of the International Banking (Personal & Corporate) offering across the six centers in Bahamas, Barbados, British Virgin Islands, Cayman, Curacao and Turks and Caicos Islands.

In addition to his executive portfolio, Mark serves as Chairman of the Barbados, Jamaica and Trinidad operating companies – FirstCaribbean International Bank (Barbados) Limited, FirstCaribbean International Bank (Jamaica) Limited and FirstCaribbean International Bank (Trinidad & Tobago) Limited. He is also Chairman of FirstCaribbean International Wealth Management Bank (Barbados) Limited and FirstCaribbean International Finance Corporation (Leeward & Windward) Limited. He is also a director of the FirstCaribbean International ComTrust Foundation Limited, a registered charitable foundation which manages the Bank's corporate giving program.

An experienced banker with over 30 years in various positions spanning Insurance Brokerage, Retail Banking, Corporate Banking, Credit Risk, International Banking and Wealth Management, Mark has also held senior management positions in several countries in the Caribbean such as Grenada, British Virgin Islands and Barbados.

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

PIM VAN DER BURG
Curacao
Executive Committee
Senior Executive Team

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

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

Pim has over 20 years of banking experience and held a variety of international senior positions within the Dutch banking group ABN AMRO, in the areas of Corporate & Investment Banking and Wealth Management.

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

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

EXECUTIVE COMMITTEE AND SENIOR EXECUTIVE TEAM

DOUG WILLIAMSON
Barbados
Executive Committee
Senior Executive Team

Doug Williamson was appointed Chief Financial Officer in May 2017.

As the regional Chief Financial Officer for the CIBC FirstCaribbean Group, Doug has two decades of financial experience in the banking sector. He is responsible for financial oversight, as well as reporting, tax and planning for all legal entities within the CIBC FirstCaribbean Group. In addition, he is accountable for the Treasury Department, specifically for matters related to the composition and usage of CIBC FirstCaribbean's balance sheet resources. Doug also chairs the Asset and Liability Committee and the Strategic Project Office.

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

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

DANIEL WRIGHT
The Cayman Islands
Executive Committee
Senior Executive Team

Dan Wright is Managing Director, Wealth Management.

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

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

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

NIGEL HOLNESS
Jamaica
Senior Executive Team

Nigel Holness was appointed Managing Director for the Jamaica Operating Company in October 2010.

He is responsible for delivering financial solutions that drive profitable and sustainable growth, through the Jamaica Commercial Bank Operations.

Nigel's experience in the financial services industry in Jamaica and the Caribbean, spans over 30 years and covers the areas of Treasury Management, Operations, General Retail and Corporate Banking. He is widely recognized as a strong leader in the domestic market.

Nigel first joined the CIBC FirstCaribbean family "formerly CIBC", in 1988, and has enjoyed a very successful career with this institution, navigating his way through various segments through the application of diligence and hard work, which has led to his current position as a Senior Executive having full accountability for Corporate & Investment Banking, Retail & Business Banking and Support units based in Jamaica.

Throughout his career he undertook increased levels of responsibility for the day-to-day management and positioning of numerous domestic currency balance sheets to include Barbados, Bahamas, Jamaica, OECS and Trinidad and Tobago portfolios. Prior to his appointment as Managing Director, he was the Jamaica Country Treasurer having returned to his native island, after efficaciously supporting the expansion of the Regional Treasury Sales and Trading Segment in the Barbados Head Office.

Nigel serves in the capacity of Chairman of the FirstCaribbean International Bank (Jamaica) Limited Retirement Plan; and as a director of FirstCaribbean International Bank (Jamaica) Limited and FirstCaribbean International Securities Limited. He served three successive terms as the President of the Jamaica Bankers Association; Director of the Jamaica Institute of Financial Services, and currently sits on the Private Sector Tax Reform Sub - Committee working group as member representing FirstCaribbean International Bank (Jamaica) Limited.

Nigel has been exposed to a number of formal training and development programs locally and internationally, and recently completed a Masters Certificate in Financial Services Leadership with York University. He is a Student member of the Chartered Banker Institute.

SENIOR EXECUTIVE TEAM

CARL LEWIS
Barbados
Senior Executive Team

Carl Lewis was appointed Chief Auditor in July 2018

Carl has over 20 years of extensive experience in the finance and banking sectors and has held multiple senior roles in Finance, Corporate and Investment Banking and Strategy since joining CIBC FirstCaribbean in 1998. As Chief Auditor, he is responsible for overseeing the Internal Audit function and providing an independent assessment of the Bank's controls and processes over its business objectives, operations, technology systems and risk framework.

Previously, Carl was the Chief Accountant where he had overall responsibility for statutory reporting including the provision of consolidated financial statements. He was also responsible for all Group audit matters, accounting policy and tax matters. Carl was also a member of the Pension Investment Sub-committee.

Over the course of his career at CIBC FirstCaribbean, he also gained considerable knowledge of the business having held a number of leadership positions between 2006 and 2013 in Corporate and Investment Banking where his responsibilities included strategic business development, risk evaluation, client relationship management and deal structuring.

Carl also played a key finance role in the formation of CIBC FirstCaribbean between 2001 and 2002.

Prior to joining the Bank, Carl spent several years at KPMG in the audit and assurance area. He received executive education at the Wharton School of Business at the University of Pennsylvania and is also a graduate of the CIBC FirstCaribbean Executive Leadership program also conducted at the Wharton School of Business.

Carl is a Canadian Chartered Professional Accountant (CPA) and is a fellow of the local Institute of Chartered Accountants' of Barbados. Carl is also a member of the Institute of Internal Auditors.

MARK McINTYRE
The Cayman Islands
Senior Executive Team

Mark McIntyre was appointed Managing Director, Cayman Islands Operating Company in 2018

Mark has primary responsibility and accountability for our operations in the Cayman Islands, British Virgin Islands, Curacao, Aruba and Sint Maarten.

An experienced financial services executive and dynamic leader, Mark has enjoyed a deep and diverse career within the Caribbean Capital Markets and Financial Services industry over the past thirty-two years and has a proven track record of developing high-performance teams and achieving consistent results in very demanding and competitive environments.

Mark also has a reputation of being an excellent negotiator and problem-solver and held appointments of increasing seniority across all business segments of the Bank. His professional experience honed his skills in Retail, Corporate and International Banking, Wealth Management, Strategic Management, Executive Negotiation and People Management. Mark also previously served as Corporate Secretary for the Cayman Operating Company Board of Directors and Wealth Management Director for CIBC FirstCaribbean in the Cayman Islands and BVI.

He was headhunted by HSBC in 2007 to establish its banking presence in the Cayman Islands where he served as both Head of Corporate Banking and Head of Business Development - Caribbean Markets before returning to CIBC FirstCaribbean to assume the role of Managing Director, Cayman Islands early in 2012. Mark also currently serves on the Board of Directors of several CIBC subsidiaries domiciled in the Cayman Islands and is a member of the Executive Committee of the Cayman Islands Bankers Association having served as its President during 2014-16.

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

MARIE RODLAND-ALLEN
The Bahamas
Senior Executive Team

Marie Rodland-Allen was appointed Managing Director of the Bahamas and Turks & Caicos Islands in September 2010 and serves as a Director of FirstCaribbean International Bank (Bahamas) Limited and Director and Chair of the Board for CIBC Trust Company (Bahamas) Limited.

In her current position, Mrs. Rodland-Allen is responsible for the revenue growth, leadership and overall management of CIBC FirstCaribbean's operations in the Bahamas and Turks & Caicos Islands.

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

Mrs. Rodland-Allen is the recipient of several awards including Celebrating Women International's "Women of Distinction" award and the "40 under 40 Award" by the Bahamas Government's Ministry of Youth, Sports and Culture in conjunction with Jones Communications in recognition of outstanding performance and as an inspiration to the nation's youth.

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

*Marie resigned effective November 27, 2020 to pursue other opportunities.

ANTHONY SEERAJ
Trinidad
Senior Executive Team

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

Anthony has over 36 years' experience in corporate banking and has been a key contributor to the development of the Corporate footprint and the Bank's profile in Trinidad and Tobago, bringing several new key relationships to the Bank.

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

He is responsible for structuring and arranging large deals for the Government of the Republic of Trinidad and Tobago, several state enterprises and large corporations in the Caribbean, meeting the Bank's clients' complex financial needs and providing them with access to various innovative solutions.

He has worked on both syndicated loan and capital market transactions for large regional public and private corporations.

Prior to his appointment as Managing Director, Anthony served as Director, Corporate and Investment Banking, Trinidad and Tobago and the Dutch Antilles.

He is an Associate of the Chartered Institute of Bankers (UK) and holder of an MBA with specialization in Finance from the University of Lincoln.

DONNA WELLINGTON
Barbados
Senior Executive Team

Donna Wellington was appointed Managing Director, Barbados in June 2013.

Donna Wellington joined CIBC FirstCaribbean International Bank in 2005, after working 15 years in the financial services industry at Sagicor, EY Caribbean and PwC in Barbados. In June 2013, she was appointed to her current role as Managing Director.

In this position, Donna has responsibility for revenue generation and regulatory affairs across all key segments of the banking operations of the Barbados Operating Company in seven countries (Barbados and six countries in the OECS).

Since October 2016, she has been the President of the Barbados Bankers' Association (TBBA). In this role, she has been instrumental in driving the focus of the TBBA toward transformation of the payments ecosystem using best-in-class digital payment channels to assist with the wider transformation agenda of Barbados. Over the next year, this remains one of the primary agenda items of the TBBA for Government, businesses and personal payments.

A seasoned corporate banker, Donna also has a strong accounting background with a BSc in Accounting from the University of the West Indies. She is a member of the Certified General Accountant Association registered under the Chartered Professional Accountants Association of Canada (CPA) and holds a Masters Certificate in Financial Leadership from Schulich Business School, University of York.

MANAGEMENT'S DISCUSSION & ANALYSIS

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

Overview

FirstCaribbean International Bank Limited is a leading Caribbean financial institution providing individual and business clients with a full range of products and services through our four (4) segments – Retail and Business Banking, Corporate and Investment Banking, Wealth Management and Administration. Our business segments service clients in sixteen (16) countries through our eight (8) operating companies located in The Bahamas, Barbados, The Cayman Islands, Jamaica and Trinidad and Tobago (collectively, the "Group").

The business segments and geographic operating companies are supported by the Administration segment which includes Finance, Human Resources, Risk, Technology & Operations, Treasury, and other support units. Highlights and commentary on business segments can be found in the 2020 Highlights Section of this annual report.

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

Nature of the business

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

Objectives and strategies

The Group continues to focus on four strategic priorities to address market trends: Focusing on our relationships with our clients, 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 Group are driven by its clients, employees, communities (including its regulators) and its shareholders. Over the years, the Group has developed these resources and relationships to synergistically meet our client's needs.

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

Review of results, performance measures and indicators

Review of the Consolidated Statement of Income

$ Millions except per share amounts, as at or for the year ended October 31	2020	2019
Total revenue	572	616
Net (loss)/income	(159)	171
Adjusted net income	16	189
Net (loss)/income attributable to the equity holders of the parent	(159)	166
Adjusted net income attributable to the equity holders of the parent	16	184
Total assets	12,179	11,562
Basic and diluted (loss)/earnings per share (cents)	(10.1)	10.5
Adjusted basic and diluted earnings per share (cents)	1.0	11.7
Dividend per share (cents)	8.2	6.6
Closing share price per share (cents)	100	140
Return on equity	(14.0%)	14.2%
Adjusted return on equity	1.4%	15.6%
Efficiency ratio	69.3%	64.9%
Tier I capital ratio	12.3%	14.5%
Total capital ratio	14.5%	16.2%

Net loss for the year was ($159) million, compared to net income of $171 million in 2019. Excluding the goodwill impairment charge of $175 million adjusted net income was $16 million.

The year over year results were driven by:

- $175 million impairment of goodwill in the cash generating units, Bahamas, Barbados (Wealth Management Operations), Cayman, Curacao and Trinidad
- $156 million increase in credit loss expense due mainly to charges changes in forward looking economic forecasts as a result of COVID-19
- $42 million decrease in income tax expense due primarily to deferred tax assets write-off in prior year due to corporation tax rate change in Barbados, and net losses before taxes in the current year as a result of higher credit losses
- $34 million decrease in net interest income due primarily to lower margins as a result of lower US interest rates, partially offset by loan growth
- $10 million decrease in operating income due to lower foreign exchange earnings, deposit fees and card service fees
- $4 million decrease in operating expense due to lower staff and discretionary costs, partially offset by higher business taxes and system infrastructure costs

Net interest income and margin

$ millions for the year ended October 31	2020	2019
Average total assets	11,870	11,279
Net interest income	392	426
Net interest margin	3.3%	3.8%

Net interest income decreased year-on-year by $34 million (8%) largely due to lower margins as a result of lower US interest rates, partially offset by loan growth.

Operating income

$ millions for the year ended October 31	2020	2019
Net fee and commission income	120	125
Foreign exchange earnings	57	62
Net loss on trading activity, disposal of securities and hedging	(1)	-
Other	4	3
	180	190

Operating income decreased year-on-year by $10 million (5%) primarily due to lower foreign exchange earnings, deposit fees, and card service fees.

Operating expenses

$ millions for the year ended October 31	2020	2019
Staff costs		
Salaries	161	159
Benefits & other	34	39
	195	198
Property and equipment expenses	40	51
Depreciation	39	26
Business taxes	41	38
Professional fees	20	19
Communications	12	11
Other	49	57
	396	400

Operating expenses decreased year-on-year by $4 million (1%) primarily due to lower staff and discretionary costs, partially offset by higher business taxes and system infrastructure costs.

Property and equipment expenses decreased by $11 million, while depreciation increased by the equivalent amount as a result of the adoption of IFRS 16, the new accounting standard for leases.

Credit loss expense on financial assets

$ millions for the year ended October 31	2020	2019
Expense on impaired loans – Stage 3		
Mortgages	1	-
Personal	3	8
Business & Sovereign	13	8
	17	16
Expense on non-impaired loans		
Stage 1	43	3
Stage 2	85	(18)
	128	(15)
Total loans credit loss expense	145	1
Expense on debt securities		
Stage 1	3	1
Stage 2	1	(1)
Stage 3	11	3
Total debt securities credit loss expense	15	3

Loans credit loss expense increased by $144 million due mainly to updated economic forecasts incorporated into the expected credit loss calculation model.

The ratio of credit loss allowances to gross loans was 5.1% compared to 3.3% at the end of 2019. Non-performing loans to gross loans declined to 3.5% at the end of 2020 compared to 3.9% as at 2019.

Debt securities credit loss expense was $15 million compared to $3 million last year due mainly to higher losses on Sovereign securities as a result of the impact of COVID-19.

Income tax expense

$ millions for the year ended October 31	2020	2019
Income tax (credit)/expense	(1)	41
(Loss)/income before taxation	(159)	212
Effective tax rate	(0.6%)	19.3%

Income tax expense has decreased year-on-year by $42 million. The decrease in taxes is largely due to deferred tax asset write-off due to the change in corporation tax rate in Barbados, in the prior year, the impact of higher credit loss expenses in 2020, and lower withholding taxes due mainly to decline in intercompany placements interest income.

Review of the Consolidated Statement of Comprehensive Income

$ millions for the year ended October 31	2020	2019
Net(loss)/income for the year	(159)	171
Other comprehensive income		
Net gains on debt securities at fair value through OCI	18	31
Net exchange loss on translation of foreign operations	(4)	(7)
Re-measurement gains on retirement benefit plans	28	14
Other comprehensive income	42	38
Total comprehensive (loss)/income	(117)	209

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

The Bank conducts business in two jurisdictions (Jamaica and Trinidad) that have functional currencies that float against the United States (US) dollar. The Jamaica dollar weakened by 5% year-on-year, while the Trinidad dollar remained relatively stable. This has resulted in lower exchange losses of $4 million in the current year.

Review of the Consolidated Statement of Financial Position

$ millions for the year ended October 31	2020	2019
Assets		
Cash and balances with banks	2,280	2,267
Securities	3,027	2,567
Loans and advances to customers:		
Mortgages	2,089	2,003
Personal	674	667
Business & Sovereign	3,946	3,683
Other	4	4
Provision for impairment (net of recoveries and write-offs)	(339)	(212)
	11,681	10,979
Other assets	498	582
	12,179	11,561
Liabilities and equity		
Customer deposits		
Individuals	4,042	3,707
Business & Sovereign	6,719	6,139
Banks	65	162
Interest payable	18	18
	10,844	10,026
Debt securities in issue	76	90
Other liabilities	250	188
Non-controlling interest	30	31
Equity attributable to equity holders of the parent	979	1,226
	12,179	11,561

Total assets increased by $618 million (5%) primarily due to higher customer deposits which resulted in increased securities and cash in addition higher loans. Total customer deposits increased by $818 million (8%) predominately due to normal core deposit movements.

Equity attributable to equity holders of the parent has decreased year-on-year by $247 million (20%) due mainly to net loss for the year of $159 million before non-controlling interests, dividends of $129 million offset by other comprehensive income of $42 million.

Our capital strength protects our depositors and creditors from risks inherent in our business, allows us to absorb unexpected losses and enables us to take advantage of attractive business opportunities. The Group continues to maintain strong capital ratios of Tier I and Tier I & II of 12.3% and 14.5% respectively at the end of 2020, well in excess of regulatory requirements.

Business Segment Overview

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

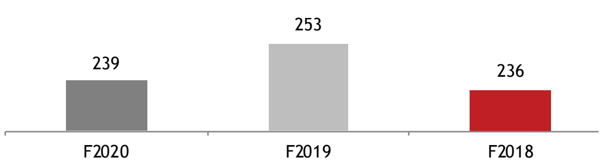
Transactions between the business segments are on normal commercial terms and conditions.

Retail & Business Banking

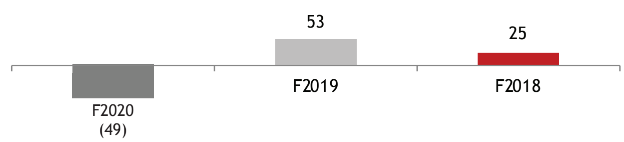
Retail & Business Banking includes the Retail, Business Banking and the Cards Issuing business. The segment provides a full range of financial products and services to individuals which can be accessed through our network of branches and ABMs, as well as through internet and telephone banking channels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

Total revenues decreased year-on-year by $14 million or 6% primarily due to lower income on performimg loans, foreign exchange commissions and lower Funds Transfer Pricing (FTP) earnings on deposits. Net income decreased year-on-year by $102 million driven by lower revenue and higher provision for credit losses.

Total Revenues ($Millions)



Net income ($Millions)

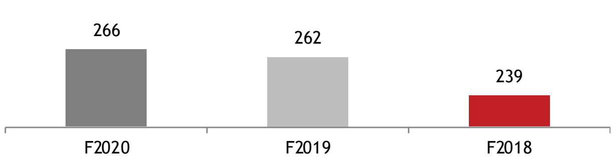


Corporate & Investment Banking

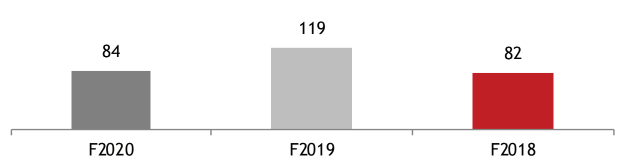
Corporate & Investment Banking includes Corporate, Investment Banking, Forex & Derivative Sales and the Merchant Services business. The segment provides a full range of corporate and commercial banking services to large and mid-size corporate businesses, governments, financial institutions, international trading companies and private wealth vehicles throughout the Caribbean. Investment Banking services provides debt, equity, capital markets and corporate finance products and services to large corporations, financial institutions and governments. Clients are also provided with derivative and other risk mitigating products through the Forex & Derivative Sales Group.

