

CIBC CARIBBEAN BANK (JAMAICA) LIMITED
[formerly FIRSTCARIBBEAN INTERNATIONAL BANK (JAMAICA)
LIMITED]

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 2024

(Expressed in Jamaican dollars unless otherwise indicated)

CIBC CARIBBEAN BANK (JAMAICA) LIMITED
[formerly FIRSTCARIBBEAN INTERNATIONAL BANK (JAMAICA) LIMITED]

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Year ended 31 October 2024

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of CIBC Caribbean Bank (Jamaica) Limited [*formerly FirstCaribbean International Bank (Jamaica) Limited*]

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of CIBC Caribbean (Jamaica) Limited [*formerly FirstCaribbean International Bank (Jamaica) Limited*] (the "Bank") which comprise the statement of financial position as at 31 October 2024, the statement of changes in equity, statement of income, statement of comprehensive income, and statement of cash flows for the year then ended, and notes, comprising material accounting information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 October 2024, and of its financial performance and cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and the Jamaican Companies Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank 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.

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

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and the Jamaican Companies Act, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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



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INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To the Shareholders of CIBC Caribbean Bank (Jamaica) Limited [formerly FirstCaribbean International Bank (Jamaica) Limited] (Continued)

Report on the Audit of the Financial Statements (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

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

- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that presents a true and fair view.

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



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INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To the Shareholders of CIBC Caribbean Bank (Jamaica) Limited [*formerly FirstCaribbean International Bank (Jamaica) Limited*] (Continued)

Report on additional matters as required by the Jamaican Companies Act

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit. In our opinion, proper accounting records have been maintained, so far as appears from our examination of those records, and the financial statements, which are in agreement therewith, give the information required by the Jamaican Companies Act, in the manner required.

A handwritten signature in blue ink that reads 'Ernst & Young' in a cursive script.

Chartered Accountants
Kingston, Jamaica

18 December 2024

CIBC Caribbean Bank (Jamaica) Limited
[formerly FirstCaribbean International Bank (Jamaica) Limited]

Statement of Financial Position

As at 31 October 2024

(Expressed in Jamaican dollars unless otherwise indicated)

	Notes	2024 \$'000	2023 \$'000
ASSETS			
Cash and balances with Central Bank	3	24,294,634	28,387,892
Due from other banks	4	7,555,427	6,502,193
Derivative financial instruments	5	13,595	40,818
Other assets	6	1,507,816	439,985
Investment securities	7	33,419,867	33,895,901
Loans and advances to customers	8	111,328,407	88,936,322
Property and equipment	9	3,859,867	3,233,779
Deferred tax assets	10	-	118,266
Retirement benefit asset	11	1,755,444	1,032,709
TOTAL ASSETS		<u>183,735,057</u>	<u>162,587,865</u>

The accompanying notes form an integral part of these financial statements.


CIBC CARIBBEAN BANK (JAMAICA) LIMITED
[formerly FIRSTCARIBBEAN INTERNATIONAL BANK (JAMAICA) LIMITED]

Statement of Financial Position (Continued)
 As at 31 October 2024
 (Expressed in Jamaican dollars unless otherwise indicated)


	2024 \$'000	2023 \$'000
LIABILITIES AND EQUITY		
LIABILITIES		
Customer deposits	160,675,083	145,689,879
Other liabilities	2,921,367	2,687,486
Taxation payable	244,811	49,676
Deferred tax liabilities	135,067	-
Retirement benefit obligation	89,279	78,802
TOTAL LIABILITIES	<u>164,065,607</u>	<u>148,505,843</u>
EQUITY		
Share capital	9,552,567	4,930,258
Reserves	9,677,360	8,611,782
Retained earnings	439,523	539,982
TOTAL EQUITY	<u>19,669,450</u>	<u>14,082,022</u>
TOTAL LIABILITIES AND EQUITY	<u>183,735,057</u>	<u>162,587,865</u>

The accompanying notes form an integral part of these summary financial statements.

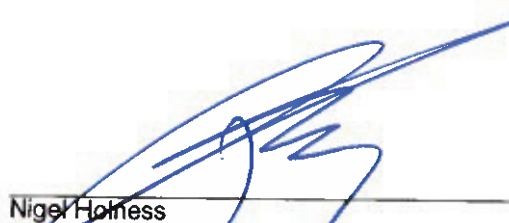
Approved for issue by the Board of Directors on 18 December 2024 and signed on its behalf by:



 Lincoln Eatmon



 Jean Lowrie-Chin



 Nigel Holness



 Janelle Muschette Leiba

CIBC Caribbean Bank (Jamaica) Limited
[formerly FirstCaribbean International Bank (Jamaica) Limited]

Statement of Changes in Equity
Year ended 31 October 2024
(Expressed in Jamaican dollars unless otherwise indicated)

	Notes	Share Capital \$'000	Reserves \$'000	Retained Earnings \$'000	Total \$'000
Balance at 31 October 2022		4,930,258	8,368,892	719,217	14,018,367
Net income for the year		-	-	1,125,065	1,125,065
Other comprehensive loss for the year, net of tax	27	-	(1,061,410)	-	(1,061,410)
Total comprehensive income for the year		-	(1,061,410)	1,125,065	63,655
Transfer to statutory reserve fund	17		70,000	(70,000)	-
Transfer to retained earnings reserve	18		1,234,300	(1,234,300)	-
Balance at 31 October 2023		4,930,258	8,611,782	539,982	14,082,022
Net income for the year		-	-	380,306	380,306
Other comprehensive income for the year, net of tax	27	-	584,813	-	584,813
Total comprehensive income for the year		-	584,813	380,306	965,119
Transfer to statutory reserve fund	17		113,000	(113,000)	-
Transfer to retained earnings reserve	18		367,765	(367,765)	-
Shares issued	14	4,622,309	-	-	4,622,309
Balance at 31 October 2024		9,552,567	9,677,360	439,523	19,669,450

The accompanying notes form an integral part of these financial statements.

CIBC Caribbean Bank (Jamaica) Limited
[formerly FirstCaribbean International Bank (Jamaica) Limited]

Statement of Income
 Year ended 31 October 2024
 (Expressed in Jamaican dollars unless otherwise indicated)

	Notes	2024 \$'000	2023 \$'000
Interest and similar income		11,396,920	9,791,799
Interest and similar expense		<u>(4,219,936)</u>	<u>(3,210,683)</u>
Net interest income	21	7,176,984	6,581,116
Other operating income	22	<u>3,657,931</u>	<u>3,618,309</u>
Total operating income		10,834,915	10,199,425
Credit loss (expense)/release on financial assets	7, 8	<u>(343,560)</u>	<u>241,032</u>
Net operating income		10,491,355	10,440,457
Operating expenses	23	<u>(9,778,201)</u>	<u>(8,618,765)</u>
Profit before taxation	24	713,154	1,821,692
Income tax expense	25	<u>(332,848)</u>	<u>(696,627)</u>
NET PROFIT FOR THE YEAR, ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	26	<u><u>380,306</u></u>	<u><u>1,125,065</u></u>
BASIC AND DILUTED EARNINGS PER STOCK UNIT	26	<u><u>\$0.54</u></u>	<u><u>\$2.12</u></u>

The accompanying notes form an integral part of these financial statements.

CIBC Caribbean Bank (Jamaica) Limited
[formerly FirstCaribbean International Bank (Jamaica) Limited]

Statement of Comprehensive Income
 Year ended 31 October 2024
 (Expressed in Jamaican dollars unless otherwise indicated)

	Notes	2024 \$'000	2023 \$'000
Net profit for the year		380,306	1,125,065
Other comprehensive income / (loss), net of tax, to be reclassified to net income in subsequent periods:			
Net losses on debt securities at fair value through OCI	27	(2,099)	(16,313)
Other comprehensive income, net of tax, not to be reclassified to net income in subsequent periods:			
Remeasurement gains /(losses) on retirement benefit plans	27	586,912	(1,045,097)
Other comprehensive income/(loss) for the year, net of tax		584,813	(1,061,410)
Comprehensive income for the year, attributable to equity holders of the parent		965,119	63,655

The accompanying notes form an integral part of these financial statements.

CIBC Caribbean Bank (Jamaica) Limited

[formerly FirstCaribbean International Bank (Jamaica) Limited]

Statement of Cash Flows
Year ended 31 October 2024
(Expressed in Jamaican dollars unless otherwise indicated)

	Notes	2024 \$'000	2023 \$'000
Cash Flows from Operating Activities			
Profit before taxation		713,154	1,821,692
Adjustments to reconcile profit to net cash (used)/provided by operating activities:			
Credit loss expense/(release) on financial assets	7, 8	343,560	(241,032)
Loss on disposal of property and equipment		727	1,544
Depreciation and amortization, including for right-of-use leased assets	9	818,907	719,190
Interest income	21	(11,396,920)	(9,791,799)
Interest expense, including on lease liabilities	21	4,219,936	3,210,683
Retirement benefit asset	11	7,381	(201,999)
Retirement benefit obligation	11	8,843	8,114
Unrealised foreign exchange gains		(75,670)	(11,733)
		<u>(5,360,082)</u>	<u>(4,485,340)</u>
Changes in operating assets and liabilities:			
Loans and advances to customers		(21,821,511)	(11,178,264)
Customer deposits		13,214,342	18,870,702
Other assets		(1,037,858)	(294,740)
Other liabilities		834,689	311,500
Statutory reserves at Bank of Jamaica		(566,203)	(1,992,532)
		<u>(14,736,623)</u>	<u>1,231,326</u>
Interest received		11,209,602	9,657,828
Interest paid		(3,946,064)	(2,800,338)
Income tax paid		(177,927)	(600,321)
Cash (used)/provided by operating activities		<u>(7,651,012)</u>	<u>7,488,495</u>
Cash Flows from Investing Activities			
Investment securities, additions	7	(123,558,702)	(79,566,888)
Investment securities, maturities/disposals	7	124,034,746	77,062,344
Additions to property and equipment	9	(1,014,798)	(897,997)
Net cash used in investing activities		<u>(538,754)</u>	<u>(3,402,541)</u>
Cash Flows from Financing Activities			
Repayment of principal portion of lease liability		(334,663)	(344,125)
Proceeds from shares issued	14	4,622,309	-
Net cash provided by/(used in) financing activities		<u>4,287,646</u>	<u>(344,125)</u>
Net (decrease)/increase in cash and cash equivalents		<u>(3,902,120)</u>	<u>3,741,829</u>
Effect of exchange rate changes on cash and cash equivalents		307,926	383,592
Cash and cash equivalents at beginning of year		20,918,755	16,793,334
CASH AND CASH EQUIVALENTS AT END OF YEAR	3	<u>17,324,561</u>	<u>20,918,755</u>

The accompanying notes form an integral part of these financial statements.

CIBC Caribbean Bank (Jamaica) Limited

[formerly FirstCaribbean International Bank (Jamaica) Limited]

Notes to the Financial Statements

Year ended 31 October 2024

(Expressed in Jamaican dollars unless otherwise indicated)

1. Corporate Information

CIBC Caribbean Bank (Jamaica) Limited *[formerly FirstCaribbean International Bank (Jamaica) Limited]* (the “Bank”), which is incorporated and domiciled in Jamaica, is a wholly owned subsidiary of CIBC Caribbean Bank Limited *[formerly FirstCaribbean International Bank Limited]* (the “Parent”), a bank incorporated and domiciled in Barbados. The ultimate parent company and controlling party is Canadian Imperial Bank of Commerce (“CIBC”), a company incorporated in Canada.

The registered office of the Bank is located at 23-27 Knutsford Boulevard, Kingston 5, Jamaica.