Total revenues increased year-on-year by $4 million or 2% primarily due to lower FTP charged on loans and higher deposit services fees. Net income decreased year-on-year by $35 million as a result of higher provision for credit losses.

Total Revenues ($Millions)



Net income ($Millions)

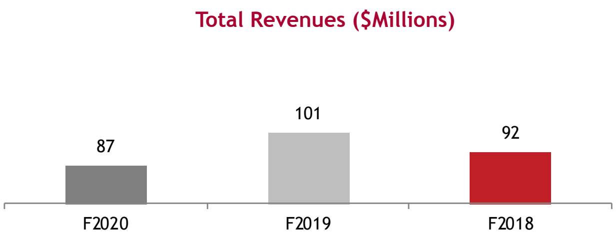


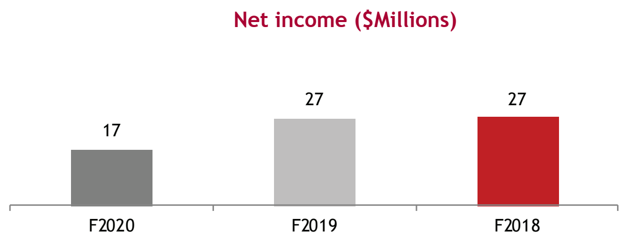
Wealth Management

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

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

Total revenue decreased year-over-year by $14 million or 14% as a result of lower FTP earnings on deposits due to lower margins. Net income declined by $10 million year-on-year as lower FTP earnings on deposits were partially offset by lower infrastructure expenses.





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 or losses on excess capital and the offset to capital charges allocated to the business segments.

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

Risk Management Approach

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

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

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

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

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

Credit Risk

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

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

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

Market Risk

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

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

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

Compliance Risk

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

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

Operational Risk

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

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

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

Liquidity Risk

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

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

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

Building a better working world

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF FIRSTCARIBBEAN INTERNATIONAL BANK

Report on the Audit of the Consolidated Financial Statements

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at October 31, 2020 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' (IESBA) International 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.

Building a better working world

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF FIRSTCARIBBEAN INTERNATIONAL BANK

Report on the Audit of the Consolidated Financial Statements

Key Audit Matters (continued)

Key audit matter	*How our audit addressed the key audit matter*
Expected credit loss allowances	
Related disclosures in the financial statements are included in, Note 2.4, Summary of significant accounting policies, Impairment of financial assets, Note 14, Securities, Note 15, Loans and advances to customers and Note 32, Financial risk management. IFRS 9, Financial Instruments uses an expected credit loss ("ECL") model which requires significantly greater management judgment and incorporation of forward-looking information. IFRS 9 requires the Group 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. 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 judgmental overlays to ECL model outputs.	• We evaluated the modelling techniques and methodologies developed by the Group 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). Management has applied a heightened use of judgment in their assessment of the impact of COVID-19 on the ECL allowance. • We involved our internal credit risk specialists to assist us in evaluating whether the methodology and assumptions used in significant models that estimate ECL were consistent with 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 expert credit judgment in ensuring that amounts recorded were reflective of the credit quality and macroeconomic trends, including the impact of COVID-19, amongst other factors. We also assessed the reasonableness of the generation of forward looking information (FLI) 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 assessed external source data and assumptions, particularly with respect to FLI by verification to independent sources. • We assessed the reasonableness of all qualitative adjustments or overlays derived outside of specific model output including the impact of COVID-19. In this regard, we adjusted the nature, timing and extent of our procedures including the increased involvement of our specialists and audit executives. • 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.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF FIRSTCARIBBEAN INTERNATIONAL BANK

Report on the Audit of the Consolidated Financial Statements

Key Audit Matters (continued)

Key audit matter	*How our audit addressed the key audit matter*
Goodwill	
Related disclosures in the financial statements are included in Note 2.4, Summary of significant accounting policies, Goodwill and Note 19, Intangible assets. Goodwill represents the excess of the cost of an acquisition over the fair value of the net identifiable assets of the acquired subsidiary undertaking and in accordance with IAS 36, management is required to annually test goodwill for impairment. Goodwill is deemed to be impaired if the carrying amount of a cash generating unit (CGU) 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. 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 and discount rates. We compared these assumptions to historical performance, growth rates in light of future economic conditions and independent sources of information including the impact of COVID-19. • 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, 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.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF FIRSTCARIBBEAN INTERNATIONAL BANK

Report on the Audit of the Consolidated Financial Statements

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Fair value of investment securities and derivative financial instruments and hedge accounting	
Related disclosures in the financial statements are included in Note 2.4, Summary of significant accounting policies, Derivative financial instruments and hedge accounting, Debt instruments at FVOCI, Equity instruments at FVOCI, Note 12, Derivative financial instruments, Note 14, Securities and Note 32, Financial risk management. This is a key audit matter due to the complexity of valuation models used to determine fair value. 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. Inaccurate application of hedge accounting rules could result in incorrect classification and could have a significant impact on the statement of comprehensive income. The associated risk management disclosure is also complex and dependent upon high quality data.	• We tested the effectiveness of controls over valuation and monthly hedge effectiveness ensuring all hedge accounting criteria were met and in compliance with IAS 39 (IFRS 9 for hedge accounting deferred). • We reviewed the market prices applied to the Bank's debt securities by comparing the prices used to an independent external source. • We involved our internal valuation specialists who tested the reasonableness of hedge effectiveness and the fair value of all derivatives held by the Bank. We also used our internal valuation specialists to assess the reasonableness of the fair value of securities which did not have observable market prices. • We assessed the adequacy of the disclosures in the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF FIRSTCARIBBEAN INTERNATIONAL BANK

Report on the Audit of the Consolidated Financial Statements

Other information included in the Bank's 2020 Annual Report

Management is responsible for the other information. The other information consists of the Chairman's and Chief Executive Officer's messages and Management's Discussion and Analysis included in the 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 Audit Committee for the Consolidated Financial Statements

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF FIRSTCARIBBEAN INTERNATIONAL BANK

Report on the Audit of the Consolidated Financial Statements

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF FIRSTCARIBBEAN INTERNATIONAL BANK

Report on the Audit of the Consolidated Financial Statements

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

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

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

Ernst & Young Ltd

BARBADOS
December 2, 2020

CONSOLIDATED STATEMENT OF (LOSS)/INCOME

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

	Notes	2020	2019
Interest and similar income		$ 448,614	$ 491,383
Interest and similar expense		56,756	65,391
Net interest income	3	391,858	425,992
Operating income	4	180,072	190,067
		$571,930	$ 616,059
Operating expenses	5	396,229	400,423
Credit loss expense on financial assets	14,15	160,535	3,635
Impairment of intangible assets	19	174,589	-
		731,353	404,058
(Loss)/income before taxation		(159,423)	212,001
Income tax (credit)/expense	6	(759)	41,494
Net (loss)/income for the year		$ (158,664)	$ 170,507
Net (loss)/income for the year attributable to:			
Equity holders of the parent		$ (159,105)	$ 165,991
Non-controlling interests		441	4,516
		$ (158,664)	$ 170,507
Basic and diluted (loss)/earnings per share attributable to the equity holders of the parent for the year (expressed in cents per share)	7	(10.1)	10.5

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 United States dollars)

	Notes	2020	2019
Net (loss)/income for the year		$ (158,664)	$ 170,507
Other comprehensive income (net of tax) to be reclassified to net income or loss in subsequent periods			
Net gains on debt securities at fair value through OCI		18,443	31,520
Net exchange losses on translation of foreign operations		(3,984)	(7,255)
Net other comprehensive income (net of tax) to be reclassified to net income or loss in subsequent periods	8,9	14,459	24,265
Other comprehensive income (net of tax) not to be reclassified to net income or loss in subsequent periods			
Re-measurement gains on retirement benefit plans		27,471	14,116
Net other comprehensive income (net of tax) not to be reclassified to net income or loss in subsequent periods		27,471	14,116
Other comprehensive income for the year, net of tax		41,930	38,381
Comprehensive (loss)/income for the year, net of tax		$ (116,734)	$ 208,888
Comprehensive (loss)/ income for the year attributable to:			
Equity holders of the parent		$ (118,184)	$ 203,517
Non-controlling interests		1,450	5,371
		$ (116,734)	$ 208,888

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	Notes	2020	2019
Assets			
Cash and balances with Central Banks	10	$ 1,332,133	$ 1,121,985
Due from banks	11	948,332	1,145,279
Derivative financial instruments	12	15,428	5,054
Other assets	13	84,358	72,520
Taxation recoverable		24,913	26,532
Securities	14	3,027,016	2,566,791
Loans and advances to customers	15	6,374,063	6,145,062
Property and equipment	16	205,626	171,945
Deferred tax assets	17	26,130	13,232
Retirement benefit assets	18	97,058	74,145
Intangible assets	19	44,372	218,961
Total assets		$ 12,179,429	$ 11,561,506
Liabilities			
Derivative financial instruments	12	$23,810	$11,794
Customer deposits	20	10,843,673	10,026,455
Other liabilities	21	194,341	144,488
Taxation payable		1,708	3,526
Deferred tax liabilities	17	10,466	5,936
Debt securities in issue	22	75,564	89,806
Retirement benefit obligations	18	21,142	22,487
Total liabilities		$ 11,170,704	$ 10,304,492
Equity attributable to equity holders of the parent			
Issued capital	23	$ 1,193,149	$ 1,193,149
Reserves	24	(133,720)	(191,662)
Retained (deficit)/earnings		(80,363)	$224,383
		979,066	1,225,870
Non-controlling interests		29,659	31,144
Total equity		1,008,725	1,257,014
Total liabilities and equity		$ 12,179,429	$ 11,561,506

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

Approved by the Board of Directors on December 2, 2020

Colette Delaney
Chief Executive Officer

Chris De Caires
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

	Notes	Attributable to equity holders of the parent				
		Issued capital	Reserves	Retained earnings/ (deficit)	Non-controlling interests	Total equity
Balance at October 31, 2018		$ 1,193,149	$ (241,315)	$ 173,117	$ 27,843	$ 1,152,794
Net income for the year		-	-	165,991	4,516	170,507
Other comprehensive income for the year, net of tax		-	37,526	-	855	38,381
Total comprehensive income		-	37,526	165,991	5,371	208,888
Transfer to reserves	24	-	12,127	(12,127)	-	-
Equity dividends	25	-	-	(102,598)	-	(102,598)
Dividends of subsidiaries		-	-	-	(2,070)	(2,070)
Balance at October 31, 2019		$ 1,193,149	$ (191,662)	$ 224,383	$ 31,144	$ 1,257,014
Net loss for the year		-	-	(159,105)	441	(158,664)
Other comprehensive income		-	-	-	-	-
for the year, net of tax		-	40,921	-	1,009	41,930
Total comprehensive loss		-	40,921	(159,105)	1,450	(116,734)
Transfer to reserves	24	-	17,021	(17,021)	-	-
Equity dividends	25	-	-	(128,620)	-	(128,620)
Dividends of subsidiaries		-	-	-	(2,935)	(2,935)
Balance at October 31, 2020		$1,193,149	(133,720)	(80,363)	29,659	1,008,725

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 United States dollars)

	2020	2019
Cash flows from operating activities		
(Loss)/income before taxation including discontinuing operations	$ (159,423)	$ 212,001
Credit loss expense on financial assets	160,535	3,635
Depreciation of property and equipment	39,379	25,903
Impairment of intangible assets	174,589	-
Net (losses)/gains on disposals of property and equipment	3	(3,242)
Net gains on disposals and redemption of investment securities	(649)	(370)
Net hedging losses/(gains)	467	(6,463)
Interest income earned on investment securities	(76,327)	(84,140)
Interest expense incurred on lease liabilities, other borrowed funds and debt securities	6,591	4,336
Net cash flows from operating income before changes in operating assets and liabilities	145,165	151,660
Changes in operating assets and liabilities:		
- net decrease in due from banks	15,368	22,841
- net increase in loans and advances to customers	(389,453)	(235,270)
- net (increase)/decrease in other assets	(17,598)	34,373
- net increase in customer deposits	817,218	489,925
- net increase/(decrease) in other liabilities	19,890	(30,765)
Income taxes paid	(7,808)	(13,999)
Net cash from operating activities	582,782	418,765
Cash flows from investing activities		
Purchases of property and equipment	(22,444)	(31,202)
Proceeds from disposal of property and equipment	-	2,402
Purchases of securities	(16,924,182)	(4,943,021)
Proceeds from disposals and redemption of securities	16,479,249	4,791,485
Interest income received on securities	80,964	83,424
Net cash used in investing activities	(386,413)	(96,912)
Cash flows from financing activities		
Net repayments on other borrowed funds and debt securities (note 22)	(13,748)	(1,069)
Interest expense paid on other borrowed funds and debt securities	(7,085)	(4,378)
Dividends paid to equity holders of the parent	(128,620)	(102,598)
Dividends paid to non-controlling interests	(2,935)	(2,070)
Payment of principal portion of lease liabilities	(11,428)	-
Net cash used in financing activities	(163,816)	(110,115)
Net increase in cash and cash equivalents for the year	32,553	211,738
Effect of exchange rate changes on cash and cash equivalents	(3,984)	(7,255)
Cash and cash equivalents, beginning of year	1,888,560	1,684,077
Cash and cash equivalents, end of year (note 10)	$ 1,917,129	$ 1,888,560

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

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

Note 1 General Information

FirstCaribbean International Bank Limited and its subsidiaries (the "Group") are registered under the relevant financial and corporate legislation of 16 countries in the Caribbean to carry on banking and other related activities. FirstCaribbean International Bank Limited (the "Bank"), is a company incorporated and domiciled in Barbados at Warrens, St. Michael. The parent company and controlling party of the Bank is CIBC Investments (Cayman) Limited, which holds 91.7% of the Bank's issued shares and is a company incorporated in Cayman. The ultimate parent company is Canadian Imperial Bank of Commerce ("CIBC").

The Bank has a primary listing on the Barbados and Trinidad Stock Exchange. These consolidated financial statements have been authorised for issue by the Board of Directors on December 2, 2020. The Board of Directors has the power to amend these consolidated financial statements after issue, if required.

Note 2 Basis of preparation and summary of significant accounting policies

2.1 Basis of preparation

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

The consolidated financial statements provide comparative information in respect of the previous period. In addition, the Group presents an additional 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 Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries as at October 31, 2020 (the "reporting date"). The financial statements of the subsidiaries are prepared for the same reporting year as the Bank, using consistent accounting policies.

Subsidiaries

All subsidiaries, which are those companies controlled by the Bank, have been fully consolidated. The principal subsidiaries of the Bank are disclosed in Note 33.

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

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

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

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

The Bank reassesses 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 statement of comprehensive income from the date the Bank gains control until the date the Bank ceases to control the subsidiary.

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

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

Transactions with non-controlling interests

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

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

Transactions with jointly controlled entities

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

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

2.2 Significant accounting judgements and estimates

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

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

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

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

- Capital management Note 23
- Financial risk management Note 32
- Sensitivity analyses Notes 18 and 32

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

Fair value of financial instruments

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

Impairment losses on financial assets

The measurement of impairment losses across all categories of financial assets requires judgement, 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 Group'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 judgements and estimates include:

- The Group's internal credit grading model, which assigns a probability of default (PD) to the individual grades
- The Group'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 Probability of Default (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 Group'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 benefit that employees have earned in return for their service in the current and prior periods. These actuarial assumptions are based on management's best estimates of the variables that will determine the ultimate cost of providing post-employment benefits and comprise both demographic and financial assumptions. This includes assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Variations in the financial assumptions can cause material adjustments in future years, if it is determined that the actual experience differed from the estimate.

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

Income taxes

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

Deferred tax assets are recognised for all deductible temporary differences and unused carry-forward tax losses, to the extent that it is probable that taxable profits will be available against which the deferred tax assets may be utilised.

Management's judgement is required to determine the amount of the deferred tax asset that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Uncertainty in tax positions may arise as tax legislation is subject to interpretation. Estimating uncertain tax provisions requires management judgement to be applied in the interpretation of tax laws across the various jurisdictions in which the Group operates. This includes significant judgement in the determination of whether it is probable that the Group's tax filing positions will be sustained relating to certain complex tax positions, when probable, the measurement of such provison when recognised.

Intangible assets

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

2.3 Adoption of new accounting policies

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

In these financial statements, the Group adopted IFRS 16 "Leases" as at November 1, 2018 which supercedes 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 Group's consolidated financial statements. The Group has not early adopted any other standards, interpretations or amendments that have been issued but is not yet effective.

IFRS 16 Leases

We 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 recognized 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 Group recognized right-of-use assets and lease liabilities for its leases previously recognized as operating leases per IAS 17. Depreciation expense on the right-of-use asset and

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

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 recognized 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 Group's incremental borrowing rate in the economic environment of the lease. The weighted average incremental borrowing rate applied on our existing lease portfolio was 3.68%. The capitalized 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 by the Group- 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 Group 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 Group 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 $50.6 million were recognised and presented in the consolidated statement of financial position within 'Property and equipment'
- Additional lease liabilities of $50.6 million (included in 'Other liabilities') were recognized
- The adoption of IFRS 16 had no impact on the Group'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	$	44,649
Less: Operating and tax expenses relating to the lease commitments		-
Less: Impact of future lease commitments not yet commenced		(812)
Adjustments as a result of renewal and termination assumptions		13,405
Impact of discounting		(6,623)
Lease liability recognised as at November 1, 2019	$	50,619

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

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities

- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty. The Group applies significant judgement in identifying uncertainties over income tax treatments. Since the Group operates in a complex multinational environment, it assessed whether the Interpretation had an impact on its consolidated financial statements. Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. The tax filings of the Group and its subsidiaries in different jurisdictions include deductions related to transfer pricing and the taxation authorities may challenge those tax treatments. The Group determined, based on its tax compliance and transfer pricing study that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. The Interpretation did not have an impact on the consolidated financial statements of the Group.

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 Group 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 Group.

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.

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 Group and had no impact on the consolidated financial statements of the Group.

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 Group but may apply to future transactions.

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

IAS 12 Income Taxes

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.
An entity applies those amendments for annual reporting periods beginning on or after January 1 2019, with early application permitted. When an entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period. Since the Group's current practice is in line with these amendments, they had no impact on the consolidated financial statements of the Group.

IAS 23 Borrowing Costs

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

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1 2019, with early application permitted. Since the Group's current practice is in line with these amendments, they had no impact on the consolidated financial statements of the Group.

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 Group 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 Group and they had no impact on the consolidated financial statements of the Group.

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

2.4 Summary of significant accounting policies

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

Foreign currency translation

Each entity in the Group determines its own functional currency, and items included in the financial statements of each entity are measured using that currency. The functional currency of the Bank is the United States dollar; and the consolidated financial statements are presented in United States dollars as this currency is universally accepted and recognised in all the territories in which the Group operates.

Transactions and balances

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

Group companies

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

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

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

Derivative financial instruments and hedge accounting

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

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

Any gains or losses arising from changes in fair value on derivatives are taken directly to the 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).