The Bank is licensed to carry on banking and other related services and is regulated by the Bank of Jamaica (BOJ) under the Banking Services Act (BSA) which was passed in June 2014 and became effective on 30 September 2015. The BSA and related regulations, provide a standardized legal framework for the operations of licensed deposit-taking intermediaries and provide the statutory principles on which supervision is conducted. The legal framework is further complemented by supervisory notes and Standards of Best Practice issued by the BOJ. The legislation serves to further strengthen oversight of the deposit-taking financial sector and achieve greater conformity with the Basel Core Principles.

On 10 September 2024, the Bank changed its name to CIBC Caribbean Bank (Jamaica) Limited.

The Board of Directors has the power to amend these financial statements after issue, if required.

2. Summary of Material Accounting Policies

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

(a) Basis of preparation

(i) **Statement of compliance**

These financial statements have been prepared in conformity with IFRS Accounting Standards, as issued by the International Accounting Standards Board (IASB), and the requirements of the Jamaican Companies Act.

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

(ii) **Basis of measurement**

These financial statements have been prepared under the historical cost basis, except for debt securities at fair value through other comprehensive income (FVOCI) and derivative financial instruments, which have all been measured at fair value. The carrying value of recognized assets that are hedged items in fair value hedges, are adjusted to record changes in fair value attributable to the risks that are being hedged. Additionally, certain land and buildings are measured at deemed cost. Deemed cost represents fair value at the date of transition to IFRS Accounting Standards. These financial statements are presented in Jamaican dollars, and all values are rounded to the nearest thousand except where otherwise indicated.

(iii) **Judgements and estimates**

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

CIBC Caribbean Bank (Jamaica) Limited

[formerly FirstCaribbean International Bank (Jamaica) Limited]

Notes to the Financial Statements
 Year ended 31 October 2024
 (Expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Material Accounting Policies (Continued)

(a) Basis of preparation (continued)

(iii) *Judgements and estimates (continued)*

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

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

- Capital management - Note 14
- Financial risk management and policies - Note 33
- Sensitivity analyses disclosures - Notes 11 and 33

The areas requiring a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 34.

(b) Changes in accounting policies

(i) *Standards, interpretations, and amendments to published standards that were adopted during the year*

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

New and amended standards and interpretations

The Bank has not early adopted any other standards, interpretations or amendments that have been issued but are not yet effective.

Classification of Liabilities as Current or Non-current with Covenants – Amendments to IAS 1

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments did not have a significant impact on the Bank's financial statements.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements (the PS), in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- (i) replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, and
- (ii) adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

The amendments did not have a significant impact on the Bank's financial statements.

CIBC Caribbean Bank (Jamaica) Limited

[formerly FirstCaribbean International Bank (Jamaica) Limited]

Notes to the Financial Statements
Year ended 31 October 2024
(Expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Material Accounting Policies (Continued)

(b) Changes in accounting policies (continued)

(i) Standards, interpretations, and amendments to published standards that were adopted during the year (continued)

Definition of Accounting Estimates – Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a new definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments did not have a significant impact on the Bank's financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12

In May 2021, the IASB issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability.

The amendments did not have a significant impact on the Bank's financial statements.

International Tax Reform – Pillar Two Model Rules - Amendments to IAS 12

In May 2023, the IASB issued amendments to IAS 12, which introduce a mandatory exception in IAS 12 from recognising and disclosing deferred tax assets and liabilities related to Pillar Two income taxes. The amendments clarify that IAS 12 applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two Model Rules published by the Organization for Economic Cooperation and Development (OECD), including tax law that implements qualified domestic minimum top-up taxes. Such tax legislation, and the income taxes arising from it, are referred to as 'Pillar Two legislation' and 'Pillar Two income taxes', respectively.

The amendments did not have a significant impact on the Bank's financial statements.

CIBC Caribbean Bank (Jamaica) Limited

[formerly FirstCaribbean International Bank (Jamaica) Limited]

Notes to the Financial Statements

Year ended 31 October 2024

(Expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Material Accounting Policies (Continued)

(b) Changes in accounting policies (continued)

(ii) *Standards, interpretations, and amendments to published standards that are not yet effective*

Disclosures: Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7

In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures which specify disclosure requirements to enhance the current requirements, with the intention of assisting users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The amendments require an entity to provide information on the impact of finance supplier arrangements on liabilities and cashflow, including terms and conditions of those arrangements, quantitative information on liabilities related to those arrangements as at the beginning and end of the reporting period and the type and effect of non-cash changes in the carrying amounts of those arrangements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024. The Bank is currently assessing the impact of these amendments on the financial statements.

Lease Liability in a Sale and Leaseback- Amendments to IFRS 16

In September 2022, the IASB issued Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) which specifies the requirements for the measurement of the lease liability arising from a sale and leaseback arrangement by the seller-lessee to ensure any gain or loss relating to the right of use retained is not recognized.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024. The amendments are not expected to have a material impact on the Bank's financial statements.

Lack of exchangeability – Amendments to IAS 21

In August 2023, the Board issued amendments to IAS 21 relating to lack of exchangeability of currency. The amendment states a currency is considered to be exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations. The amendments specify how an entity should assess whether a currency is exchangeable and how a spot exchange rate should be determined when there is a lack of exchangeability. The amendments are effective for annual reporting periods beginning on or after 1 January 2025. The Bank is currently assessing the impact of these amendments and plans to adopt the new amendments on the required effective date.

CIBC Caribbean Bank (Jamaica) Limited

[formerly FirstCaribbean International Bank (Jamaica) Limited]

Notes to the Financial Statements

Year ended 31 October 2024

(Expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Material Accounting Policies (Continued)

(b) Changes in accounting policies (continued)

(ii) *Standards, interpretations, and amendments to published standards that are not yet effective (continued)*

Classification and Measurement of Financial Instruments– Amendments to IFRS 9 and IFRS 7

In May 2024, the Board issued amendments to IFRS 9 and IFRS 7 relating to classification and measurement of financial instruments. The amendment clarifies that a financial liability should be derecognized on the settlement date (the date when the liability is cancelled, repaid, expired). It also provides a policy option to derecognize financial liabilities settled through electronic payment systems before the settlement date. The amendments also clarified how to assess the contractual cash flow

characteristics of financial assets that include environmental, social and governance (ESG)-linked features and other similar contingent features and indicated how non-recourse assets and contractually linked instruments should be treated. Finally, the amendments provide the requirements for additional disclosures in IFRS 7 for financial assets and liabilities with contractual terms that reference a contingent event (including those that are ESG-linked), and equity instruments classified at FVOCI. The amendments are effective for annual reporting periods beginning on or after January 1, 2026. The Bank is currently assessing the impact of these amendments and plans to adopt the new amendments on the required effective date.

Presentation and Disclosure in Financial Statements– IFRS 18

In April 2024, the Board issued IFRS 18 Presentation and Disclosure in Financial Statements which replaces IAS 1 Presentation in Financial Statements. IFRS 18 aims to provide new categories and subtotals in the statement of profit or loss, provide requirements for disclosure of management-defined performance measure as well as include requirements for the location, aggregation and disaggregation of financial information within an entity's financial statements. The standard is effective for annual reporting periods beginning on or after January 1, 2027. The Bank is currently assessing the impact of this standard and plans to adopt the new standard on the required effective date.

IFRS S1 “General Requirements for Disclosure of Sustainability-related Financial Information” and IFRS S2 “Climate-related Disclosures”

In June 2023 the IFRS Foundation's International Sustainability Standards Board (ISSB) issued its inaugural standards IFRS S1 and IFRS S2 which are designed to enable companies to communicate sustainability-related risks. IFRS S1 addresses the content and presentation requirements for sustainability disclosures more broadly, whereas IFRS S2 focuses specifically on climate-related disclosure. IFRS S1 indicates that disclosures on sustainability-related financial information is required for any company which prepares general purpose financial statements along with comparative information that reflects updated estimates when providing sustainability-related financial disclosures. Transition relief was introduced in IFRS S1 that would allow an entity to report on only climate-related risks and opportunities (as set out in IFRS S2 Climate-related Disclosures) excluding comparative information in the first year it applies IFRS S1 and IFRS S2. The entity would be required to provide information about its other sustainability-related risks and opportunities in the second year it applies the two Standards. The standards are effective for annual reporting periods beginning on or after January 1, 2024. The Bank is currently assessing the impact of these standards and plans to adopt the new standards on the required effective date.

CIBC Caribbean Bank (Jamaica) Limited

[formerly FirstCaribbean International Bank (Jamaica) Limited]

Notes to the Financial Statements
 Year ended 31 October 2024
 (Expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Material Accounting Policies (Continued)

(c) 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 Bank has determined the Executive Management 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.

(d) Foreign currency translation

Items included in the financial statements of the Bank are measured using the currency of the primary economic environment in which the Bank operates, referred to as the functional currency. The functional currency of the Bank is the same as its presentation currency. The financial statements are presented in Jamaican dollars, which is the Bank's functional and presentation currency.

Foreign currency transactions are translated into the functional currency at the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from such transactions and from the translation of foreign currency monetary assets and liabilities at the year-end exchange rates are recognised in the statement of income.

Translation differences resulting from changes in the amortised cost of foreign currency monetary assets classified as FVOCI are recognised in the statement of income. Other changes in the fair value of these assets are recognised in other comprehensive income. Translation differences on non-monetary financial assets classified as FVOCI are reported as a component of the fair value gain or loss in other comprehensive income, and included in the fair value reserve in equity.

(e) Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

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

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

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

The Bank elected, as a policy choice permitted under IFRS 9, to continue to apply hedge accounting in accordance with IAS 39.

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2. Summary of Material Accounting Policies (Continued)

(e) Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement (continued)

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

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

(i) 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 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.

(ii) 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. The Bank has not entered into any cash flow hedge arrangements during the financial year. Amounts accumulated in other comprehensive income are recycled to the statement of income in the periods in which the hedged item will affect profit or loss (for example, when the forecast sale that is hedged takes place). When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in other comprehensive income at that time remains in other comprehensive income and is recognised when the forecast transaction is ultimately recognised in the statement of income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to the statement of income.

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

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2. Summary of Material Accounting Policies (Continued)

(f) Financial instruments: financial assets and liabilities

Date of recognition

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

Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value, except in the case of financial assets and financial liabilities not 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 Bank accounts for the Day 1 profit or loss, as described below.

Day 1 profit or loss

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

Measurement categories of financial assets and liabilities

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

- Amortised cost
- FVOCI (Fair value through other comprehensive income)
- FVPL (Fair value through profit or loss)

The Bank classifies and measures its derivative and trading portfolio at FVPL. The Bank may designate financial instruments at FVPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies. Financial liabilities, other than loan commitments and financial guarantees are measured at amortised cost.

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

The Bank 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 and
- 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.

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2. Summary of Material Accounting Policies (Continued)

(f) Financial instruments: financial assets and liabilities (continued)

Business model assessment

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

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

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

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

The SPPI test

As a second step of its classification process the Bank assesses the contractual terms of financial 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 make the SPPI assessment, the Bank 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.

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.

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2. Summary of Material Accounting Policies (Continued)

(f) Financial instruments: financial assets and liabilities (continued)

Derivatives recorded at fair value through profit or loss (continued)

The Bank enters into derivative transactions with various counterparties. This includes interest rate zero cost collars. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. The notional amount and fair value of such derivatives are disclosed separately in Note 5. Changes in the fair value of derivatives are included in net trading income unless hedge accounting is applied.