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

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

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

Hedge ineffectiveness can arise from:

- Differences in timing of cash flows of hedged items and hedging instruments
- Different interest rate curves applied to discount the hedged items and hedging instruments
- Derivatives used as hedging instruments having a non-nil fair 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 Group's strict criteria for hedge accounting are accounted for as follows:

Fair value hedge

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

Cash flow hedge

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

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

Interest income and expense

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

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

The Group 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 15) and is, therefore, regarded as 'Stage 3', the Group calculates interest income by applying the effective interest rate to the net amortised cost of the financial asset. If the financial assets cure (as outlined in Note 15) and is no longer credit-impaired, the Group 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 recognized 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 recognized at a point in time upon completion of the service or over time as the services are provided. When revenue is recognized 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 recognized 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 recognized at the point in time when the transaction is completed. Advisory fees are generally recognized 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 recognized over the period that the related services are provided. Transactional fees are recognized 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 recognized over the period that the related services are provided, except for loan syndication fees, which are typically recognized at the point in time that the financing placement is completed. Letters of credit and guarantees & bonds fees are charged annually and covers 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 recognized at the point in time the related services are provided, except for annual fees, which are recognized over the 12-month period to which they relate. The cost of credit card loyalty points is recognized

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

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 recognized for self-managed loyalty point programs and are subject to periodic re-measurement to reflect the expected cost of redemption as this expectation changes over time.

Investment management fees are primarily based on the respective value of the assets under management (AUM) or assets under administration (AUA) and are recognized 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 recognized as revenue over the applicable service period, which is generally the contract term.

Customer loyalty programmes

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

Financial instruments: initial recognition

Date of recognition

Financial assets and liabilities, with the exception of loans and advances to customers and customer deposits, are initially recognised on the settlement date, which is the date that an asset is delivered to or by the Group. 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.

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, where 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 Group 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 Group 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

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

Financial assets and liabilities

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

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

The Group'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 Group'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 Group's original expectations, the Group 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 principle and interest) test

As a second step of its classification process the Group assesses the contractual terms of financial assets 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 perform the SPPI assessment, the Group applies judgement 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.

For the year ended October 31, 2020
(Expressed in thousands of United States 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 Group enters into derivative transactions with various counterparties including the parent, CIBC. These 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 12. 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 12.

Debt instruments at FVOCI

The Group applies the new category under IFRS 9 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 14. Where the Group 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 Group 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. Dividends are recognised in profit or loss as other operating income when the right of the payment has been established, except when the Group 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.

Debt issued and other borrowed funds

After initial measurement, debt issued and other borrowed funds are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium on issued funds, and costs that are an integral part of the effective interest rate. A compound financial instrument which contains both a liability and an equity component is separated at the issue date.

Disclosures for the Group's issued debt are set out in Note 22.

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 are met. Such designation is determined on an instrument-by-instrument basis:

- The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis,or
- The liabilities are part of a group of financial liabilities, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, or
- The liabilities containing 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 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 Group'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 the instrument. Interest earned on assets mandatorily required to be measured at FVPL is recorded using contractual interest rate. 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 Group issues financial guarantees, letters of credit and loan commitments.

The Group'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 Group 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, is not recorded in the consolidated statement of financial position. The nominal values of these instruments together with the corresponding ECLs are disclosed in Note 15.

The Group occasionally issues loan commitments at below market interest rates. 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 15.

Reclassification of financial assets and liabilities

The Group does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Group acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified. The Group reclassified one of its financial assets from loans and advances to debt instruments at amortised costs. No financial liabilities were reclassified.

Derecognition of financial assets and liabilities

Derecognition due to substantial modification of terms and conditions

The Group 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, the Group considers the following factors:

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

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Group 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 financial asset have expired. The Group also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

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

- The Group has transferred its contractual rights to receive cash flows from the financial asset, or
- It retains the rights 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 Group 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 Group 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 Group cannot sell or pledge the original asset other than as security to the eventual recipients
- The Group has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Group 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 Group has transferred substantially all the risks and rewards of the asset, or
- The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

The Group 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 Group 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 Group's continuing involvement, in which case, the Group 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 Group 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 Group 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 Group would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

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

Impairment of financial assets

Overview of the ECL principles

The Group records an 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 15). The Group's policies for determining if there has been a significant increase in credit risk are set out in Note 32.

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 Group 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 32.

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

- Stage 1: When loans are first recognised, the Group 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 Group 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 15).The Group 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 Group has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

The calculation of ECLs

The Group 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 32.
- 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 Group 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 Group 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 Group 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 Group 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: These are financial assets that are credit impaired on initial recognition. The Group 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 Group 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 Group 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.

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 Group only recognises the cumulative changes in LTECL since initial recognition in the loss allowance.

Credit cards and other revolving facilities

The Group's product offering includes a variety of corporate and retail overdraft and credit cards facilities, in which the Group has the right to cancel and/or reduce the facilities with one day's notice. The Group does not limit its exposure to credit losses to the contractual notice period, but, instead calculates ECL over a period that reflects the Group's expectations of the customers' behaviour, its likelihood of default and the Group'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 32, 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, 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 Group 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. For most of the forward-looking information variables related to the Group's businesses, we have forecast scenarios by individual territories. In forming the "base case" scenario, we consider the forecasts of monetary authorities such as the International Monetary Fund (IMF), World Bank and regional 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 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 recognized. As such overlays, are continuously reviewed for relevance and accuracy.

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

Collateral valuation

To mitigate its credit risks on financial assets, the Group 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 Group's 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 Group's various credit enhancements are disclosed in Note 15.

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

Collateral repossessed

The Group'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 Group's policy.

In its normal course of business, the Group 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 Group 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 Group sometimes makes concessions or modifications to the original terms of loans as a response to the borrower's financial difficulties, rather than taking possession of or to otherwise enforce collection of collateral. The Group 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 Group 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 Group'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 Group also reassesses whether there has been a significant increase in credit risk, as set out in Note 32. The Group also considers whether the assets should be classified as Stage 3. Once an asset has been classified as forborne, it will remain forborne for a minimum probation period according to the regulatory rules in each country. 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 has 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 32. If modifications are substantial, the loan is derecognised.

Offsetting financial instruments

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

Sale and repurchase agreements

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

Intangible assets

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

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

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

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

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the net identifiable assets of the acquired subsidiary undertaking at the date of acquisition and is reported in the consolidated statement of financial position as an intangible asset. Goodwill is tested annually for impairment at third quarter or when circumstances indicate that the carrying value may be impaired and carried at cost less accumulated impairment losses. Goodwill is allocated to the lowest levels for which there are separately identifiable cash flows (cash-generating units) for the purpose of impairment testing.

An impairment loss is recognised for the amount by which the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use.

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

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

Property and equipment

All property and equipment is stated at historical cost less accumulated depreciation, with the exception of land which is not depreciated. Historical cost includes expenditures that are directly attributable to the acquisition of the items. Land and buildings comprise mainly of branches and offices. Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the 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 on the straight-line method at rates considered adequate to write-off the cost of depreciable assets, less salvage, over their useful lives.

The annual rates used are:

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

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

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 Group 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 Group leases various buildings for extended periods. Contracts may contain both lease and non-lease components, however where the Group 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 Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group 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 Group 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.

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

The right-of-use assets are presented within Note 16 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 Group 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 Group 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 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 memeasured 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.

As a lessor
Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the consolidated statement of income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Determination of the lease term for lease contracts with renewal and termination options (As a lessee)
The Group 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 Group has several lease contracts that include extension and termination options. The Group applies judgement 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 Group 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 Group 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 Group 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 Group 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 Group 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 Group 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.

Finance leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Amounts due from lessees under finance leases mainly relate to the leasing of vehicles & equipment and are recorded under loans and advances to customers in the consolidated statement of financial position at the amount of the net investment in the leases.

At the commencement of the lease term, the Group recognizes finance leases at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. To calculate the present value of the lease payments the interest rate stipulated in the finance lease is used. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment in the lease.

Restructuring provisions

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

Retirement benefit obligations

Pension obligations

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

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

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

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

- The date of the plan amendment or curtailment, and
- The date that the Group recognises restructuring-related costs

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

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

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

Other post-retirement obligations

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

Deferred tax

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

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

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

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

Share capital

Share issue costs

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

Dividends on common shares

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

Earnings per share

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

Fiduciary activities

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

Segment reporting

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

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

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

Fair value measurement

The Group measures financial instruments, such as, derivatives, and 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 32. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

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

The principal or the most advantageous market must be accessible to the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

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

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

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing 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 Group's financial statements are disclosed below. The Group 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 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 Group's consolidated financial statements.

For the year ended October 31, 2020
(Expressed in thousands of United States 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 Group 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 1 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 Group.

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 Group 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 Group's consolidated financial statements.

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 waver 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 Group'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 Group 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 a significant impact on the Group's consolidated financial statements.

Onerous Contracts – Cost of Fulfilling 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 Group is currently assessing the impact of these amendments and plans to adopt the new amendment on the required effective date.

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 Group.

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 Group.

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

Note 3 | Net interest income

	2020	2019
Interest and similar income		
Cash, balances with Central Banks and due from banks	$ 6,254	$ 16,819
Securities	76,327	84,140
Loans and advances to customers	366,033	390,424
	$ 448,614	$ 491,383
Interest and similar expense		
Customer deposits	$ 50,165	$ 60,228
Debt securities in issue	3,279	4,336
Other	3,312	827
	$ 56,756	$ 65,391
	$ 391,858	$ 425,992

Note 4 | Operating income

	2020	2019
Net fee and commission income	$ 120,185	$ 125,329
Foreign exchange commissions	55,356	60,153
Foreign exchange revaluation net gains	1,264	2,099
Net trading losses	(1,611)	(1,736)
Net gains on disposals and redemption of securities (note 8)	649	370
Net hedging gains (note 12)	155	493
Other operating income	4,074	3,359
	$ 180,072	$ 190,067

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

Net investment securities gains have arisen from disposals of FVOCI debt securities.

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

Analysis of net fee and commission income:

	2020	2019
Underwriting	$ 4,135	$ 4,443
Deposit services	52,651	54,465
Credit services	7,381	8,311
Card services	26,995	28,339
Fiduciary & investment management	27,313	27,861
Other	1,710	1,910
	$ 120,185	$ 125,329

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

Note 5 | Operating expenses

	2020	2019
Staff costs	$ 195,506	$ 197,873
Property and equipment expenses	39,603	51,281
Depreciation (note 16)	39,379	25,903
Other operating expenses	121,741	125,366
	$ 396,229	$ 400,423

Analysis of staff costs:

	2020	2019
Salaries	$ 156,243	$ 156,010
Pension costs - defined contribution plans (note 18)	5,551	5,766
Pension costs - defined benefit plans (note 18)	2,831	4,936
Post-retirement medical benefits charge (note 18)	1,395	1,428
Other share and cash-based benefits	1,506	1,483
Risk benefits	9,194	9,096
Severance including staff-related restructuring costs	4,372	2,849
Other staff related costs	14,414	16,305
	$ 195,506	$ 197,873

Analysis of other operating expenses:

	2020	2019
Business taxes	$ 40,634	$ 37,896
Professional fees	19,754	19,148
Advertising and marketing	2,812	3,689
Business development and travel	1,673	4,436
Communications	12,240	11,059
Net losses/(gains) on sale of property and equipment	3	(3,242)
Consumer related expenses	5,148	6,505
Non-credit losses	3,323	3,507
Outside services	14,248	14,210
Other	21,906	28,158
	$ 121,741	$ 125,366

Other operating expenses include expenses relating to short-term leases of $162 and to leases of low-value assets of $2,894.

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

Note 6 Income tax expense

	2020	2019
The components of income tax expense for the year are:		
Current tax charge	$ 9,884	$ 17,515
Deferred tax (credit)/charge relating to temporary differences	(11,169)	2,212
Deferred tax charge relating to changes in tax rates	-	21,851
Prior year tax charge/(credit)	526	(84)
	$ (759)	$ 41,494

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

	2020	2019
(Loss)/income before taxation	$ (159,422)	$ 212,001
Tax calculated at the statutory tax rate of 5.5%	(8,768)	11,660
Effect of different tax rates in other countries	(913)	(1,979)
Effect of income not subject to tax	(1,752)	(6,164)
Effect of income subject to tax at 12.5%	162	66
Effect of tax rate changes	-	22,537
Effect of withholding tax adjustments	3,012	8,641
Effect of sliding scale rate	(119)	(749)
Under provision of prior year corporation tax liability	340	4,840
Under/(over) provision of prior year deferred tax liability	261	(1,571)
(Over)/under provision of current year corporation tax liability	(11)	3
Movement in deferred tax asset not recognised and other adjustments	2,828	1,534
Effect of expenses not deductible for tax purposes	4,201	2,676
	$ (759)	$ 41,494

Note 7 (Loss)/earnings per share

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

Basic and diluted (loss)/earnings per share

	2020	2019
Net (loss)/income attributable to equity holders of the parent	$ (159,105)	$ 165,991
Weighted average number of common shares (thousands)	1,577,095	1,577,095
Basic and diluted (loss)/earnings per share (expressed in cents per share)	(10.1)	10.5

There are no potentially dilutive instruments.

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

Note 8 Components of other comprehensive income, net of tax

	2020	2019
Debt securities at fair value through other comprehensive income, net of tax:		
Net gains arising during the year	$ 19,092	$ 31,890
Reclassification to the income statement	(649)	(370)
	18,443	31,520
Attributable to:		
Equity holders of the parent	18,132	31,000
Non-controlling interests	311	520
	18,443	31,520
Net exchange losses on translation of foreign operations, net of tax		
Attributable to:		
Equity holders of the parent	(3,984)	(7,255)
Non-controlling interests	-	-
	(3,984)	(7,255)
Other comprehensive income for the year, net of tax	$ 14,459	$ 24,265

Note 9 Income tax effects relating to other comprehensive income

	2020	2019
Debt securities at fair value through other comprehensive income, net of tax:		
Before	$ 20,015	$ 33,476
Tax charge	(1,572)	(1,956)
After tax	18,443	31,520
Net exchange losses on translation of foreign operations, net of tax		
Before and after tax	(3,984)	(7,255)
Other comprehensive income for the year, net of tax	$ 14,459	$ 24,265

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

Note 10 | Cash and balances with Central Banks

	2020	2019
Cash	$ 110,773	$ 105,995
Deposits with Central Banks - interest bearing	110,109	163,097
Deposits with Central Banks - non-interest bearing	1,111,251	852,893
Cash and balances with Central Banks	1,332,133	1,121,985
Less: Mandatory reserve deposits with Central Banks	(363,336)	(378,704)
Included in cash and cash equivalents as per below	$ 968,797	$ 743,281

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

Cash and cash equivalents

	2020	2019
Cash and balances with Central Banks as per above	$ 968,797	$ 743,281
Due from banks (note 11)	948,332	1,145,279
	$ 1,917,129	$ 1,888,560

Note 11 | Due from banks

	2020	2019
Included in cash and cash equivalents (note 10)	$ 948,332	$ 1,145,279

The average effective yield on these amounts during the year was 0.6% (2019 – 1.4%).

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

Note 12 Derivative financial instruments

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

2020	Notional amount	Assets	Liabilities
Interest rate swaps	$ 489,273	$ 8,678	$ 17,103
Foreign exchange forwards	352	4	3
Interest rate options	238,588	4,287	4,287
Commodity options	12,179	2,459	2,417
	$ 740,392	$ 15,428	$ 23,810

2019	Notional amount	Assets	Liabilities
Interest rate swaps	$ 537,000	$ 4,324	$ 11,095
Foreign exchange forwards	6,250	34	28
Interest rate options	150,118	666	666
Commodity options	5,340	30	5
	$ 698,708	$ 5,054	$ 11,794

The Group 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.

Foreign exchange forwards

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

Interest rate options

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

Commodity options

Commodity options are contractual agreements which convey the right, but not the obligation to pay or receive a specified amount calculated with reference to changes in commodity prices.

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

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

In 2020 and 2019, the Group did not recognise any gains or losses as a result of failed hedges which are included within operating income as part of net trading gains as these derivatives are classified as trading derivatives upon failure.

Hedged items currently designated:

2020	Carrying amount of the hedged items	Cumulative amount of fair value of hedging adjustment included in the carrying amount of the hedged items
Consolidated statement of financial position in which the hedged item is included:		
Loans & advances to customers	$ 113,142	$ 11,649

2019	Carrying amount of the hedged items	Cumulative amount of fair value of hedging adjustment included in the carrying amount of the hedged items
Consolidated statement of financial position in which the hedged item is included:		
Loans & advances to customers	$ 129,993	$ 10,110

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 $947(2019: $2,272).

The following table shows the net gains and losses recognised in income related to derivatives in live fair value hedging relationships that exist as at October 31:

	2020	2019
Recorded in operating income:		
Recognised losses on hedging instruments	$ (1,385)	$ (5,577)
Recognised gains on hedge item	1,540	6,070
Net gains recognised on fair value hedges	$ 155	$ 493

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Note 13 Other assets

	2020	2019
Prepayments and deferred items	$ 16,877	$ 10,638
Other accounts receivable	67,481	61,882
	$ 84,358	$ 72,520

Note 14 Securities

2020	Stage 1	Stage 2	Stage 3	Total
Securities measured at FVOCI:				
Government securities				
- Regional	$ 737,581	$ 48,766	$ -	$ 786,347
- Non Regional	767,717	-	-	767,717
Total Government securities	1,505,298	48,766	-	1,554,064
Corporate debt securities	999,499	25,558	-	1,025,057
Total debt securities	$ 2,504,797	$ 74,324	$ -	$ 2,579,121
Equity securities - unquoted	1,038	-	-	1,038
Total securities measured at FVOCI	$ 2,505,835	$ 74,324	$ -	$ 2,580,159
Debt securities amortized cost				
Government securities at amortized cost	$ 68,292	$ -	$ 314,317	$ 382,609
Corporate securities at amortized cost	52,610	-	-	52,610
Total securities amortized cost	$ 120,902	$ -	$ 314,317	$ 435,219
Total securities FVOCI & amortized cost	$ 2,626,737	$ 74,324	$ 314,317	$ 3,015,378
Add: Interest receivable				11,638
Total				$ 3,027,016

2019	Stage 1	Stage 2	Stage 3	Total
Securities measured at FVOCI:				
Government securities				
- Regional	$ 664,180	$ 86,555	$ 17,047	$ 767,782
- Non Regional	324,782	-	-	324,782
Total Government securities	988,962	86,555	17,047	1,092,564
Corporate debt securities	1,025,915	33,004	-	1,058,919
Total debt securities	$ 2,014,877	$ 119,559	$ 17,047	$ 2,151,483
Equity securities - unquoted	1,039	-	-	1,039
Total securities measured at FVOCI	$ 2,015,916	$ 119,559	$ 17,047	$ 2,152,522
Debt securities amortized cost				
Government securities at amortized cost	$ 56,849	$ -	$ 291,887	$ 348,736
Corporate securities at amortized cost	49,253	-	-	49,253
Total securities amortized cost	$ 106,102	$ -	$ 291,887	$ 397,989
Total securities FVOCI & amortized cost	$ 2,122,018	$ 119,559	$ 308,934	$ 2,550,511
Add: Interest receivable				16,280
Total				$ 2,566,791

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. The comprehensive debt restructuring agreement between the domestic creditors and the Government of Barbados regarding BBD dollar denominated debt was completed on October 31, 2018. We exchanged (i) securities measured as FVOCI with a par amount of $355 million and an expected credit loss of $76 million; and (ii) loans measured at amortised cost with a par amount of $89 million and an expected credit loss of $37 million; for (i) longer dated securities with a par amount of $398 million measured as purchased originated credit impaired ('POCI') amortised cost securities at an initial carrying value equal to the estimated fair value of $285 million with no initial allowance for expected credit loss allowance as risk of future losses was reflected in the acquisition date discount and (ii) shorter dated securities measured as Stage 1 amortised cost securities with a par amount of $46 million with expected credit losses of $1 million.

On October 18, 2019, the Government of Barbados and the Barbados External Creditor Committee reached an agreement in principle to exchange certain Government's US dollar denominated debt for new bonds to be issued by Barbados. Pursuant to the debt restructuring agreement, on December 11, 2019, the Group exchanged a security measured as FVOCI with a par amount of $8.1 million and an expected credit loss of $0.9 million for two longer dated securities with a par amount totaling $7.6 million. The instruments are measured as POCI amortised cost securities at an initial carrying value equal to the estimated fair value of $7.3 million with no initial allowance for expected credit loss allowance as risk of future losses was reflected in the acquisition date discount.

Subsequently, on May 18, 2020 the Government of Barbados and the Barbados External Creditor Committee finalized the exchange of the remaining Government US dollar denominated debt in the final phase of the debt restructuring program related to the Group. 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 loss allowance 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 utilized 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 $19 million during the year.

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

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 Collective provision 12 month ECL performing	Stage 2 Collective provision lifetime ECL performing	Stage 3 Collective and individual provision lifetime ECL credit impaired	Total
Debt Securities at FVOCI				
Balance at beginning of period	$ 10,605	$ 1,595	$ 4,808	$ 17,008
Originations net of repayments and other derecognitions	(1)	(211)	804	592
Changes in model	(2,447)	(105)	-	(2,552)
Net remeasurement	5,347	1,631	(3)	6,975
Transfers				
- to 12-month ECL	-	-	-	-
- to lifetime ECL non-credit impaired	-	-	-	-
- to lifetime ECL credit impaired	-	-	-	-
Credit loss expense	2,899	1,315	801	5,015
Write-offs	-	-	(5,609)	(5,609)
Recoveries	-	-	-	-
Foreign exchange and other	(35)	(15)	-	(50)
Balance at end of period	$ 13,469	$ 2,895	$ -	$ 16,364
Debt securities at amortised cost				
Balance at beginning of period	$ 1,231	$ -	$ -	$ 1,231
Originations net of repayments and other derecognitions	422	-	-	422
Changes in model	-	-	-	-
Net remeasurement	(261)	-	10,215	9,954
Transfers				
- to 12-month ECL	-	-	-	-
- to lifetime ECL	-	-	-	-
non-credit impaired	-	-	-	-
- to lifetime credit impaired	-	-	-	-
Credit loss expense	161	-	10,215	10,376
Write-offs	-	-	-	-
Recoveries	-	-	-	-
Foreign exchange and other	-	-	-	-
Balance at end of period	$ 1,392	$ -	$ 10,215	$ 11,607
Total ECL Allowance	$ 14,861	$ 2,895	$ 10,215	$ 27,971

For the year ended October 31, 2020
(Expressed in thousands of United States 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
Debt Securities at FVOCI				
Balance at beginning of period	$ 10,729	$ 2,354	$ 4,620	$ 17,703
Originations net of repayments and other derecognitions	422	(309)	-	113
Changes in model	-	-	-	-
Net remeasurement	(518)	(446)	3,241	2,277
Transfers				
- to 12-month ECL	-	-	-	-
- to lifetime ECL non-credit impaired	-	-	-	-
- to lifetime ECL credit impaired	-	-	-	-
Credit loss (credit)/expense	(96)	(755)	3,241	2,390
Write-offs	-	-	-	-
Recoveries	-	-	-	-
Foreign exchange and other	(28)	(4)	(3,053)*	(3,085)
Balance at end of period	$ 10,605	$ 1,595	$ 4,808	$ 17,008
Debt securities at amortised cost				
Balance at beginning of period	$ 627	$ -	$ -	$ 627
Originations net of repayments and other derecognitions	371	-	-	371
Changes in model	-	-	-	-
Net remeasurement	233	-	-	233
Transfers				
- to 12-month ECL	-	-	-	-
- to lifetime ECL non-credit impaired	-	-	-	-
- to lifetime credit impaired	-	-	-	-
Credit loss expense	604	-	-	604
Write-offs	-	-	-	-
Recoveries	-	-	-	-
Foreign exchange and other	-	-	-	-
Balance at end of period	$ 1,231	$ -	$ -	$ 1,231
Total ECL Allowance	$ 11,836	$ 1,595	$ 4,808	$ 18,239

*Included in foreign exchange and other is the write off of basis adjustments on an ineffective hedge due to the Barbados Government debt restructuring of $3,098.

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

The average effective yield during the year on debt securities was 3.2% (2019 – 4.1%). The Group has a regulatory reserve requirement to maintain a percentage of deposit liabilities in cash or in the form of Government securities. At October 31, 2020 the reserve requirement amounted to $740,820 (2019 -$572,035) of which $363,336 (2019 - $378,704) is included within cash and balances with Central Banks (note 10).

The movement in debt securities at FVOCI and amortised cost (excluding interest receivable) is summarised as follows:

	2020	2019
Balance, beginning of year	$ 2,550,511	$ 2,368,924
Additions (purchases, changes in fair value and foreign exchange)	17,389,392	4,943,021
Disposals (sales and redemptions)	(16,924,525)	(4,761,434)
Balance end of year	$ 3,015,378	$ 2,550,511

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

Note 15 | Loans and advances to customers

2020	Stage 1	Stage 2	Stage 3	Total
Residential mortgages				
Gross loans	$ 1,359,934	$ 612,898	$ 116,366	$ 2,089,198
ECL allowance	(20,874)	(66,903)	(59,354)	(147,131)
Net residential mortgages	1,339,060	545,995	57,012	1,942,067
Personal				
Gross loans	508,456	134,430	31,480	674,366
ECL allowance	(13,241)	(11,231)	(21,665)	(46,137)
Net personal	495,215	123,199	9,815	628,229
Business & Sovereign				
Gross loans	3,337,468	517,970	90,091	3,945,529
ECL allowance	(75,176)	(29,033)	(41,827)	(146,036)
Net Business & Sovereign	3,262,292	488,937	48,264	3,799,493
Total net loans	$ 5,096,567	$ 1,158,131	$ 115,091	$ 6,369,789
Add: Interest receivable				32,359
Less: Unearned fee income				(28,085)
Total				$ 6,374,063

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

2019	Stage 1	Stage 2	Stage 3	Total
Residential mortgages				
Gross loans	$ 1,709,625	$ 176,773	$ 116,611	$ 2,003,009
ECL allowance	(10,000)	(13,649)	(57,914)	(81,563)
Net residential mortgages	1,699,625	163,124	58,697	1,921,446
Personal				
Gross loans	608,320	27,543	31,332	667,195
ECL allowance	(8,069)	(2,463)	(21,355)	(31,887)
Net personal	600,251	25,080	9,977	635,308
Business & Sovereign				
Gross loans	3,227,412	353,331	102,642	3,683,385
ECL allowance	(48,782)	(5,824)	(44,332)	(98,938)
Net Business & Sovereign	3,178,630	347,507	58,310	3,584,447
Total net loans	$ 5,478,506	$ 535,710	$ 126,984	$ 6,141,201
Add: Interest receivable				30,326
Less: Unearned fee income				(26,465)
Total				$ 6,145,062

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

2020	Stage 1 Collective provision 12 month ECL performing	Stage 2 Collective provision lifetime ECL performing	Stage 3 Collective and individual provision lifetime ECL credit impaired	Total
Residential mortgages				
Balance at beginning of period	$ 10,000	$ 13,649	$ 57,914	$ 81,563
Originations net of payments and other derecognitions	1,798	207	(2,098)	(93)
Changes in model	(503)	1,511	(130)	878
Net remeasurement	18,396	42,166	4,019	64,581
Transfers				
- to 12-month ECL	3,642	(3,086)	(556)	-
- to lifetime ECL performing	(12,434)	13,119	(685)	-
- to lifetime ECL credit-impaired	(10)	(650)	660	-
Credit loss expense	10,889	53,267	1,210	65,366
Net recoveries	-	-	3,899	3,899
Interest income on impaired loans	-	-	(3,597)	(3,597)
Foreign exchange and other	(14)	(13)	(73)	(100)
Balance at end of period	$ 20,874	$ 66,903	$ 59,354	$ 147,131
Personal				
Balance at beginning of period	$ 4,986	$ 668	$ 21,111	$ 26,765
Originations net of payments and other derecognitions	2,476	(8)	(909)	1,559
Changes in model	(119)	(8)	(9)	(136)
Net remeasurement	6,854	3,200	1,693	11,747
Transfers				
- to 12-month ECL	775	(661)	(114)	-
- to lifetime ECL performing	(4,749)	4,845	(96)	-
- to lifetime ECL credit-impaired	(17)	(178)	195	-
Credit loss expense	5,220	7,190	760	13,170
Net recoveries	-	-	645	645
Interest income on impaired loans	-	-	(923)	(923)
Foreign exchange and other	(67)	(17)	(177)	(261)
Balance at end of period	$ 10,139	$ 7,841	$ 21,416	$ 39,396

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

2020	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
Credit card				
Balance at beginning of period	$ 3,083	$ 1,795	$ 246	$ 5,124
Originations net of payments and other derecognitions	(41)	-	-	(41)
Changes in model	-	(297)	-	(297)
Net remeasurement	84	1,904	1,889	3,877
Transfers				
- to 12-month ECL	-	-	-	-
- to lifetime ECL performing	-	-	-	-
- to lifetime ECL credit-impaired	-	-	-	-
Credit loss expense	43	1,607	1,889	3,539
Net write-offs	-	-	(1,879)	(1,879)
Interest income on impaired loans	-	-	-	-
Foreign exchange and other	(24)	(12)	(7)	(43)
Balance at end of period	$ 3,102	$ 3,390	$ 249	$ 6,741
Business & Sovereign				
Balance at beginning of period	$ 48,782	$ 5,824	$ 44,331	$ 98,937
Originations net of payments and other derecognitions	9,491	2,112	(2,140)	9,463
Changes in model	(4,521)	(2,033)	81	(6,473)
Net remeasurement	34,952	10,040	15,087	60,079
Transfers				
- to 12-month ECL	5,160	(5,138)	(22)	-
- to lifetime ECL performing	(18,456)	18,659	(203)	-
- to lifetime ECL credit-impaired	(38)	(359)	397	-
Credit loss expense	26,588	23,281	13,200	63,069
Net write-offs	-	-	(10,535)	(10,535)
Interest income on impaired loans	-	-	(4,381)	(4,381)
Foreign exchange and other	(194)	(72)	(788)	(1,054)
Balance at end of period	$ 75,176	$ 29,033	$ 41,827	$ 146,036

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

2020	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
Total Bank				
Balance at beginning of period	$ 66,850	$ 21,936	$ 123,602	$ 212,388
Originations net of payments and other derecognitions	13,724	2,311	(5,147)	10,888
Changes in model	(5,143)	(827)	(58)	(6,028)
Net remeasurement	60,286	57,310	22,688	140,284
Transfers				
- to 12-month ECL	9,577	(8,885)	(692)	-
- to lifetime ECL performing	(35,639)	36,623	(984)	-
- to lifetime ECL credit-impaired	(65)	(1,187)	1,252	-
Credit loss expense	42,740	85,345	17,059	145,144
Net write-offs	-	-	(7,870)	(7,870)
Interest income on impaired loans	-	-	(8,901)	(8,901)
Foreign exchange and other	(299)	(114)	(1,044)	(1,457)
Balance at end of period	$ 109,291	$ 107,167	$ 122,846	$ 339,304
Total ECL allowance comprises				
Loans	$ 96,597	$ 105,363	$ 122,846	$ 324,806
Undrawn credit facilities	12,694	1,804	-	14,498

As a result of the impact of the COVID-19 pandemic and the potential negative impact on the Group's loan portfolio arising from the decline in economic activity, a heightened application of judgement 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 our clients. Interest or principal deferments pursuant to various relief programs provided in some cases resulted in a SICR, that would trigger migration to stage 2 as we determined that there was a SICR based on our assessment of related forward looking indicators. Management overlays to ECL allowance estimates are adjustments which we use in circumstances where our 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 utilized 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 Group 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 $137 million during the year.

For the year ended October 31, 2020
(Expressed in thousands of United States 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
Residential mortgages				
Balance at beginning of period	$ 10,832	$ 18,274	$ 66,377	$ 95,483
Originations net of payments and other derecognitions	1,177	(335)	(3,692)	(2,850)
Changes in model	(1,975)	(4,494)	(3,457)	(9,926)
Net remeasurement	(3,696)	484	10,308	7,096
Transfers				
- to 12-month ECL	4,238	(3,194)	(1,044)	-
- to lifetime ECL performing	(558)	3,664	(3,106)	-
- to lifetime ECL credit-impaired	(2)	(743)	745	-
Credit loss credit	(816)	(4,618)	(246)	(5,680)
Net recoveries	-	-	1,349	1,349
Interest income on impaired loans	-	-	(9,527)	(9,527)
Foreign exchange and other	(16)	(7)	(39)	(62)
Balance at end of period	$ 10,000	$ 13,649	$ 57,914	$ 81,563
Personal				
Balance at beginning of period	$ 5,230	$ 1,087	$ 22,406	$ 28,723
Originations net of payments and other derecognitions	1,132	(99)	(721)	312
Changes in model	(455)	(261)	1,034	318
Net remeasurement	(1,342)	144	3,587	2,389
Transfers				
- to 12-month ECL	791	(677)	(114)	-
- to lifetime ECL performing	(309)	631	(322)	-
- to lifetime ECL credit-impaired	(14)	(152)	166	-
Credit loss (credit)/expense	(197)	(414)	3,630	3,019
Net write-offs	-	-	(1,732)	(1,732)
Interest income on impaired loans	-	-	(3,051)	(3,051)
Foreign exchange and other	(47)	(5)	(142)	(194)
Balance at end of period	$ 4,986	$ 668	$ 21,111	$ 26,765

For the year ended October 31, 2020
(Expressed in thousands of United States 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
Credit card				
Balance at beginning of period	$ 2,970	$ 1,251	$ (462)	$ 3,759
Originations net of payments and other derecognitions	(44)	-	-	(44)
Changes in model	-	-	-	-
Net remeasurement	180	557	4,009	4,746
Transfers				
- to 12-month ECL	-	-	-	-
- to lifetime ECL performing	-	-	-	-
- to lifetime ECL credit-impaired	-	-	-	-
Credit loss expense	136	557	4,009	4,702
Net write-offs	-	-	(3,284)	(3,284)
Interest income on impaired loans	-	-	-	-
Foreign exchange and other	(23)	(13)	(17)	(53)
Balance at end of period	$ 3,083	$ 1,795	$ 246	$ 5,124
Business & Sovereign				
Balance at beginning of period	$ 45,261	$ 19,178	$ 63,970	$ 128,409
Originations net of payments and other derecognitions	11,001	2	(4,954)	6,049
Changes in model	(6,885)	(3,255)	1,187	(8,953)
Net remeasurement	(1,343)	(9,051)	11,898	1,504
Transfers				
- to 12-month ECL	2,461	(2,325)	(136)	-
- to lifetime ECL performing	(1,472)	1,592	(120)	-
- to lifetime ECL credit-impaired	(69)	(294)	363	-
Credit loss (credit)/expense	3,693	(13,331)	8,238	(1,400)
Net write-offs	-	-	(13,203)	(13,203)
Interest income on impaired loans	-	-	(14,660)	(14,660)
Foreign exchange and other	(172)	(23)	(14)	(209)
Balance at end of period	$ 48,782	$ 5,824	$ 44,331	$ 98,937

For the year ended October 31, 2020
(Expressed in thousands of United States 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
Total Bank				
Balance at beginning of period	$ 64,293	$ 39,790	$ 152,291	$ 256,374
Originations net of payments and other derecognitions	13,266	(432)	(9,367)	3,467
Changes in model	(9,315)	(8,010)	(1,236)	(18,561)
Net remeasurement	(6,201)	(7,866)	29,802	15,735
Transfers				
- to 12-month ECL	7,490	(6,196)	(1,294)	-
- to lifetime ECL performing	(2,339)	5,887	(3,548)	-
- to lifetime ECL credit-impaired	(85)	(1,189)	1,274	-
Credit loss (credit)/expense	2,816	(17,806)	15,631	641
Net write-offs	-	-	(16,870)	(16,870)
Interest income on impaired loans	-	-	(27,238)	(27,238)
Foreign exchange and other	(259)	(48)	(212)	(519)
Balance at end of period	$ 66,850	$ 21,936	$ 123,602	$ 212,388
Total ECL allowance comprises:				
Loans	$ 66,842	$ 21,935	$ 123,602	$ 212,379
Undrawn credit facilities	8	1	-	9

Impaired loans

			2020			2019
	Gross impaired	Stage 3 allowance	Net impaired	Gross impaired	Stage 3 allowance	Net impaired
Residential mortgages	$ 116,366	$ 59,354	$ 57,012	$ 116,611	$ 57,914	$ 58,697
Personal	31,480	21,665	9,815	31,332	21,357	9,975
Business & Sovereign	90,091	41,827	48,264	102,642	44,331	58,311
Total impaired loans	$ 237,937	$ 122,846	$ 115,091	$ 250,585	$ 123,602	$ 126,983

The average interest yield during the year on loans and advances was 5.8% (2019 – 6.1 %). Impaired loans as at October 31,2020 amounted to $237,937 (2019 - $250,585) and interest taken to income on impaired loans during the year amounted to $8,901 (2019 – $9,933).