Debt instruments at FVOCI

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

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

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and foreign exchange gains and losses are recognised in profit or loss in the same manner as for financial assets measured at amortised cost. The ECL calculation for debt instruments at FVOCI is explained in Note 2(i). Where the Bank holds more than one investment in the same security, they are deemed to be disposed of on a first-in first-out basis. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

Equity instruments at FVOCI

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

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

Financial assets and financial liabilities at fair value through profit or loss

Financial assets and financial liabilities in this category are those that are not held for trading and have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. Management only designates an instrument at FVPL upon initial recognition when one of the following criteria are met. Such designation is determined on an instrument-by-instrument basis:

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2. Summary of Material Accounting Policies (Continued)

(f) Financial instruments: financial assets and liabilities (continued)

Financial assets and financial liabilities at fair value through profit or loss (continued)

- 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 (and assets until 1 November 2017 under IAS 39) are part of a group of financial liabilities (or financial assets, or both under IAS 39), 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 (and assets until 1 November 2017 under IAS 39) 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 Bank's own credit risk. Such changes in fair value are recorded in the Own credit reserve through OCI and do not get recycled to the profit or loss. Interest earned or incurred on instruments designated at FVPL is accrued in interest income or interest expense, respectively, using the EIR, taking into account any discount/premium and qualifying transaction costs being an integral part of instrument. Interest earned on assets mandatorily required to be measured at FVPL is recorded using contractual interest rate. Dividend income from equity instruments measured at FVPL is recorded in profit or loss as other operating income when the right to the payment has been established.

Financial guarantees, letters of credit and undrawn loan commitments

The Bank issues financial guarantees, letters of credit and loan commitments.

Financial guarantees are initially recognised in the financial statements (within Provisions) at fair value, being the premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the income statement. ECL provisions are set out in Note 8.

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

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

The nominal contractual value of financial guarantees, letters of credit and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded in the statement of financial position. The nominal values of these instruments together with the corresponding ECLs are disclosed in Note 29(b) and Note 8, respectively.

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2. Summary of Material Accounting Policies (Continued)

(f) Financial instruments: financial assets and liabilities (continued)

Financial guarantees, letters of credit and undrawn loan commitments (continued)

The Bank 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.

Reclassification of financial assets and liabilities

The Bank does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Bank acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified. The Bank did not reclassify any of its financial assets or liabilities in 2024 or 2023.

(g) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise balances with less than 90 days maturity from the date of acquisition including cash and balances with Bank of Jamaica (excluding statutory reserves) and accounts with other banks (Note 3).

(h) 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.

(i) Impairment of financial assets

Overview of the ECL principles

The Bank records the 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 Notes 7 and 8. The Bank's policies for determining if there has been a significant increase in credit risk are set out below.

The 12mECL is the portion of LTECLs that represents 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.

Where the financial asset meets the definition of POCI, the allowance is based on the change in the ECLs over the life of the asset.

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2. Summary of Material Accounting Policies (Continued)

(i) Impairment of financial assets (continued)

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

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

- **Stage 1:** When loans are first recognised, the Bank recognises an allowance based on 12mECLs. Stage 1 loans also include facilities where the credit risk has improved, and the loan has been reclassified from Stage 2.
- **Stage 2:** When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. Stage 2 loans also include facilities, where the credit risk has improved, and the loan has been reclassified from Stage 3.
- **Stage 3:** Loans considered credit-impaired (as outlined in Note 8). The Bank records an allowance for the LTECLs.
- **POCI:** Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit adjusted EIR. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

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

The calculation of ECLs

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

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2. Summary of Material Accounting Policies (Continued)

(i) Impairment of financial assets (continued)

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 33.
- **EAD** - The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments. The EAD is further explained in Note 33.
- **LGD** - The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD. The LGD is further explained in Note 33.

When estimating the ECLs, the Bank considers among other factors the risk rating category and aging of the financial asset. Each of these is associated with different PDs, EADs and LGDs. When relevant, it also incorporates how defaulted loans and investments are expected to be recovered, including the value of collateral or the amount that might be received for selling the asset.

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

Provisions for ECLs for undrawn loan commitments are assessed as set out in Note 8.

The mechanics of the ECL method are summarised below:

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

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2. Summary of Material Accounting Policies (Continued)

(i) Impairment of financial assets (continued)

The mechanics of the ECL method are summarised below: (continued)

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

For credit cards and revolving facilities that include both a loan and an undrawn commitment, ECLs are calculated and presented together with the loan. For loan commitments and letters of credit, the ECL is recognised within Provisions.

- **Financial guarantee contracts:** The Bank estimates ECLs by applying the PD and LGD to the exposure, and this amount is discounted at an approximation to the interest rate relevant to the exposure. The ECLs related to financial guarantee contracts are recognised within credit loss on financial assets.

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 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.

Credit cards and other revolving facilities

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

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2. Summary of Material Accounting Policies (Continued)

(i) Impairment of financial assets (continued)

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 33 but greater emphasis is also given to qualitative factors such as changes in usage.

The calculation of ECLs, including the estimation of the expected period of exposure and discount rate is made, as explained in Note 33, on a collective basis for retail products. The collective assessments are made separately for portfolios of facilities with similar credit risk characteristics.

Forward looking information

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

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

For the majority of the Bank's loan portfolios, the forecast of forward-looking information variables is established from a "base case" or most likely scenario. In forming the "base case" scenario, the Bank considers the forecasts of monetary authorities such as the International Monetary Fund (IMF), World Bank and regulatory/statutory bodies. The Bank then derives reasonably possible "upside case" and "downside case" scenarios using the historical performance of variables that are above and below its "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 the amount and timing of the ECL allowance being recognized. As such overlays, are continuously reviewed for relevance and accuracy. Detailed information about these inputs and sensitivity analysis are provided in Note 33.

Collateral valuation

To mitigate its credit risks on financial assets, the Bank seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets, and credit enhancements such as netting agreements. Collateral, unless repossessed, is not recorded on the Bank's statement of financial position. However, the fair value of collateral affects the calculation of ECLs. It is generally assessed at a minimum, at inception and re-assessed on a quarterly basis. Details of the impact of the Bank's various credit enhancements are disclosed in Note 33(b).