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

Contractually past due loans but not impaired

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

2020	Mortgages	Personal Loans	Business & Sovereign	Total
Less than 30 days	$ 66,191	$ 21,677	$ 165,620	$ 253,488
31 - 60 days	77,025	19,571	116,325	212,921
61 - 89 days	24,602	14,778	22,466	61,846
	$ 167,818	$ 56,026	$ 304,411	$ 528,255

2019	Mortgages	Personal Loans	Business & Sovereign	Total
Less than 30 days	$ 61,164	$ 12,672	$ 92,285	$ 166,121
31 - 60 days	41,169	8,280	108,818	158,267
61 - 89 days	$22,575	$3,678	$70,726	$96,979
	$ 124,908	$ 24,630	$ 271,829	$ 421,367

Loans and advances to customers include finance lease receivables:

	2020	2019
No later than 1 year	$ 947	$ 994
Later than 1 year and no later than 5 years	6,566	6,042
Gross investment in finance leases	7,513	7,036
Unearned finance income on finance leases	(540)	(450)
Net investment in finance leases	$ 6,973	$ 6,586

During the year ended October 31 2020, $1,049 (2019 - $792) of lease income was recorded in net income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Note 16 | Property and equipment

2020	Land and buildings	Equipment, Furniture and vehicles	Leasehold improvements	Right of use assets (Buildings)	Total
Cost					
Balance, beginning of year	$ 99,539	$ 357,500	$ 48,942	$ -	$ 505,981
Effect of adoption of IFRS16	-	-	-	50,619	50,619
Purchases	378	20,081	587	1,398	22,444
Disposals	(324)	(782)	(486)	(2,023)	(3,615)
Modifications, net transfers/write-offs *	(23)	(195)	(519)	487	(250)
Balance, end of year	$ 99,570	$ 376,604	$ 48,524	$ 50,481	$ 575,179
Accumulated depreciation					
Balance, beginning of year	$ 41,185	$ 258,525	$ 34,326	$ -	$ 334,036
Depreciation	2,535	23,119	2,943	10,782	39,379
Disposals	(324)	(1,576)	(447)	(293)	(2,640)
Modifications, net transfers/write-offs *	(262)	(768)	(155)	(37)	(1,222)
Balance, end of year	$ 43,134	$ 279,300	$ 36,667	$ 10,452	$ 369,553
Net book value, end of year	$ 56,436	$ 97,304	$ 11,857	$ 40,029	$ 205,626

2019	Land and buildings	Equipment, Furniture and vehicles	Leasehold improvements	Right of use assets (Buildings)	Total
Cost					
Balance, beginning of year	$ 99,447	$ 339,383	$ 44,739	$ -	$ 483,569
Purchases	148	26,718	4,336	-	31,202
Disposals	-	(8,500)	(72)	-	(8,572)
Net transfers/write-offs *	(56)	(101)	(61)	-	(218)
Balance, end of year	$ 99,539	$ 357,500	$ 48,942	$ -	$ 505,981
Accumulated depreciation					
Balance, beginning of year	$ 39,277	$ 245,147	$ 33,339	$ -	$ 317,763
Depreciation	2,282	22,407	1,214	-	25,903
Disposals	-	(7,064)	(73)	-	(7,137)
Net transfers/write-offs *	(374)	(1,965)	(154)	-	(2,493)
Balance, end of year	$ 41,185	$ 258,525	$ 34,326	$ -	$ 334,036
Net book value, end of year	$ 58,354	$ 98,975	$ 14,616	$ -	$ 171,945

**This refers to lease modifications, transfers as well as net write-offs of fully depreciated assets which are no longer in use by the Group.*

This note also provides information for operating leases where the group is a lessee. There are no operating leases where the group is a lessor. Included as part of equipment, furniture and vehicles is an amount for $22,658 (2019 - $33,178) relating to systems development costs and work in progress which is incomplete, not yet in operation and on which no depreciation has been charged.

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

Note 17 | Deferred tax assets/ (liabilities)

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

	2020	2019
Net deferred tax position, beginning of year	$ 7,296	$ 37,356
Deferred tax credit/(charge) to statement of income for the year	11,169	(24,063)
Deferred tax charge to other comprehensive income for the year	(2,801)	(5,997)
Net deferred tax position, end of year	$ 15,664	$ 7,296

Represented by:

	2020	2019
Deferred tax assets	$ 26,130	$ 13,232
Deferred tax liabilities	(10,466)	(5,936)
Net deferred tax position, end of year	$ 15,664	$ 7,296

The components of the net deferred tax position are:

	2020	2019
Accelerated tax depreciation	$ 185	$ 227
ECL allowances	16,374	8,053
Other provisions	3,014	2,017
Tax losses carried forward	8,380	6,434
Pension and other post-retirement benefit assets	(10,344)	(9,014)
Changes in fair value of debt securities in other comprehensive income	(1,945)	(421)
	$ 15,664	$ 7,296

The deferred tax assets include assets established on tax losses carried forward of $4,253 (2019 - $2,451), $2,501 will expire over the next seven years (2019 - $1,026). The Group has tax losses of $882,945 (2019 - $932,853) for which no deferred tax assets have been recognized due to uncertainty of their recoverability. These losses will expire over the next seven years.

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

Note 18 Retirement benefit assets and obligations

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

Plan characteristics, funding and risks

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

Benefit changes

There were no other material changes to the terms of the Group'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 Group to actuarial risks, such as longevity risk, currency risk, interest rate risk, market risk (investment risk) and health care cost inflation risk arising in the relevant sectors.

Plan governance

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

Amounts recognized on the consolidated statement of financial position

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

The total expense relating to the contributory plans charged for the year was $5,551 (2019 - $5,766), which represents contributions to defined contribution plans by the Group at rates specified in the rules of the plan. Refer to note 5.

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

	Defined benefit pension plans		Post-retirement medical benefits	
	2020	2019	2020	2019
Fair value of the plan assets	$ 424,915	$ 407,035	$ -	$ -
Present value of the obligations	(327,857)	(332,890)	(21,142)	(22,487)
Net retirement benefit assets/(obligations)	$ 97,058	$ 74,145	$ (21,142)	$ (22,487)

The pension plan assets include the Bank's common shares with a fair value of $1,521 (2019 - $1,706).

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

	2020	2019
Opening fair value of plan assets	$ 407,035	$ 388,702
Interest income on plan assets	31,897	39,129
Contributions by employer	(726)	(1,615)
Benefits paid	(10,556)	(11,443)
Foreign exchange translation losses	(1,820)	(3,280)
Assets transferred/(distributed) on settlements	68	(3,386)
Plan administration costs	(983)	(1,072)
Closing fair value of plan assets	$ 424,915	$ 407,035

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

	2020	2019
Opening obligations	$ (332,890)	$ (324,418)
Interest cost on defined benefit obligation	(21,456)	(20,998)
Current service costs	(7,177)	(7,074)
Benefits paid	10,556	11,443
Foreign exchange translation gains	1,262	2,241
Actuarial gains on obligations	21,961	3,738
Liabilities (transferred)/extinguished on settlements	(50)	2,229
Contributions by employee	(63)	(51)
Closing obligations	$ (327,857)	$ (332,890)

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

	2020	2019
Opening obligations	$ (22,487)	$ (23,032)
Interest costs	(1,361)	(1,390)
Current service costs	(34)	(38)
Benefits paid	997	951
Foreign exchange translation (losses)/gains	(26)	24
Actuarial gains on obligations	1,769	998
Closing obligations	$ (21,142)	$ (22,487)

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 amortized, and will be re-evaluated in the plans next triennial valuation.

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

	Defined benefit pension plans		Post-retirement medical benefits	
	2020	2019	2020	2019
Current service costs	$ 7,177	$ 7,074	$ 34	$ 38
Past service costs	-	(44)	-	-
Interest costs on defined benefit obligation	21,456	20,998	1,361	1,390
Interest income on plan assets	(26,767)	(25,366)	-	-
(Gain)/Loss on settlement	(18)	1,202	-	-
Plan administration costs	983	1,072	-	-
Total amount included in staff costs (note 5)	$ 2,831	$ 4,936	$ 1,395	$ 1,428
Actual return on plan assets	$ 31,897	$ 39,129	$ -	$ -

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

	Defined benefit pension plans		Post-retirement medical benefits	
	2020	2019	2020	2019
Actuarial gain on defined benefit obligation arising from:				
- Financial assumptions	$ (16,598)	$ 761	$ (526)	$ (108)
- Experience adjustments	(5,363)	(4,499)	-	-
- Return on plan assets excluding interest income	(4,582)	(12,874)	(1,243)	(891)
Net re-measurement gain recognized in OCI	$ (26,543)	$ (16,612)	$ (1,769)	$ (999)

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

	Defined benefit pension plans		Post-retirement medical benefits	
	2020	2019	2020	2019
Balance, beginning of year	$ 74,145	$ 64,284	$ (22,487)	$ (23,032)
Charge for the year	(2,831)	(4,936)	(1,395)	(1,428)
Contributions by employer	(726)	(1,615)	-	-
Contributions by employee	(63)	(51)	-	-
Benefits paid	-	-	997	951
Foreign exchange translation (losses)/gains	(10)	(149)	(26)	23
Effect on statement of Other Comprehensive Income	26,543	16,612	1,769	999
Balance, end of year	$ 97,058	$ 74,145	$ (21,142)	$ (22,487)

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

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

	Defined benefit pension plans		Post-retirement medical benefits	
	2020	2019	2020	2019
Active members	$ (174,427)	$ (176,609)	$ (670)	$ (614)
Inactive and retired members	(153,430)	(156,281)	(20,472)	(21,873)
	$ (327,857)	$ (332,890)	$ (21,142)	$ (22,487)

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

	Defined benefit pension plans		Post-retirement medical benefits	
	2020	2019	2020	2019
Average duration, in years	16	17	12	13

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

	Main				Bahamas				Jamaica				Bahamas Trust*			
	2020		2019		2020		2019		2020		2019		2020		2019	
	$	%	$	%	$	%	$	%	$	%	$	%	$	%	$	%
Quoted Equity instruments																
- Canada	-	-	-	-	-	-	-	-	155	-	84	-	-	-	-	-
- International	95	-	126	-	1,184	1%	1,168	1%	6,388	17%	9,569	23%	-	-	-	-
Quoted Debt instruments																
- Government bonds	23,290	9%	23,335	10%	944	1%	686	1%	7,125	20%	7,184	18%	-	-	276	7%
- Corporate bonds	-	-	-	-	-	-	-	-	4,356	12%	5,275	13%	-	-	-	-
- Inflation Adj. bonds	-	-	-	-	-	-	-	-	1,349	4%	1,485	4%	-	-	-	-
Investment Funds																
- U.S Equity	112,198	45%	99,692	42%	60,890	44%	60,363	49%	-	-	-	-	-	-	1,568	38%
-International Equity	40,706	16%	43,329	18%	26,972	20%	26,918	22%	-	-	-	-	-	-	423	10%
-Fixed Income	64,355	26%	64,100	27%	45,150	33%	33,500	27%	-	-	-	-	-	-	488	12%
-Other																
- Cash and Cash equiv.	11,211	4%	7,374	3%	1,211	1%	1,478	1%	8,227	22%	7,995	20%	-	-	1,340	33%
- Other			-	-	-	-	-	-	9,109	25%	9,279	23%	-	-	-	-
	251,855	100%	237,956	100%	136,351	100%	124,113	100%	36,709	100%	40,871	100%	-	-	4,095	100%

*Bahamas Trust plan assets are zero in 2020 as the FIrstCaribbean International Trust Company (Bahamas) Limited Plan was dissolved during 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

	Defined benefit pension plans	
	2020	2019
Discount rate	2.69 - 9.00%	3.14 – 7.75%
Future salary increases	4.0 - 6.5%	4.0 - 5.0%
Future pension increases	0.0 - 3.75%	0.0 - 3.5%

	Post-retirement medical benefits	
	2020	2019
Discount rate	2.69 - 8.29%	3.14 – 7.75%
Premium escalation rate	6.0%	6.0%
Existing retiree age	55 - 65	55 - 65

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%	(46,832)	59,372	(2,222)	2,707
Future salary increases	0.50%	7,328	(6,922)	n/a *	n/a *
Future pension increases	0.50%	18,644	(17,004)	n/a *	n/a *
Premium escalation rate	1%	n/a *	n/a *	2,572	(2,153)
Existing retiree age	1	8,512	n/a *	888	n/a *

* n/a - not applicable

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

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

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

	2020	2019
Within the next 12 months	$ 10,342	$ 10,267
Between 2 and 5 years	53,692	50,984
Between 5 and 10 years	99,044	92,532
Total expected payment	$ 163,078	$ 153,783

FirstCaribbean International Bank Limited Retirement Plan

The last actuarial valuation was conducted as at November 1, 2019 and revealed a fund surplus of $22,155.

FirstCaribbean International Bank (Bahamas) Limited Retirement Plan

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

FirstCaribbean International Bank (Jamaica) Limited Retirement Plan

The last actuarial valuation was conducted as at October 31, 2018 and revealed a fund surplus of $19,199.

CIBC Trust Company (Bahamas) Limited Retirement Plan

The plan was dissolved on January 30, 2020 to fully extinguish all plan liabilities. On dissolution, the surplus reverted to the Sponsor of the plan, FirstCaribbean International Trust Company (Bahamas) Limited and future service continue to accrue in the FirstCaribbean International Bank (Bahamas) Limited Retirement Plan.

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

Note 19 | Intangible assets

	2020	2019
Goodwill		
Cost, beginning of year	$ 218,961	$ 218,961
Impairment	(174,589)	-
Cost, end of year	$ 44,372	$ 218,961
Net book value, end of year	$ 44,372	$ 218,961

Impairment tests for goodwill

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

	2020	2019
Barbados (Wealth Management Operations)	$ -	$ 17,040
Bahamas	-	62,920
Cayman	44,372	105,369
Trinidad	-	4,260
Curaçao	-	29,372
	$ 44,372	$ 218,961

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

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 goodwill allocated to the CGUs in Barbados (Wealth Management Operations), Bahamas, Cayman, Trinidad and Curaçao was less than the carrying value and as a result, management recognized a total impairment charge of $174,589 against goodwill with a carrying amount of $218,961 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 terminal growth rates were based on management's expectations of real growth rates.

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

	Discount Rate (%)		Growth Rate (%)	
	2020	2019	2020	2019
Barbados (Wealth Management Operations)	16.7	15.8	1.8	1.8
Bahamas	15.2	13.6	1.5	1.5
Cayman	10.7	10.0	2.2	2.2
Trinidad	14.9	8.7	1.7	1.7
Curaçao	13.2	9.9	0.4	0.4

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.

Note 20 Customer deposits

	Payable on demand	Payable after notice	Payable at a fixed date	2020 Total	2019 Total
Individuals	$ 1,080,066	$ 2,202,664	$ 758,863	$ 4,041,593	$ 3,707,200
Business & Sovereign	4,335,711	792,687	1,590,654	6,719,052	6,139,186
Banks	7,852	-	57,508	65,360	161,660
	5,423,629	2,995,351	2,407,025	10,826,005	10,008,046
Add: Interest payable	613	295	16,760	17,668	18,409
	$ 5,424,242	$ 2,995,646	$ 2,423,785	$ 10,843,673	$ 10,026,455

These customer deposits are measured at amortised cost.

The average effective rate of interest on customer deposits during the year was 0.5% (2019 - 0.6%).

Note 21 Other liabilities

	2020	2019
Accounts payable and accruals	$ 149,662	$ 142,227
Lease liabilities	40,498	-
Restructuring costs	3,400	-
Amounts due to related parties	781	2,261
	$ 194,341	$ 144,488

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

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	$ 50,619
Additions	1,398
Terminations	(1,775)
Modifications	286
Accretion of interest	1,684
Payments	(11,714)
As at October 31, 2020	$ 40,498

The maturity analysis of lease liabilities is disclosed in Note 32 and the future rental commitments (undiscounted) under these leases in Note 29.

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

	2020
Expenses relating to short-term leases included in administrative expenses	$ 162
Expenses relating to leases of low-value assets not shown above as short-term	2,894
Expenses relating to variable lease payments not included in lease liability payments	(21)
	$ 3,035

The Group had total cash outflows for leases of $11.4 million 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 $50.6 million at November 1, 2019.

Restructuring costs

The Bank has embarked on restructuring efforts to improve efficiency. The cost of the restructuring includes termination benefits and additional expenses covering accelerated depreciation and contract termination costs related to real estate. Included in other liabilities is a related restructuring provision of $3,400 (2019- $nil) to account for severance payments and anticipated exit costs.

Amounts due to related parties

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

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

Note 22 | Debt securities in issue

	2020	2019
Senior unsecured notes issued	$ 48,526	$ 62,235
Subordinated notes issued	26,130	26,169
Add: Interest payable	908	1,402
	$ 75,564	$ 89,806

The Group holds two debt issues which are outstanding guaranteed obligations, and these are measured at amortised cost. The terms and conditions of the notes issued are as follows:

Subsidiary	Description	Contractual maturity date	Interest rate	2020 Total	2019 Total
FirstCaribbean (Jamaica) Limited	J$1.875 billion senior bonds	December 9, 2019	Fixed (1)	$ -	$ 13,637
FirstCaribbean (Trinidad & Tobago) Limited	TT$325 million senior bonds	July 11, 2021	Floating (2)	48,526	48,598
FirstCaribbean (Trinidad & Tobago) Limited	TT$175 million sub debt	July 11, 2024	Fixed (3)	26,130	26,169
				$ 74,656	$ 88,404

(1) Two medium term notes were issued during 2017 for J$1.875 billion. During 2020, in accordance with their terms, these facilities were redeemed at 100% of their principal amount, plus accrued interest thereon. These notes were guaranteed by CIBC prior to redemption.

(2) TTD$325 million in senior debt was issued in July 2018. The debt was issued at an interest rate of 3.35% and is floating with a ceiling of 4%. The average effective interest rate was 3.23% (2019: 3.35%). This debt is guaranteed by FirstCaribbean International Bank Limited.

(3) TTD$175 million in sub debt was issued in July 2018. The effective interest rate was 5.75% (2019: 5.75%). This debt is guaranteed by FirstCaribbean International Bank Limited.

The Group has not had any defaults of principal, interest or other breaches with respect to these instruments during the years ended 2020 and 2019.

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

The below tables show the changes during the year for the debt securities in issue, including the changes from financing cash flows.

	1 November 2019	Cash outflows	Foreign exchange movement	New issues	Other	31 October 2020
Debt securities in issue	$ 88,404	$ (13,748)	$ -	$ -	$ -	$ 74,656

	1 November 2018	Cash outflows	Foreign exchange movement	New issues	Other	31 October 2019
Debt securities in issue	$ 89,473	$ -	$ (1,069)	$ -	$ -	$ 88,404

Note 23 Issued capital

	2020	2019
Balance, beginning and end of year	$ 1,193,149	$ 1,193,149

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

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

Capital

Objectives, policies and procedures

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

No changes were made in the objectives, policies or processes for managing capital during the years ended October 31,2020 and 2019.

Regulatory requirements

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

BIS standards require that banks maintain minimum Tier I and Tier I & Tier II ratios of 4% and 8% respectively. The Central Bank of Barbados has established that FirstCaribbean International Bank Limited maintains minimum ratios of 5% and 10% respectively. During the year, we have complied in full with all of our regulatory capital requirements.

Regulatory capital

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

As at October 31, 2020, Tier I and Tier I & II capital ratios were 12.3% and 14.5% respectively (2019 - 14.5% and 16.2% respectively).

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

Note 24 Reserves

	2020	2019
Statutory and general banking reserves	$ 328,839	$ 311,818
Revaluation reserve - debt securities measured at FVOCI	39,586	21,454
Revaluation reserve – buildings	2,846	2,846
Translation reserve	(76,583)	(72,599)
Contributed surplus reserve	3,119	3,119
Retirement benefit reserve	32,101	5,328
Reverse acquisition reserve	(463,628)	(463,628)
	$ (133,720)	$ (191,662)

Statutory and general banking reserves

	2020	2019
Balance, beginning of year	$ 311,818	$ 299,691
Transfers from retained earnings	17,021	12,127
Balance, end of year	$328,839	$ 311,818

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

Revaluation reserve - debt securities measured at FVOCI

	2020	2019
Balance, beginning of year	$ 21,454	$ (9,546)
Net fair value gains	18,132	31,000
Balance, end of year	$ 39,586	$ 21,454

Unrealised gains and losses arising from changes in the fair value on debt securities measured at fair value through OCI are recognised in other comprehensive income and are reflected in the revaluation reserve.

Revaluation reserve – buildings

	2020	2019
Balance, beginning and end of year	$ 2,846	$ 2,846

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

Translation reserve

	2020	2019
Balance, beginning of year	$ (72,599)	$ (65,344)
Net exchange losses on translation of foreign operations	(3,984)	(7,255)
Balance, end of year	$ (76,583)	$ (72,599)

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

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

Contributed surplus reserve

	2020	2019
Balance, beginning and end of year	$ 3,119	$ 3,119

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

Retirement benefit reserve

	2020	2019
Balance, beginning of year	$ 5,328	$ (8,453)
Re-measurement gains on retirement benefit plans	26,773	13,781
Balance, end of year	$ 32,101	$ 5,328

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	$ (463,628)	$ (463,628)

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

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

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

Note 25 Dividends

The total recurring dividend paid for 2020 was five cents ($0.05) per common share (2019 - $0.05). During the year, the Board of Directors approved and paid a special dividend of $50 million or three point one seven cents ($0.0317) per common share.

Note 26 Other employee benefits

Long-term incentive plan

The Group operates a long-term incentive plan, whereby under the rules of the plan, cash based awards are granted to employees on a discretionary basis and vest over varying periods. Effective for the 2019 award which will vest in 2022 and other subsequent awards, business performance criteria will be applied over the vesting criteria with the amount ultimately vested determined by the cumulative business performance over the three year vesting period.

The awards granted in 2020 amounted to $3,010 (2019 - $3,785). The amounts expensed during the year related to awards under the long-term incentive plan were $3,376 (2019 - $3,022).

Employee share purchase plan

Under our employee share purchase plan, qualifying employees can choose each year to have up to 10% of their eligible earnings withheld to purchase common shares in the Group. The Group 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 Group'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 Group's contributions are expensed as incurred and totaled $1,506 in 2020 (2019 - $1,483).

Note 27 Related party transactions and balances

The Group's major shareholder is CIBC.

A number of banking transactions are entered into with related parties in the normal course of business. The key related party balances and transactions included in the Group's financials are disclosed below.

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

	Directors and key management personnel		Major shareholder	
	2020	2019	2020	2019
Asset balances:				
Cash and due from banks	$ -	$ -	$ 492,404	$ 345,092
Loans and advances to customers	7,466	10,650	-	-
Derivative financial instruments	-	-	740	109
Liability balances:				
Customer deposits	15,509	25,361	10,988	19,083
Derivative financial instruments	-	-	24,132	11,053
Due to banks	-	-	781	2,261
Revenue transactions:				
Interest income earned	260	379	1,078	2,640
Other revenue	1	2	-	108
Other income from derivative relationship	-	-	(1,616)	(15,950)
Expense transactions:				
Interest expense incurred	60	108	1,663	430
Other expenses for banking and support services	-	-	6,277	6,844

The Group obtains a number of services through its parent, CIBC. These services include infrastructure hosting, corporate credit and operational support, cards application support, project management, information security management and other miscellaneous services. The cost of these services amounted to $7,114 (2019 - $10,975) of which $837 (2019 - $4,131) relates to system development costs and capital expenditure.

Key management compensation	2020	2019
Salaries and other short-term benefits	$ 7,444	$ 6,985
Post-employment benefits	359	315
Long-term incentive benefits	1,890	2,054
	$ 9,693	$ 9,354

Non-executive directors' remuneration

A listing of the members of the Board of Directors is included within the Group's Annual Report. In 2020, the total remuneration for the non-executive directors was $300 (2019 - $295). The executive director's remuneration is included under key management compensation.

Note 28 | Commitments, guarantees and contingent liabilities

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

	2020	2019
Letters of credit	$ 100,771	$ 109,793
Loan commitments	841,253	863,290
Guarantees and indemnities	53,191	58,926
	$ 995,215	$ 1,032,009

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

Note 29 | Future rental commitments under operating leases

As at October 31 the Group 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 Group 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 judgement 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	$ 11,016	$ 10,564
Later than 1 year and less than 5 years	23,913	24,536
Later than 5 years	10,508	8,737
	$ 45,437	$ 43,837

Leases not yet commenced to which the Group is committed amount to $1.1 million as at October 31, 2020.

Note 30 | Fiduciary activities

The Group provides custody and trustee discretionary investment management services to third parties. Those assets that are held in a fiduciary capacity are not included in these consolidated financial statements. At the reporting date, the Group had investment assets under administration on behalf of third parties amounting to $45,734,698 (2019 - $50,281,823).

Note 31 | Business segments

The Group's operations are organized into four segments: Retail, Business and International Banking ("RBB"), Corporate and Investment Banking ("CIB") and Wealth Management ("WM"), which are supported by the functional units within the Administration ("Admin") segment (which includes Treasury, Finance, Human Resources, Technology & Operations, Risk and Other). 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.

Management monitors the operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties. We review our transfer pricing methodologies on an ongoing basis to ensure they reflect changing market environments and industry practices. Transactions between the business segments are on normal commercial terms and conditions.

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

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

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

2020 Segment reporting

2020	RBB	CIB	WM	Admin	Total
External revenue	$ 151,624	$ 174,557	$ (3,434)	$ 69,111	$ 391,858
Internal revenue	18,714	26,960	43,204	(88,878)	-
Net interest income	170,338	201,517	39,770	(19,767)	391,858
Operating income	68,673	64,946	46,847	(394)	180,072
	239,011	266,463	86,617	(20,161)	571,930
Depreciation	9,332	1,682	1,597	26,768	39,379
Operating expenses	102,488	37,759	33,418	183,185	356,850
Indirect expenses	94,784	85,003	31,508	(211,295)	-
Credit loss expense on financial assets	91,711	51,231	2,201	15,392	160,535
Impairment of intangible asset	-	-	-	174,589	174,589
Loss before taxation	(59,304)	90,788	17,893	(208,800)	(159,423)
Income tax credit	(9,988)	6,517	345	2,367	(759)
Net loss for the year	$ (49,316)	$ 84,271	$ 17,548	$ (211,167)	$ (158,664)

Total assets and liabilities by segment are as follows:

2020	RBB	CIB	WM	Admin	Total
Segment assets	$ 2,580,321	$ 3,833,689	$ 163,123	$ 5,602,296	$ 12,179,429
Segment liabilities	$ 4,133,536	$ 3,947,650	$ 2,891,337	$ 198,181	$ 11,170,704

2019 Segment reporting

2019	RBB	CIB	WM	Admin	Total
External revenue	$ 157,197	$ 183,836	$ (8,833)	$ 93,792	$ 425,992
Internal revenue	22,723	14,418	60,785	(97,926)	-
Net interest income	179,920	198,254	51,952	(4,134)	425,992
Operating income	73,241	63,861	48,633	4,332	190,067
	253,161	262,115	100,585	198	616,059
Depreciation	8,640	2,100	529	14,634	25,903
Operating expenses	103,601	34,779	35,896	200,244	374,520
Indirect expenses	91,092	86,566	37,212	(214,870)	-
Credit loss expense on financial assets	(2,718)	3,581	(17)	2,789	3,635
Income before taxation	52,546	135,089	26,965	(2,599)	212,001
Income tax expense	(547)	15,662	(112)	26,491	41,494
Net income for the year	$ 53,093	$ 119,575	$ 26,767	$ (28,928)	$ 170,507

Total assets and liabilities by segment are as follows:

2019	RBB	CIB	WM	Admin	Total
Segment assets	$ 2,639,314	$ 3,545,510	$ 133,791	$ 5,242,891	$ 11,561,506
Segment liabilities	$ 3,849,284	$ 3,649,468	$ 2,631,164	$ 174,576	$ 10,304,492

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

Note 32 | Financial risk management

Introduction

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

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

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

Credit risk

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

Process and control

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

The Risk Management Team is guided by the Group's Delegation of Authority policy which is based on the levels of exposure and risk. Credits above the discretion delegated to certain front line employees are approved by Risk Management and where applicable by the Credit Committee and the Finance Risk & Conduct Review Committee of the Board (FRCRC).

The FRCRC also has the responsibility for approving credit policies and key risk limits including portfolio limits, which are reviewed annually.

Credit risk limits

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

The exposure to any one counterparty including banks and brokers is further restricted by sub-limits, which include exposures not recognised in the 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.

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

Credit Valuation Adjustment (CVA)

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

Collateral

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

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

The Group's credit risk management policies include requirements relating to collateral valuation and management, including verification requirements and legal certainty. Valuations are updated periodically depending upon the nature of the collateral. Management monitors the market value of collateral and requests additional collateral in accordance with the underlying agreement during its periodic review of loan accounts in arrears. Policies are in place to monitor the existence of undesirable concentration in the collateral supporting the Group's credit exposure. As at October 31, 2020, 82% of stage 3 impaired loans were either fully or partially collateralised (2019: 84%).

Geographic distribution

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

			2020			2019
	Drawn	Undrawn	Gross maximum exposure	Drawn	Undrawn	Gross maximum exposure
Barbados	$ 817,607	$ 144,901	$ 911,809	$ 743,364	$ 140,692	$ 884,056
Bahamas	1,895,094	121,775	2,016,869	1,853,767	194,334	2,048,101
Cayman	1,211,001	200,288	1,411,289	1,087,343	166,492	1,253,835
Eastern Caribbean	831,878	128,221	960,099	783,092	131,823	914,915
Jamaica	529,049	39,093	568,142	502,688	80,372	583,060
BVI	168,903	42,067	210,970	149,420	39,646	189,066
Curaçao	379,501	85,723	465,224	341,024	41,140	382,164
Trinidad	377,656	15,077	392,733	369,301	14,550	383,851
Other	498,404	64,108	562,512	523,590	54,241	577,831
	$ 6,709,093	$ 841,253	$ 7,550,346	$ 6,353,589	$ 863,290	$ 7,216,879

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

Exposures by industry groups

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

	Drawn	Undrawn	2020 Gross maximum exposure	Drawn	Undrawn	2019 Gross maximum exposure
Agriculture	$ 32,719	$ 869	$ 33,588	$ 20,617	$ 999	$ 21,616
Sovereign	703,898	36,734	740,632	732,113	73,081	805,194
Construction	446,132	44,899	491,031	350,449	68,787	419,236
Distribution	348,360	153,215	501,575	359,530	154,607	514,137
Education	2,396	131	2,527	2,098	85	2,183
Electricity, gas & water	347,804	60,529	408,333	341,811	25,962	367,773
Fishing	1,234	816	2,050	2,935	2,289	5,224
Health & social work	16,583	-	16,583	17,731	-	17,731
Hotels & restaurants	279,138	28,991	308,129	253,698	64,136	317,834
Individuals & individual trusts	2,578,683	263,822	2,842,505	2,522,344	290,218	2,812,562
Manufacturing	171,771	25,970	197,741	176,600	29,950	206,550
Mining & quarrying	135,720	24,249	159,969	56,914	863	57,777
Miscellaneous	1,159,963	154,996	1,314,959	998,326	81,385	1,079,711
Other depository corporations	-	3,900	3,900	-	3,900	3,900
Other financial corporations	69,690	6,213	75,903	121,570	10,734	132,304
Real estate, renting & other activities	242,305	9,043	251,348	248,906	9,187	258,093
Recreational, personal & community work	1,193	178	1,371	1,323	91	1,414
Transport, storage & communications	171,504	26,698	198,202	146,624	47,016	193,640
	$ 6,709,093	$ 841,253	$ 7,550,346	$ 6,353,589	$ 863,290	$ 7,216,879

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

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

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

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

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

Maximum exposure to credit risk
The following table shows the maximum exposure to credit risk for the components of the 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.

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

	2020	2019
Balances with Central Banks	$ 1,221,360	$ 1,015,990
Due from banks	948,332	1,145,279
Derivative financial instruments	15,428	5,054
Securities		
- Government debt securities	1,936,673	1,441,300
- Other debt securities	1,078,705	1,109,211
- Interest receivable	11,638	16,280
Loans and advances to customers		
- Mortgages	2,089,198	2,003,009
- Personal loans	674,366	667,195
- Business & Sovereign loans	3,945,529	3,683,385
- Interest receivable	32,359	30,326
Other assets	67,481	61,882
Total	$ 12,021,069	$ 11,178,911
Commitments, guarantees and contingent liabilities (Note 28)	995,215	1,032,009
Total credit risk exposure	$ 13,016,284	$ 12,210,920

Geographical concentration

The following table reflects additional geographical concentration information.

2020	Total assets	Total liabilities	Commitments guarantees and contingent liabilities	Total revenues	Capital expenditure*	Non-current assets**
Barbados	$ 3,442,397	$ 2,725,259	$ 165,527	$ 189,909	$ 15,094	$ 67,628
Bahamas	2,914,577	2,351,768	163,333	166,892	3,619	38,763
Cayman	2,575,479	2,404,580	242,773	91,145	867	71,033
Eastern Caribbean	1,196,771	1,198,487	142,930	64,650	826	26,782
Jamaica	838,283	747,913	60,504	56,326	1,431	16,110
BVI	573,361	422,101	42,672	17,732	182	7,132
Curacao	1,026,663	900,810	90,126	24,323	7	3,182
Trinidad	658,764	573,773	15,627	14,095	34	5,029
Other	1,325,726	1,197,577	71,723	46,770	384	19,966
	14,552,021	12,522,268	995,215	671,842	22,444	255,625
Eliminations	(2,372,592)	(1,351,564)	-	(99,912)	-	(5,627)
	$ 12,179,429	$ 11,170,704	$ 995,215	$ 571,930	$ 22,444	$ 249,998

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

2019	Total assets	Total liabilities	Commitments guarantees and contingent liabilities	Total revenues	Capital expenditure*	Non-current assets**
Barbados	$3,474,342	$2,733,239	$159,213	$232,834	$22,012	$86,533
Bahamas	2,804,702	2,161,282	240,146	170,125	3,947	97,210
Cayman	2,502,038	2,221,874	203,701	110,702	3,503	159,971
Eastern Caribbean	1,164,623	1,160,925	148,601	68,042	1,390	22,454
Jamaica	819,512	723,675	114,418	58,614	1,631	11,480
BVI	631,864	482,935	42,001	25,638	639	6,711
Curacao	844,820	718,703	45,573	25,532	84	1,910
Trinidad	635,334	546,628	15,731	14,669	649	4,510
Other	1,308,123	1,151,336	62,625	58,175	586	12,602
	14,185,358	11,900,597	1,032,009	764,331	34,441	403,381
Eliminations	(2,623,852)	(1,596,105)	-	(148,272)	-	(12,475)
	$11,561,506	$10,304,492	$1,032,009	$616,059	$34,441	$390,906

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

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

Impairment assessment

The references below show where the Group'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 Group 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 a part of a qualitative assessment of whether a customer is in default, the Group also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Group 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 Group
- 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 Group
- 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

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

It is the Group'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 Group's policy, at the time of the cure, and whether this indicates there has been a significant increase in credit risk compared to initial recognition.

The Group's internal rating and probability of default (PD) estimation process

The Group's Credit Risk Department operates its internal rating models. The Group monitors all corporate facilities with a value exceeding US$250,000 which are assigned an ORR of 1 to 9 under the Group's internal rating system. The models used incorporate both qualitative and quantitative information and, in addition to information specific to the borrower, utilise 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 Group 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 Group's treasury, trading and interbank relationships and counterparties comprise financial services institutions, Groups, broker-dealers, exchanges and clearing-houses. For these relationships, the Group's credit risk department analyses publicly available information such as financial information and other external data, for example, the rating of Moody's and Standard and Poors, 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 Group. 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, for example, 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 Group and the complexity and size of the customer. Some of the less complex small business loans are rated within the Group's models for retail products.

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

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
- 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 Group'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 & sovereign loans and securities, a mapping between the obligor risk rating grades used by the Group and the external agencies' ratings is shown in the table below. As part of the Group's risk-rating methodology, the risk assessed includes a review of external ratings of the obligor. The obligor rating assessment takes into consideration the Group's financial assessment of the obligor, the industry, and the economic environment of the country in which the obligor operates. In certain circumstances, where a guarantee from a third party exists, both the obligor and the guarantor will be assessed. 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[1]
High (Stage 2)	61-89
Default (Stage 3)	90+

	Business & Sovereign 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.

[1]Includes accounts subject to trends for significant increases in credit risk less than 29 days past due at reporting date

For the year ended October 31, 2020
(Expressed in thousands of United States 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, after credit risk mitigation, valuation adjustments related to the financial guarantors, and collateral on agreements.

2020	Stage 1	Stage 2	Stage 3	Total
Residential mortgages				
-Very low	$ 1,312,348	$ -	$ -	$ 1,312,348
-Low	47,586	-	-	47,586
-Medium	-	594,978	-	594,978
-High	-	17,920	-	17,920
-Default	-	-	116,366	116,366
Gross residential mortgages	$ 1,359,934	$ 612,898	$ 116,366	$ 2,089,198
Personal				
-Very low	$ 485,887	$ -	$ -	$ 485,887
-Low	22,569	-	-	22,569
-Medium	-	125,898	-	125,898
-High	-	8,532	-	8,532
-Default	-	-	31,480	31,480
Gross personal	$ 508,456	$ 134,430	$ 31,480	$ 674,366
Business & Sovereign				
-Investment grade	$ 578,517	$ -	$ -	$ 578,517
-Non-Investment grade*	2,540,908	482,351	-	3,023,259
-Default	-	-	90,091	90,091
-Not rated*	218,043	35,619	-	253,662
Gross Business & Sovereign	3,337,468	517,970	90,091	3,945,529
Total gross amount of loans	$ 5,205,858	$ 1,265,298	$ 237,937	$ 6,709,093

*During 2020, The Group changed its IFRS 9 methodology for certain classes of Business & Sovereign loans. These loans previously assessed on a collective basis, were individually risk rated. The impact was a reduction in the “Not rated” category and corresponding increase in the “Non-investment grade”.

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

2019	Stage 1	Stage 2	Stage 3	Total
Residential mortgages				
-Very low	$ 1,405,410	$ -	$ -	$ 1,405,410
-Low	304,215	-	-	304,215
-Medium	-	144,599	-	144,599
-High	-	32,174	-	32,174
-Default	-	-	116,611	116,611
Gross residential mortgages	$ 1,709,625	$ 176,773	$ 116,611	$ 2,003,009
Personal				
-Very low	$ 515,764	$ -	$ -	$ 515,764
-Low	92,557	-	-	92,557
-Medium	-	23,427	-	23,427
-High	-	4,116	-	4,116
-Default	(1)	-	31,332	31,331
Gross personal	$ 608,320	$ 27,543	$ 31,332	$ 667,195
Business & Sovereign				
-Investment grade	$ 676,968	$ -	$ -	$ 676,968
-Non-Investment grade	1,894,989	293,499	-	2,188,488
-Default	-	-	102,642	102,642
-Not rated	655,455	59,832	-	715,287
Gross Business & Sovereign	3,227,412	353,331	102,642	3,683,385
Total gross amount of loans	$ 5,545,357	$ 557,647	$ 250,585	$ 6,353,589

For our Business & Sovereign loans, we employ risk ratings in managing our credit portfolio. Business borrowers with elevated default risk are monitored on our Early Warning List. Early Warning List characteristics include borrowers exhibiting a significant decline in revenue, income, or cash flow or where we have doubts as to the continuing viability of the business. Early Warning List customers are often, but not always, also delinquent. As of October 31, 2020, Early Warning List customers in the medium to high risk category amounted to $97,174 (2019 - $115,645).

The Group 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 Group applies the same principles for assessing whether there has been a significant increase in credit risk since initial recognition.