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

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2. Summary of Material Accounting Policies (Continued)

(i) Impairment of financial assets (continued)

Collateral repossessed

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

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

Write-offs

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

Forborne and modified loans

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

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

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2. Summary of Material Accounting Policies (Continued)

(i) Impairment of financial assets (continued)

Forborne and modified loans (continued)

When the loan has been renegotiated or modified but not derecognised, the Bank also reassesses whether there has been a significant increase in credit risk, as set out in Note 33(b). The Bank also considers whether the assets should be classified as Stage 3. Once an asset has been classified as forborne, it will remain forborne for a minimum probation period of one year, over which the asset must be serviced in line with contractual obligations. In order for the loan to be reclassified out of the forborne category, the customer has to meet all of the following criteria:

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

Details of forborne and modified assets are disclosed in Note 33(d). If modifications are substantial, the loan is derecognised, as explained in Note 2(j).

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

(j) Derecognition of financial assets and liabilities

Derecognition due to substantial modification of terms and conditions

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

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

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

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

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2. Summary of Material Accounting Policies (Continued)

(j) Derecognition of financial assets and liabilities (continued)

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 Bank also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

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

- The Bank 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 Bank retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:
 - i. The Bank has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates
 - ii. The Bank cannot sell or pledge the original asset other than as security to the eventual recipients
 - iii. The Bank has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Bank is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

A transfer only qualifies for derecognition if either:

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

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2. Summary of Material Accounting Policies (Continued)

(j) Derecognition of financial assets and liabilities (continued)

Derecognition other than for substantial modification (continued)

Financial assets (continued)

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

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

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

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

Financial liabilities

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

(k) Sale and repurchase agreements and lending of securities

Securities sold under agreements to repurchase (repurchase agreements) and securities purchased under agreements to resell (reverse repurchase agreements) are treated as collateralised financing transactions. The difference between the sale/purchase and repurchase/resale price is treated as interest and accrued over the life of the agreements using the effective yield method.

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2. Summary of Material Accounting Policies (Continued)

(l) Earnings per stock unit

Basic earnings per stock unit is calculated by dividing the net profit attributable to equity holders of the parent by the weighted average number of common shares outstanding during the year.

(m) Property and equipment

Land and buildings comprise mainly branches and offices and are shown at deemed cost, less subsequent depreciation for buildings. Under IFRS 1, a first time adopter may elect to use a previous GAAP revaluation of an item of property and equipment as its deemed cost. The Bank elected to apply this provision on transition to IFRS on 1 November 2002.

All other property and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the 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 statement of financial position. Refer to the accounting policy for leases at Note 2(n). Right-of-use assets are depreciated on a straight-line basis over the lease term.

Land is not depreciated. Depreciation on other owned property and equipment is computed on the straight line method at rates considered adequate to write-off the cost of depreciable assets, less salvage, over their estimated useful lives.

The annual rates used are:

- Buildings	2½%
- Leasehold improvements	10% or over the life of the lease
- Equipment, furniture and vehicles	6.67% - 50%

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.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. 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.

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

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2. Summary of Material Accounting Policies (Continued)

(n) Leases

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

(i) *As lessee*

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

Right-of-use assets

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

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

Lease liabilities

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

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

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which 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 measured 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 statement of financial position.

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2. Summary of Material Accounting Policies (Continued)

(n) Leases (continued)

(i) *As lessee (continued)*

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

The Bank determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Bank has several lease contracts that include extension and termination options. The Bank applies 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 Bank reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation of the leased asset).

Estimating the incremental borrowing rate

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

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

The Bank is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset. Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

(ii) *As lessor*

Leases in which the Bank 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 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.

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2. Summary of Material Accounting Policies (Continued)

(n) Leases (continued)

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 and equipment and are recorded under loans and advances to customers in the statement of financial position at the amount of the net investment in the leases. At the commencement of the lease term, the Bank 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 Bank's net investment in the lease.

(o) 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 Bank accounts for the acquisition of commonly controlled entities as follows:

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

(p) Provisions

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

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

(q) Income and deferred taxes

Taxation expense in the statement of income comprises current and deferred tax charges.

Current tax charges are based on taxable income for the year, which differs from the income before tax reported because taxable income excludes items that are never taxable or deductible. The Bank's liability for current tax is calculated at tax rates that have been enacted at the reporting date.

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2. Summary of Material Accounting Policies (Continued)

(q) Income and deferred taxes (continued)

Deferred tax is the tax that is expected to be paid or recovered on differences between the carrying amounts of assets and liabilities and the corresponding tax bases. Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted or substantially enacted tax rates are used in the determination of deferred income tax.

Deferred tax assets are recognised for all deductible temporary differences and any unused carry-forward tax losses, to the extent that it is probable that future taxable income will be available against which the temporary differences can be utilised. Management's judgement is required to determine the amount of the deferred tax asset that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Deferred tax assets are reviewed at each reporting date to determine whether it is probable that the related tax benefit will be realized. Deferred tax is charged or credited in the statement of income, except where it relates to items charged or credited to other comprehensive income, in which case deferred tax is also dealt with in the statement of comprehensive income.

Significant estimates are required in determining the provision for 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. 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. This includes significant judgement in the determination of whether it is probable that the Bank's tax filing positions will be sustained relating to certain complex tax positions, when probable, the measurement of such provision when recognised.

(r) Customer loyalty programme

The Bank 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 expired.

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2. Summary of Material Accounting Policies (Continued)

(s) Retirement benefit obligations

(i) Pension obligations

The Bank operates a defined benefit plan and a defined contribution plan, the assets of which are generally held in separate trustee-administered funds. The pension plans are generally funded by payments from the Bank, taking account of the recommendations of independent qualified actuaries.

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. The asset recognised in the statement of financial position in respect of the defined benefit pension plan is the difference between the present value of the defined benefit obligation at the reporting date and the fair value of plan assets, together with adjustments for unrecognised actuarial gains and 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.

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

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

- The date of the plan amendment or curtailment, and
- The date that the Bank recognises restructuring-related cost

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

A defined contribution plan is a pension plan under which the Bank pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligations 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 regular contributions constitute net periodic costs for the year in which they are due and as such are included in staff costs. The Bank's contributions to defined contribution pension plans are charged to the statement of income in the year to which they relate.