For the year ended October 31, 2020
(Expressed in thousands of United States 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
Securities				
-Investment grade	$ 1,925,529	$ -	$ -	$ 1,925,529
-Non-Investment grade	700,170	74,324	-	774,494
-Default	-	-	314,317	314,317
-Not rated	1,038	-	-	1,038
Gross Securities	$ 2,626,737	$ 74,324	$ 314,317	$ 3,015,378

2019	Stage 1	Stage 2	Stage 3	Total
Securities				
-Investment grade	$ 1,504,454	$ -	$ -	$ 1,504,454
-Non-Investment grade	616,525	119,559	-	736,084
-Default	-	-	308,934	308,934
-Not rated	1,039	-	-	1,039
Gross Securities	$ 2,122,018	$ 119,559	$ 308,934	$ 2,550,511

Model adjustments

The Group 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 (for example, 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.

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

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. All territories across the region were negatively affected, and we were able to respond by providing support to our clients via our COVID-19 relief program. As at October 31, 2020 the gross outstanding balance of loans in the moratorium program was $204 million for residential mortgages, $46 million for personal loans and $1.1 billion for Business & Sovereign loans. Of the loans that were under the program as of 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 $620 million.

Several of the regional 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.

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	$ 167,622	$ 25,135	$ 9,735	$ 1,987	$ 204,479
Personal	35,933	7,584	2,150	846	46,513
Business & Sovereign	988,238	103,045	20,906	8,158	1,120,347
Total	$ 1,191,793	$ 135,764	$ 32,791	$ 10,991	$ 1,371,339

From time to time, we 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 $404 million (2019: $14 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 of deferred stage 2 or stage 3 loans that have returned to stage 1 during the year ended October 31, 2020 was $30 million (2019: $11 million)

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

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-capitalized 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 rate are assumed to impact net interest income based on the proportion of hard vs. soft currency balance split for interest earning and bearing assets and liabilities, namely cash placements, securities, loans and deposit liabilities.

iii. Changes in GDP growth rates are assumed to impact non-performing loans growth rates which in turn affect interest income and loan loss expenses.

iv. Changes in inflation rates are assumed to directionally impact expense growth.

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

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

Market Risk

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

Policies and Standards

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

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

Process & Control

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

Risk Measurement

The bank has three main measures of market risk:

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

Position

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

Sensitivity

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

Stress Testing & Scenario Analysis

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

- For the hard currency testing it utilizes the suite of measures that the parent company has developed. The stress testing measures the effect on the hard currency portfolio values over a wide range of extreme moves in market prices. The stress testing methodology assumes no actions are taken or are able to be taken during the event to mitigate the risk, reflecting the decreased liquidity that frequently accompanies market shocks. The Scenario Analysis approach for the 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 daily basis.
- The Local Currency Stress Tests are designed on a similar but smaller scale. For interest rate stresses, Market Risk in conjunction with Treasury consider the market data over approximately the last 10 years and identify the greatest curve or data point moves over both sixty and single days. These are then applied to the existing positions/sensitivities of the Group. This is performed and reported on a monthly basis as they do not tend to change rapidly.

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

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

Summary of Key Market Risks

The following market risks are considered by management the most significant for the Group arising from the various currencies, yield curves and spreads throughout the regional and broader international markets,
(i) The risk of credit spreads widening in a similar fashion to the Credit Crisis of 2008 on bonds held within the investment portfolios,
(ii) The low probability, high impact of a peg breaking between the USD and a local currency, particularly the BSD, impacting the structural long position of the bank.
The largest interest rate risk, 1 Month Stress, is derived from multiple historical and hypothetical market scenarios, including the US Fed Tightening 94 and Brexit-leave/Brexit-Remain. The following section highlights these key risks as well as some of the lesser ones that arise from the Group's ongoing banking operations.

Foreign Exchange Risk

Foreign Exchange (or currency) Risk is defined as the risk that the value of a financial instrument will fluctuate as a result of changes in foreign exchange rates. A significant number of the regional currencies are pegged to the USD and hence the VaR measure is not appropriate resulting in more emphasis being placed 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 exposure of the Group.

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

The following table highlights the currencies that the Bank had significant exposures to at October 31, 2020. It also highlights the metrics used by the Group to measure, monitor and control that risk.

2020					
Currency	Trading Position Long\(Short) vs USD	VaR	Stressed Loss	Structural Position *	Total FX Position (Structural +Trading)
Cayman Island dollars	(188,928)	Pegged	15,114	132,257	(56,671)
Trinidad and Tobago dollars	(8,590)	20	687	84,991	76,401
Netherlands Antillean guilder	(4,076)	Pegged	326	168,044	163,968
Barbados dollars	121,145	Pegged	36,343	231,302	352,447
Bahamian dollars	29,580	Pegged	8,874	562,810	592,390
Jamaican dollars	2,373	114	949	90,400	92,773
East Caribbean dollars	(198,353)	Pegged	15,868	(8,384)	(206,737)

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

2019

Currency	Trading Position Long\(Short) vs USD	VaR	Stressed Loss	Structural Position *	Total FX Position (Structural +Trading)
Cayman Island dollars	(142,478)	Pegged	11,398	212,324	69,846
Trinidad and Tobago dollars	1,321	20	330	88,706	90,027
Netherlands Antillean guilder	4,241	Pegged	848	170,558	174,799
Barbados dollars	80,830	Pegged	24,249	216,063	296,893
Bahamian dollars	(7,605)	Pegged	608	643,420	635,815
Jamaican dollars	(5,194)	114	416	95,836	90,642
East Caribbean dollars	(195,312)	Pegged	15,625	3,633	(191,679)

Interest Rate Risk

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

	2020	2019
Market Risk Metrics		
Interest rate VaR – total	2,438	2,120
Interest rate stress worst case loss of value - HC 1 day	410	191
Interest rate stress worst case loss of value - HC 60 days	30,312	17,703
Interest rate stress worst case loss of value - LC 1 day	11,296	5,849
Interest rate stress worst case loss of value - LC 60 days	33,261	30,322
DV01 HC	(145)	(83)
DV01 LC	127	164

			2020			2019
Currency	DV01	VaR	60 day stressed loss	DV01	VaR	60 day stressed loss
United States dollars*	$ (113.0)	$ 2,125	$ 30,312	$ (70.8)	$ 1,907	$ 17,703
Trinidad and Tobago dollars	(9.0)	85	3,673	(20.4)	63	6,005
Netherlands Antillean guilder	8.0	237	293	10.0	-	512
Barbados dollars	137.0	-	16,416	175.9	-	17,376
Bahamian dollars	6.0	84	734	13.6	39	1,120
Jamaican dollars	8.0	166	9,568	2.4	-	3,303
Eastern Caribbean dollars	(8.0)	743	1,007	(3.9)	888	780
Cayman Islands dollars	(8.0)	124	1,570	(6.4)	59	1,255

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Credit Spread Risk by Operating Company (OPCO)

2020	Locally Issued Hard Dollar Bonds			Non-Regional Hard Dollar Bonds			Total		
	Notional	Credit Spread DV01	Stress Loss	Notional	Credit Spread DV01	Stress Loss	Notional	Credit Spread DV01	Stress Loss
Bahamas	$ 75,432	$ 19	$ 5,005	$ 257,500	$ 34	$ 6,964	$ 332,932	$ 53	$ 11,969
Cayman	129,213	58	13,731	391,145	60	12,159	520,358	118	25,890
Barbados	128,558	40	8,959	233,340	42	8,530	361,898	82	17,489
IWM*	8,004	4	958	50,500	7	1,359	58,504	11	2,317
Trinidad	40,110	7	1,828	-	-	-	40,110	7	1,828
Jamaica	-	-	-	-	-	-	-	-	-
Total	$ 381,317	$ 128	$ 30,481	$ 932,485	$ 143	$ 29,012	$ 1,313,802	$ 271	$ 59,493

Credit spread risk by OPCO

2019	Locally Issued Hard Dollar Bonds			Non-Regional Hard Dollar Bonds			Total		
	Notional	Credit Spread DV01	Stress Loss	Notional	Credit Spread DV01	Stress Loss	Notional	Credit Spread DV01	Stress Loss
Bahamas	$ 87,960	$ 32	$ 11,782	$ 334,500	$ 59	$ 12,076	$ 422,460	$ 91	$ 23,858
Cayman	135,138	65	15,200	477,845	78	15,957	612,983	143	31,157
Barbados	142,318	45	9,739	116,840	27	5,362	259,158	72	15,101
IWM*	10,300	1	195	47,500	6	1,293	57,800	7	1,488
Trinidad	47,347	11	2,863	-	-	-	47,347	11	2,863
Jamaica	-	-	-	-	-	-	-	-	-
Total	$ 423,063	$ 154	$ 39,779	$ 976,685	$ 170	$ 34,688	$ 1,399,748	$ 324	$ 74,467

At 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 ALM purposes
Where derivatives are held as hedges against either sizeable loans from core businesses or to reduce Interest Risk Exposure to USD denominated local bond issues and if the transactions meet the regulatory criteria then the Bank applies for Hedge Accounting. Derivative hedges that do not qualify for Hedge Accounting treatment are considered to be Economic Hedges and are recorded at Market Value on the consolidated statement of financial position with changes in the fair value reflected through profit and loss. It should be noted that these are only Interest Rate Risk Hedges and other risks such as Credit Spread on the underlying still exist and are measured separately.

*FirstCaribbean International Wealth Management Bank (Barbados) Limited.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

2020	EC	BDS	CAY	BAH	US	JA	Other	Total
Assets								
Cash and balances with Central Banks	$209,809	$ 377,302	$ 5,395	$ 275,388	$ 81,056	$ 86,514	$ 296,669	$ 1,332,133
Due from banks	1,683	3,066	634	(126)	542,215	1,349	399,511	948,332
Derivative financial instruments	-	-	-	-	15,428	-	-	15,428
Other assets	4,261	45,896	5,649	28,175	(4,988)	3,450	1,915	84,358
Taxation recoverable	18,559	2,344	536	-	238	14	3,222	24,913
Securities	22,650	506,040	-	536,950	1,900,393	45,463	15,520	3,027,016
Loans and advances to customers	626,423	649,077	331,520	1,266,729	2,820,936	254,968	424,410	6,374,063
Property and equipment	26,533	66,744	12,289	38,588	36,688	12,136	12,648	205,626
Deferred tax assets	12,081	6,639	-	-	(249)	2,053	5,606	26,130
Retirement benefit assets	23,427	28,398	(4,053)	35,454	790	10,496	2,546	97,058
Intangible assets	-	44,372	-	-	-	-	-	44,372
Total assets	$945,426	$1,729,878	$351,970	$2,181,158	$5,392,507	$416,443	$1,162,047	$12,179,429
Liabilities								
Derivative financial instruments	$ -	$ -	$ -	$ -	$ 23,810	$ -	$ -	$ 23,810
Customer deposits	935,554	1,617,149	462,602	1,642,821	4,808,928	349,890	1,026,729	10,843,673
Other liabilities	(109,538)	114,022	(172,066)	(38,394)	365,886	9,370	25,061	194,341
Taxation payable	146	(1,545)	536	-	1,424	1,659	(512)	1,708
Deferred tax liabilities	7,633	1,770	-	-	197	-	866	10,466
Debt securities in issue	-	-	-	-	-	-	75,564	75,564
Retirement benefit obligations	2,167	1,999	(2,132)	2,072	16,096	566	374	21,142
Total liabilities	$835,962	$1,733,395	$288,940	$1,606,499	$5,216,341	$361,485	$1,128,082	$11,170,704
Net assets	$109,464	$(3,517)	$ 63,030	$ 574,659	$176,166	$ 54,958	$ 33,965	$ 1,008,725
Commitments, guarantees and contingent liabilities	$133,490	$ 157,538	$ 6,334	$ 118,743	$ 457,253	$ 5,177	$ 116,680	$ 995,215

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

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

2019	EC	BDS	CAY	BAH	US	JA	Other	Total
Assets								
Cash and balances with Central Banks	$203,221	$ 281,070	$ 18,314	$ 148,875	$ 88,234	$120,282	$ 261,989	$ 1,121,985
Due from banks	3,051	5,730	(11,821)	(353)	689,602	801	458,269	1,145,279
Derivative financial instruments	-	-	-	-	5,054	-	-	5,054
Other assets	3,191	22,181	7,665	20,745	14,127	3,836	775	72,520
Taxation recoverable	20,718	3,016	-	-	281	14	2,503	26,532
Securities	32,807	499,445	-	486,495	1,517,203	26,879	3,962	2,566,791
Loans and advances to customers	591,416	629,331	295,296	1,233,158	2,754,240	232,697	408,924	6,145,062
Property and equipment	22,205	67,584	12,217	24,258	27,049	11,480	7,152	171,945
Deferred tax assets	4,524	5,814	-	-	(349)	-	3,243	13,232
Retirement benefit assets	20,793	20,478	(3,792)	23,589	(634)	11,165	2,546	74,145
Intangible assets	-	218,961	-	-	-	-	-	218,961
Total assets	$901,926	$1,753,610	$317,879	$1,936,767	$5,094,807	$407,154	$1,149,363	$11,561,506
Liabilities								
Derivative financial instruments	$ -	$ -	$ -	$ -	$ 11,794	$ -	$ -	$11,794
Customer deposits	916,436	1,515,032	357,728	1,482,302	4,468,218	334,826	951,913	10,026,455
Other liabilities	(119,351)	68,927	(130,430)	(84,085)	335,646	(2,130)	75,911	144,488
Taxation payable	178	(503)	-	-	1,447	1,735	669	3,526
Deferred tax liabilities	3,251	1,012	-	-	114	938	621	5,936
Debt securities in issue	-	-	-	-	-	14,078	75,728	89,806
Retirement benefit obligations	2,214	2,199	(1,424)	4,150	14,211	760	377	22,487
Total liabilities	$802,728	$1,586,667	$225,874	$1,402,367	$4,831,430	$350,207	$1,105,219	$10,304,492
Net assets	$ 99,198	$ 166,943	$ 92,005	$ 534,400	$ 263,377	$ 56,947	$ 44,144	$ 1,257,014
Commitments, guarantees and contingent liabilities	$100,046	$ 93,237	$ 34,899	$ 63,041	$ 677,807	$ 20,634	$ 42,345	$ 1,032,009

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

Cash flow and fair value interest rate risk

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

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

Liquidity risk

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

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

Process and control

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

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

Risk measurement

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

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

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

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

2020	0-3 months	3-12 months	1-5 years	Over 5 years	Total
Assets					
Cash and balances with Central Banks	$ 1,332,133	$ -	$ -	$ -	$ 1,332,133
Due from banks	804,938	24,263	119,131	-	948,332
Derivative financial instruments	2,418	183	4,825	8,002	15,428
Other assets	84,358	-	-	-	84,358
Taxation recoverable	24,913	-	-	-	24,913
Securities	825,007	291,536	667,715	1,242,758	3,027,016
Loans and advances to customers	577,130	419,727	1,789,615	3,587,591	6,374,063
Property and equipment	84,965	1,999	42,127	76,535	205,626
Deferred tax assets	18,722	-	6,111	1,297	26,130
Retirement benefit assets	-	-	-	97,058	97,058
Intangible assets	-	-	-	44,372	44,372
Total assets	$ 3,754,584	$ 737,708	$ 2,629,524	$ 5,057,613	$ 12,179,429
Liabilities					
Derivative financial instruments	$ 2,797	$ 157	$ 4,206	$ 16,650	$ 23,810
Customer deposits	9,717,412	995,348	128,106	2,807	10,843,673
Other liabilities	194,341	-	-	-	194,341
Taxation payable	81	1,627	-	-	1,708
Deferred tax liabilities	9,403	-	395	668	10,466
Debt securities in issue	-	-	75,564	-	75,564
Retirement benefit obligations	-	-	-	21,142	21,142
Total liabilities	$ 9,924,034	$ 997,132	$ 208,271	$ 41,267	$ 11,170,704
Net assets/(liabilities)	$ (6,169,450)	$ (259,424)	$ 2,421,253	$ 5,016,346	$ 1,008,725
Commitments, guarantees and contingent liabilities (note 28)	$ 376,147	$ 152,422	$ 130,929	$ 335,717	$ 995,215

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

2019	0-3 months	3-12 months	1-5 years	Over 5 years	Total
Assets					
Cash and balances with Central Banks	$ 1,119,440	$ 2,545	$ -	$ -	$ 1,121,985
Due from banks	1,122,398	22,881	-	-	1,145,279
Derivative financial instruments	1	49	2,130	2,874	5,054
Other assets	72,520	-	-	-	72,520
Taxation recoverable	23,943	-	2,589	-	26,532
Securities	21,644	498,153	776,747	1,270,247	2,566,791
Loans and advances to customers	3,567,906	432,086	667,230	1,477,840	6,145,062
Property and equipment	4,111	1,121	59,946	106,767	171,945
Deferred tax assets	3,298	-	2,451	7,483	13,232
Retirement benefit assets	-	-	-	74,145	74,145
Intangible assets	-	-	218,961	-	218,961
Total assets	$ 5,935,261	$ 956,835	$ 1,511,093	$ 3,158,317	$ 11,561,506
Liabilities					
Derivative financial instruments	$ 648	$ 10	$ 953	$ 10,183	$11,794
Customer deposits	9,374,748	600,000	49,766	1,941	10,026,455
Other liabilities	144,488	-	-	-	144,488
Taxation payable	1,791	1,735	-	-	3,526
Deferred tax liabilities	-	-	1,188	4,748	5,936
Debt securities in issue	14,078	961	74,767	-	89,806
Retirement benefit obligations	-	-	-	22,487	22,487
Total liabilities	$9,535,753	$ 602,706	$ 126,674	$ 39,359	$ 10,304,492
Net assets/(liabilities)	$ (3,600,492)	$ 354,129	$ 1,384,419	$ 3,118,958	$ 1,257,014
Commitments, guarantees and contingent liabilities (note 28)	$ 540,857	$ 135,511	$ 66,622	$ 289,019	$ 1,032,009

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

Fair values of financial assets and liabilities

Fair value is defined as the price that would be received to sell an asset, or paid to transfer a liability, between market participants in an orderly transaction in the principal market at the measurement date under current market conditions (i.e., the exit price).

The determination of fair value requires judgment and is based on market information, where available and appropriate. Fair value measurements are categorized into three levels within a fair value hierarchy (Level 1, 2 or 3) based on the valuation inputs used in measuring the fair value, as outlined below:

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

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

	Level 1 Quoted market price	Level 2 Valuation technique-observable market input	Level 3 Valuation technique-non-observable market input	Total 2020	Total 2019
Financial assets					
Cash and balances with Central Banks*	$ 1,332,133	$ -	$ -	$ 1,332,133	$ 1,121,985
Due from banks*	948,332	-	-	948,332	1,145,279
Derivative financial instruments	-	15,428	-	15,428	5,054
Securities at FVOCI	-	2,590,724	-	2,590,724	2,168,566
Securities at amortised cost	5,649	69,664	264,421	339,734	398,225
Loans and advances to customers	-	-	6,317,622	6,317,622	6,092,296
Total Financial assets	$ 2,286,114	$ 2,675,816	$ 6,582,043	$ 11,543,973	$10,931,405
Financial liabilities					
Derivative financial instruments	$ -	$ 23,810	$ -	$ 23,810	$ 11,794
Customer deposits	-	-	10,863,513	10,863,513	10,035,331
Debt securities in issue	-	77,114	-	77,114	90,793
Total Financial liabilities	$ -	$ 100,924	$ 10,863,513	$ 10,964,437	$ 10,137,918

*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.

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

2020	Fair value over/(under) Carrying value	Fair value	carrying value
Financial assets			
Cash and balances with Central Banks	$ 1,332,133	$ 1,332,133	$ -
Due from banks	948,332	948,332	-
Derivative financial instruments	15,428	15,428	-
Securities at FVOCI	2,590,724	2,590,724	-
Securities at amortised cost	436,292	339,734	(96,558)
Loans and advances to customers	6,374,063	6,317,622	(56,441)
Total financials assets	$ 11,696,972	$ 11,543,973	$(152,999)
Financial liabilities			
Derivative financial instruments	$23,810	$23,810	$ -
Customer deposits	10,843,673	10,863,513	19,840
Debt securities in issue	75,564	77,114	1,550
Total financial liabilities	$ 10,943,047	$ 10,964,437	$21,390

2019	Carrying value	Fair value	Fair value over/(under) carrying value
Financial assets			
Cash and balances with Central Banks	$ 1,121,985	$ 1,121,985	$ -
Due from banks	1,145,279	1,145,279	-
Derivative financial instruments	5,054	5,054	-
Securities at FVOCI	2,168,566	2,168,566	-
Securities at amortised cost	398,225	398,225	-
Loans and advances to customers	6,145,062	6,092,296	(52,766)
Total financials assets	$ 10,984,171	$ 10,931,405	$ (52,766)
Financial liabilities			
Derivative financial instruments	$ 11,794	$ 11,794	$ -
Customer deposits	10,026,455	10,035,331	8,876
Debt securities in issue	89,806	90,793	987
Total financial liabilities	$ 10,128,055	$ 10,137,918	$ 9,863

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

Quantitative information about significant non-observable inputs

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

	2020				Range of inputs	
As at October 31,	Amortised cost	Fair value	Valuation technique	Key non-observable inputs	Low	High
Loans and advances to customers	$ 6,374,063	$ 6,317,622	Market proxy or direct broker quote	Market proxy or direct broker quote	2.6%	24.7%
Customer Deposits	$ 10,843,673	$ 10,863,513	Market proxy or direct broker quote	Market proxy or direct broker quote	-	1.4%
Securities at amortised cost	$ 436,292	$ 339,734	Market proxy or direct broker quote	Market proxy or direct broker quote	1.8%	8.9%
Equity securities	$ 1,039	$ 1,039	n/a	n/a	n/a	n/a

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

Financial instruments recorded at fair value

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

- *Derivative financial instruments*

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

- *Debt instruments at FVOCI*

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

Fair value of financial instruments not carried at fair value

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

- *Loans and advances to customers*

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

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

- *Customer deposits and other borrowed funds*

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

- *Debt securities in issue*

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

Note 33 | Principal subsidiary undertakings

FirstCaribbean International Bank Limited	Barbados
FirstCaribbean International Wealth Management Bank (Barbados) Limited	Barbados
FirstCaribbean International Bank (Barbados) Limited	Barbados
FirstCaribbean International Finance Corporation (Leeward & Windward) Limited	St. Lucia
FirstCaribbean International Bank (Bahamas) Limited (95.2%)	Bahamas
Sentry Insurance Brokers Ltd	Bahamas
FirstCaribbean International (Bahamas) Nominees Company Limited	Bahamas
FirstCaribbean International Trust Company (Bahamas) Limited	Bahamas
March Limited	Bahamas
Commerce Services Limited	Bahamas
Corporate Associates Limited	Bahamas
FirstCaribbean International Land Holdings (TCI) Limited	Turks & Caicos Islands
FirstCaribbean International Bank (Jamaica) Limited	Jamaica
FirstCaribbean International Securities Limited	Jamaica
FirstCaribbean International Bank (Trinidad & Tobago) Limited	Trinidad
FirstCaribbean International Bank (Cayman) Limited	Cayman Islands
FirstCaribbean International (Cayman) Nominees Company Limited	Cayman Islands
CIBC Bank and Trust Company (Cayman) Limited*	Cayman Islands
Commerce Advisory Services Limited	Cayman Islands
Commerce Corporate Services Limited	Cayman
Islands Commerce Management Services Limited	Cayman
Islands CIBC Fund Administration Services Asia Limited	Hong Kong
FirstCaribbean International Finance Corporation (Netherlands Antilles) N.V.	Netherlands Antilles
FirstCaribbean International Bank (Curaçao) N.V.	Netherlands Antilles

All subsidiaries are wholly owned unless otherwise stated.

Effective June 8, 2020, FirstCaribbean International Trust Company (Bahamas) Limited is the new name of CIBC Trust Company (Bahamas) Limited

*Effective November 23, 2020, after our reporting date, CIBC Bank and Trust Company (Cayman) Limited name was changed to FirstCaribbean International Bank and Trust Company (Cayman) Limited.

STATEMENT OF CORPORATE GOVERNANCE

Introduction to the Corporate Governance Statement

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

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

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

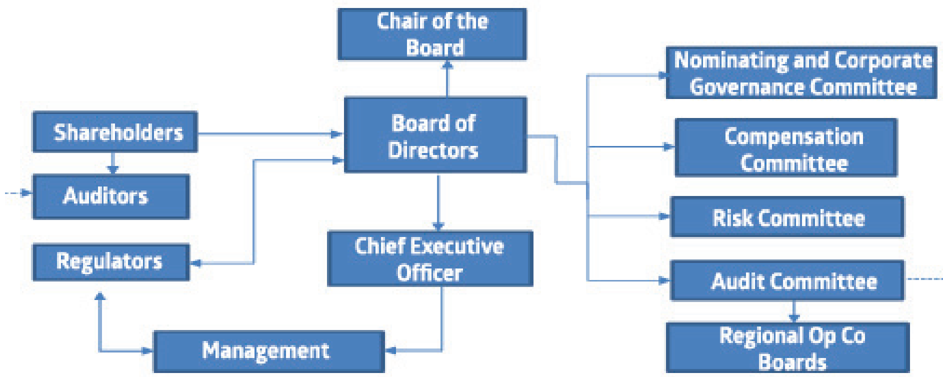
1. Board of Directors Mandate
2. Audit Committee Mandate
3. Compensation Committee Mandate
4. Nominating and Corporate Governance Committee Mandate
5. Risk Committee Mandate
6. Chair of the Board of Directors Mandate
7. Board Committee Chair Mandate
8. Chief Executive Officer Mandate
9. Code of Conduct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

STATEMENT OF CORPORATE GOVERNANCE

This statement of corporate governance practices describes the governance framework that guides CIBC FirstCaribbean's Board and management in fulfilling their obligation to CIBC FirstCaribbean and its stakeholders. It was reviewed and approved by the Nominating and Corporate Governance Committee and the Board in December 2020.

1. Governance Structure

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



2. Board Composition

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

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

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

Board responsibilities

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

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

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

Human resources management – With assistance from the Compensation Committee, the 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 CIBC FirstCaribbean's approach to corporate governance, and code of conduct and ethics for employees and directors respectively.

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

Board committees – The Board establishes committees and their mandates and is made aware of all material matters considered by the committees.

Director development and evaluation - Each director participates in CIBC FirstCaribbean's orientation programme and director development sessions. Each year the Board engages in a process to evaluate Board performance to enhance its effectiveness, and at least quarterly 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 CIBC FirstCaribbean's business and affairs. The Board relies on regulatory requirements and guidance, best practices and good judgment to determine independence. A director is considered to be independent only where the Board determines that the director has no material relationship with CIBC FirstCaribbean.

The Board and its committees also foster independence by:

- Having an independent non-executive Chair of the Board to oversee the operations and deliberations of the Board;
- Having independent directors on each of the Board's committees;
- 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 Committee nominate independent directors.

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

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

The Board believes disclosing other public company board memberships and interlocking board membership is important.

The interlocking board memberships among CIBC FirstCaribbean's directors are set out below.

Company	Director
Caribbean Utilities Company Ltd.	**David Ritch**

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

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 the Board, the Chair of the Nominating and Corporate Governance Committee, and any other designated 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 the Board, the Chair of the Nominating and Corporate Governance Committee and other board members meet with the candidate to discuss his or her background, skill set, and ability to devote the time and commitment required to serve on CIBC FirstCaribbean's Board. The Nominating and Corporate Governance Committee assesses the candidate's integrity and suitability by obtaining references, verifies his or her educational background, conducts a background check on the candidate and assesses any potential conflicts, independence concerns or disclosure issues.

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

During fiscal 2020 the Board met nine 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.

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	4/4	4/4	4/4	4/4	4/4
Chris Anderson#=	4/4	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	4/4	4/4	Not a member	Not a member	4/4
Chris de Caires	4/4	4/4	4/4	4/4	4/4
Robert Frentzel	4/4	4/4	4/4	4/4	4/4
Craig Gomez	4/4	4/4	Not a member	Not a member	4/4
Brian McDonough	4/4	4/4	Not a member	Not a member	4/4
Paula Rajkumarsingh	4/4	4/4	4/4	4/4	4/4
Mark St. Hill	4/4	Not a member	Not a member	Not a member	Not a member
Lincoln Eatmon+	Not a member	4/4	Not a member	Not a member	Not a member

Interim meetings called at short notice

	Board of Directors' Meetings	Audit Committee Meetings	Compensation Committee Meetings	Nominating and Corporate Governance Committee Meetings	Risk Committee Meetings
David Ritch	5/5	3/3	1/1	2/2	8/8
Christopher Anderson	1/5	Not a member	0/1	0/2	Not a member
Colette Delaney	5/5	Not a member	Not a member	Not a member	8/8
Blair Cowan=	2/5	1/3	Not a member	Not a member	1/8
Chris de Caires	5/5	3/3	1/1	2/2	8/8
Robert Frentzel	5/5	3/3	1/1	2/2	7/8
Craig Gomez	5/5	3/3	Not a member	Not a member	8/8
Brian McDonough=	2/5	1/3	Not a member	Not a member	2/8
Paula Rajkumarsingh	5/5	3/3	1/1	2/2	7/8
Mark St. Hill	5/5	Not a member	Not a member	Not a member	Not a member
Lincoln Eatmon+	Not a member	3/3	Not a member	Not a member	Not a member

+ Member of the Audit Committee only
# Chris joined the board on January 29, 2020. He was appointed a member of the Nominating and Corporate Governance Committee and Chair of the Compensation Committee on March 5, 2020.
=Directors residing in Canada must normally attend meetings in person, not by telephone. Attending meetings by telephone has however been permitted on a temporary basis as travel was restricted due to COVID-19.

Annual Meeting
CIBC FirstCaribbean's annual meeting was held on March 6, 2020 and was attended by the Board. CIBC FirstCaribbean's Chief Financial Officer and external auditor, Ernst & Young Ltd. ("EY"), were also present as well as other members of CIBC FirstCaribbean's Executive Committee and Senior Executive Team.

5. Director Tenure

Unless his or her tenure is sooner determined, a director holds office from the date on which he or she is first elected or appointed until the next annual meeting at which time he or she shall be eligible for re-election. A director may serve for up to fifteen years. The Board may, if determined in the best interest of the Bank, recommend a director for re-election for not more than five additional one-year terms after fifteen years of service.

6. 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 its committees, the methods and processes by which the Board fulfills its duties, the effectiveness of the Board structure and its directors, and the performance of the Chair of the Board against criteria the Board considers appropriate.

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

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

7. The Chief Executive Officer

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

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

9. Board Committees

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

(a) the close of the next annual meeting of shareholders of CIBC FirstCaribbean at which the member's term of office expires;

(b) the death of the member; or

(c) the resignation, disqualification or removal of the member from the committee or from the Board.

The Board may fill a vacancy in the membership of the committee. At the time of the annual appointment of the members of the committee, the Board 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)

Compensation Committee

The Compensation Committee is responsible for assisting the 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 the 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. [1]

The members of the Compensation Committee are:

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

[1] Although not all the members of the Compensation Committee are independent, no member of the committee is a member of management, as recommended by the Barbados Stock Exchange Inc.

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee is responsible for assisting the Board in fulfilling its responsibilities relating to identifying individuals qualified to become directors and selecting, or recommending that the Board selects, the candidates for all directorships to be filled by the 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)

Risk Committee

The Risk Committee is responsible for overseeing and approving the enterprise-wide risk management practices to assist 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 Rajkumarsingh (independent)
	David Ritch (independent)

10. Board Access to Independent Advisors and Management

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

11. Director Orientation and Continuing Development

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

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

New director orientation

New directors are presented with an orientation package which includes the Board and committee mandates, the most recent 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.

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

Ongoing director development

All directors participate in the development sessions held during each quarterly Board meeting. The sessions are comprised of presentations to the Board by internal and external experts. One-on-one sessions between a director and an internal or external subject matter expert may be arranged at the request of the Chair 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 CIBC FirstCaribbean director or committee member.

12. 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 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 Board Chair and independent directors are paid a flat annual fee for attending all board and committee meetings, whether scheduled or not. Neither CIBC FirstCaribbean executives, nor CIBC executives, who are directors, are paid fees. Independent committee chairs and committee members who are not directors[2] are paid fees. The Board Chair, independent directors and independent committee members are paid an aggregate total of US$299,500 annually.

13. Approval of the CEO's Service Contract

The Compensation Committee reviews the performance and compensation of the Chief Executive Officer annually.

[2] Mr. Lincoln Eatmon, a member of the Audit Committee, is the only committee member who is not a director of FirstCaribbean International Bank Limited. Mr. Eatmon is a member of the board of FirstCaribbean International Bank (Jamaica) Limited.

14. Organization of Management

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

Chief Executive Officer	Colette Delaney
Chief Administrative Officer	Neil Brennan
General Counsel & Group 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
Managing Director, Trinidad	Anthony Seeraj
Managing Director, Barbados & Eastern Caribbean	Donna Wellington

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

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

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

- Asset Liability Committee
- Credit Committee
- Strategic Projects Office
- Operational Risk & Control Committee
- Reputational & Legal Risks Committee

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 the Board.

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

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

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

ELEMENT	PERFORMANCE MEASURES	DESCRIPTION

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

Deferred Cash Award (approximately 50% of total incentive)	• Grant measures:
	  • Financial
	  • Risk
	  • Client
	  • Employee
	  • Strategy execution
	• Vesting measures:
	  • Cumulative company performance over vesting period using a range of financial performance measures
		• Long term
		• Deferred cash incentive award with three year cliff vesting
		• Each year over the vesting period business performance factor is applied to initial grant to reflect the performance of the business over that year
		• Business performance factor is determined based on a number of financial performance measures
		• 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
		• Board retains discretion to adjust further to reflect extraordinary circumstances

15. 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, CIBC FirstCaribbean shareholders, clients, suppliers, competitors and communities. The codes also address general conduct, conflicts of interest, information management, protection of CIBC FirstCaribbean's assets and internal and regulatory investigations.

16. External Auditors: Oversight & Fees

The external auditors report to the Audit Committee.

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 (1)	2,614	2,899
Audit related fees (2)	269	310
Tax fees (3)	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.

17. 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.

18. 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 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.

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.

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

19. Risk and Control Governance Framework

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

In addition, CIBC FirstCaribbean has implemented the Risk and Control Governance Framework to help to 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 the Treadway Commission's (COSO) widely accepted "Enterprise Risk Management – Integrated Framework" (the COSO Framework) which is the most broadly used standard.

There are five (5) components to this Framework, these are defined 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 respects; and

    c) Regulatory Compliance - The conduct and actions of CIBC FirstCaribbean's Board of Directors, executives, employees and contingent workers comply with all applicable laws and regulations.

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.

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.

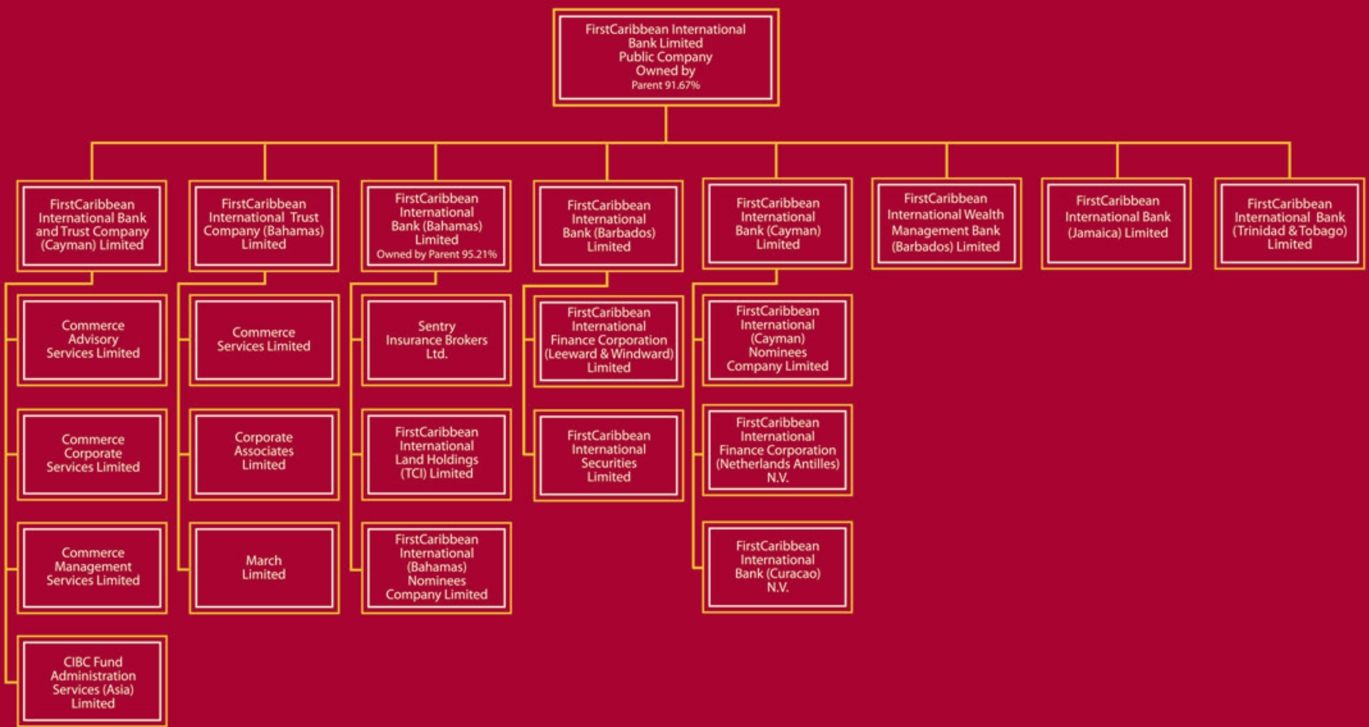
5. Reporting – The appropriate management information must be communicated to the Board and the executive management in a timely, complete, understandable and accurate manner so that they are equipped to make informed decisions.

20. 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.cibcfcib.com.

CIBC FirstCaribbean is in compliance with the Insider Trading Guidelines issued by the Barbados Stock Exchange Inc., which can be found at www.bse.com.bb.

OWNERSHIP STRUCTURE



CIBC FirstCaribbean International Bank

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St. Lucia
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Sint Maarten
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Emmaplein 1,
Philipsburg
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CIBC FirstCaribbean Bank
Financial Centre
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Grace Bay Branch
Providenciales
Turks & Caicos Islands
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Kingstown
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Corporate Banking

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

CIBC FirstCaribbean International Bank