(ii) Other post-retirement obligations

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

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2. Summary of Material Accounting Policies (Continued)

(s) Retirement benefit obligations (continued)

(iii) *Annual leave and other benefits*

Employee entitlements to annual leave and other benefits are recognised when they accrue to employees. A provision is made for the established liability for annual leave and other benefits as a result of services rendered by employees up to the statement of financial position date.

(t) Recognition of income and expenses

(i) *Interest and similar income and expense*

Interest and similar income and expense are recognised in the statement of income for all interest bearing instruments on an accrual basis using the effective interest rate method based on the actual purchase price or estimated recoverable amount. Interest income includes coupons earned on fixed income investments and accrued discount or premium on treasury bills and other discounted instruments.

Where collection of interest income is considered doubtful, or payment is outstanding for more than 90 days, the banking regulations stipulate that interest should be taken into account on the cash basis. IFRS Accounting Standards requires that when loans become doubtful of collection, they are written down to their recoverable amounts and interest income is thereafter recognised based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the recoverable amount. The difference between the regulatory and IFRS Accounting Standards bases of interest recognition was assessed to be immaterial.

Interest income is 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 interest bearing financial assets measured at FVOCI under IFRS 9, 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.

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 statement of financial position with an increase or reduction in interest income. The adjustment is subsequently amortised through Interest and similar income in the income statement.

The Bank calculates interest income by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets. When a financial asset becomes credit-impaired (as set out in Note 8) and is, therefore, regarded as 'Stage 3', the Bank calculates interest income by applying the effective interest rate to the net amortised cost of the financial asset. If the financial assets are reclassified out of forborne assets and is no longer credit-impaired, the Bank reverts to calculating interest income on a gross basis.

Interest income on financial assets mandatorily required to be measured at FVPL is recognised using the contractual interest rate in net gains/(losses) on financial assets at fair value through profit or loss, respectively.

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2. Summary of Material Accounting Policies (Continued)

(t) Recognition of income and expenses (continued)

(ii) *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 the Bank expects 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, the Bank is generally required to provide the services each period and therefore measures its progress towards completion of the service based upon the time elapsed. When another party is involved in providing a service to a customer, the Bank determines whether the nature of its performance obligation is that of a principal or an agent. If the Bank controls the service before it is transferred to the customer, the Bank is acting as the principal and presents revenue separately from the amount paid to the other party; otherwise, the Bank is the agent and presents 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 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 remeasurement 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.

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2. Summary of Material Accounting Policies (Continued)

(u) Fair value measurement

The Bank measures financial instruments, such as, derivatives, and FVOCI debt securities at fair value at each statement of financial position date. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 33. 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 Bank.

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

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

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

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

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3. Cash and Balances with Central Bank

	2024 \$'000	2023 \$'000
Cash	3,795,316	4,600,250
Deposits with Central Bank – interest bearing	16,026,830	19,912,883
Deposits with Central Bank – non-interest bearing	4,471,881	3,860,000
	<u>24,294,027</u>	<u>28,373,133</u>
Interest receivable	607	14,759
	<u>24,294,634</u>	<u>28,387,892</u>

Under Section 43 of the Banking Services Act, 2014, the Bank is required to place deposits with the Bank of Jamaica (“Central Bank”) which are held substantially on a non-interest-bearing basis as a cash reserve; accordingly, these amounts are not available for investment or other use by the Bank. These reserves represent the required ratio of the Bank’s prescribed liabilities as follows:

	2024	2023
Jamaica dollar denominated cash reserves	6%	6%
Foreign currency denominated reserves	14%	14%

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following:

	2024 \$'000	2023 \$'000
Cash and balances with Central Bank	24,294,027	28,373,133
Less: Mandatory reserve deposits with Central Bank (Note 31)	<u>(14,519,575)</u>	<u>(13,953,372)</u>
	9,774,452	14,419,761
Due from other banks (Note 4)	7,550,109	6,498,994
	<u>17,324,561</u>	<u>20,918,755</u>

4. Due From Other Banks

	2024 \$'000	2023 \$'000
Placements (Note 3)	7,550,109	6,498,994
Interest receivable	5,318	3,199
	<u>7,555,427</u>	<u>6,502,193</u>

Included in placements are non-interest bearing deposits with the ultimate parent company of \$200,811,000 (2023 – \$591,512,000) (Note 28).

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5. Derivative Financial Instruments

The table below shows the fair values of derivative financial instruments recorded as assets or liabilities, together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year-end and are indicative of neither the market risk nor the credit risk. The Bank has positions in the following derivatives and they are measured at fair value through profit or loss:

	Notional Amount		Fair Values	
	2024	2023	2024	2023
	US\$'000	US\$'000	J\$'000	J\$'000
Interest rate swap	108,339	113,083	13,595	40,818

Interest rate swaps

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

6. Other Assets

	2024	2023
	\$'000	\$'000
Prepayments and deferred items	205,388	126,424
Due from related parties (Note 28)	866,584	-
Items in transit, net	417,009	294,706
Other	18,835	18,855
	<u>1,507,816</u>	<u>439,985</u>

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7. Investment Securities

	2024	2023
	\$'000	\$'000
Debt securities measured at FVOCI		
Government securities	33,413,587	33,889,631
Equity securities – unquoted (see note below)	5,034	5,034
Total securities at FVOCI	33,418,621	33,894,665
Add: Interest receivable	1,246	1,236
Balance at end of period	33,419,867	33,895,901

Unquoted equity instruments for which fair values cannot be measured reliably are recognised at cost less impairment.

The average effective yield during the year on debt securities was 7.1% (2023 – 5.17%).

The movement in investment securities may be summarised as follows:

	2024	2023
	\$'000	\$'000
Balance at the beginning of the year	33,894,665	31,390,121
Additions	123,467,989	79,571,481
Changes in fair value	14,695	3,864
Amortisation of premium/(discount) on purchases	76,018	(8,457)
Disposals/maturities	(124,034,746)	(77,062,344)
Balance at end of the year	33,418,621	33,894,665

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7. Investment Securities (Continued)

Allowance for credit losses on investment securities

The table below provides a reconciliation of the opening balance to the closing balance of the ECL allowance under the IFRS 9 for debt securities measured at FVOCI:

	Stage 1	Stage 2	Stage 3	2024
	Collective provision 12 month ECL non-credit impaired \$'000	Collective provision lifetime ECL non-credit impaired \$'000	Collective and individual provision lifetime ECL credit impaired \$'000	Total \$'000
Debt securities measured at FVOCI				
Balance at beginning of period	45,546	-	-	45,546
Originations net of repayments and other derecognitions	(2,530)	-	-	(2,530)
Net remeasurement	(15,255)	-	-	(15,255)
Credit loss (release)/expense	(17,785)	-	-	(17,785)
Foreign exchange revaluation	(87)	-	-	(87)
Balance at end of period	27,674	-	-	27,674
	Stage 1	Stage 2	Stage 3	2023
	Collective provision 12 month ECL non-credit impaired \$'000	Collective provision lifetime ECL non-credit impaired \$'000	Collective and individual provision lifetime ECL credit impaired \$'000	Total \$'000
Debt securities measured at FVOCI				
Balance at beginning of period	61,115	13,025	-	74,140
Originations net of repayments and other derecognitions	(29,245)	(13,328)	-	(42,573)
Net remeasurement	13,666	303	-	13,969
Credit loss (release)/expense	(15,579)	(13,025)	-	(28,604)
Foreign exchange revaluation	10	-	-	10
Balance at end of period	45,546	-	-	45,546

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8. Loans and Advances to Customers

	Stage 1	Stage 2	Stage 3	2024
	Collective Provision 12 month ECL non-credit impaired \$'000	Collective Provision lifetime ECL non-credit impaired \$'000	Collective and individual Provision lifetime ECL credit impaired \$'000	Total \$'000
Mortgages				
Gross loans	17,019,277	1,330,717	368,302	18,718,296
ECL allowance	(56,301)	(22,358)	(188,189)	(266,848)
Net mortgages	16,962,976	1,308,359	180,113	18,451,448
Personal loans				
Gross loans	18,489,931	604,243	433,622	19,527,796
ECL allowance	(268,815)	(44,127)	(223,490)	(536,432)
Net personal loans	18,221,116	560,116	210,132	18,991,364
Business & Government				
Gross loans	68,545,125	5,801,383	145,430	74,491,938
ECL allowance	(452,481)	(50,260)	(51,411)	(554,152)
Net business and government loans	68,092,644	5,751,123	94,019	73,937,786
Total net loans	103,276,736	7,619,598	484,264	111,380,598
Add: Interest receivable				743,265
Less: Unearned fee income				(795,456)
				111,328,407

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8. Loans and Advances to Customers (Continued)

	Stage 1	Stage 2	Stage 3	2023
	Collective Provision 12 month ECL non-credit impaired \$'000	Collective Provision lifetime ECL non-credit impaired \$'000	Collective and individual Provision lifetime ECL credit impaired \$'000	Total \$'000
Mortgages				
Gross loans	14,974,266	1,025,962	183,530	16,183,758
ECL allowance	(45,485)	(15,095)	(126,004)	(186,584)
Net mortgages	14,928,781	1,010,867	57,526	15,997,174
Personal loans				
Gross loans	13,610,022	499,607	338,327	14,447,956
ECL allowance	(223,365)	(39,806)	(203,929)	(467,100)
Net personal loans	13,386,657	459,801	134,398	13,980,856
Business & Government				
Gross loans	56,080,392	3,339,640	316,235	59,736,267
ECL allowance	(483,638)	(55,511)	(95,758)	(634,907)
Net business and government loans	55,596,754	3,284,129	220,477	59,101,360
Total net loans	83,912,192	4,754,797	412,401	89,079,390
Add: Interest receivable				543,924
Less: Unearned fee income				(686,992)
				88,936,322

The average interest yield during the year on loans and advances was 7.66% (2023 – 8.47%).

Impaired loans

	2024			2023		
	Gross impaired	Stage 3 allowance	Net impaired	Gross impaired	Stage 3 allowance	Net impaired
Residential mortgages	368,302	188,189	180,113	183,530	126,004	57,526
Personal	433,622	223,490	210,132	338,327	203,929	134,398
Business & Government	145,430	51,411	94,019	316,235	95,758	220,477
Total impaired loans	947,354	463,090	484,264	838,092	425,691	412,401

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8. Loans and Advances to Customers (Continued)

Aging analysis of past due but not impaired loans is as follows:

As at 31 October 2024	Mortgages \$'000	Personal Loans \$'000	Business & Government \$'000	Total \$'000
Less than 30 days	7,825	64,322	114,245	186,392
31 – 60 days	832,893	220,978	184,201	1,238,072
61- 90 days	323,955	143,511	66,043	533,509
	<u>1,164,673</u>	<u>428,811</u>	<u>364,489</u>	<u>1,957,973</u>

As at 31 October 2023	Mortgages \$'000	Personal Loans \$'000	Business & Government \$'000	Total \$'000
Less than 30 days	3,838	74,755	87,649	166,242
31 – 60 days	698,425	307,614	94,863	1,100,902
61- 90 days	349,673	112,516	12,434	474,623
	<u>1,051,936</u>	<u>494,885</u>	<u>194,946</u>	<u>1,741,767</u>

ECL allowances required under IFRS Accounting Standards and the Bank of Jamaica regulatory requirements comprise: -

	2024 \$'000	2023 \$'000
Specific allowance	463,090	425,691
General allowance	<u>894,342</u>	<u>862,900</u>
	<u>1,357,432</u>	<u>1,288,591</u>

As at 31 October 2024, loans with principal balances outstanding of \$947,354,000 (2023: \$838,092,000) were in non-performing status. Interest receivable on these loans amounted to \$NIL (2023: \$NIL). Interest taken to income in respect of these loans amounted to \$11,417,000 (2023: \$13,653,000).

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8. Loans and Advances to Customers (Continued)

The movement in the ECL allowances during the year is as follows:

	Stage 1	Stage 2	Stage 3	2024
	Collective Provision 12 month ECL non-credit impaired \$'000	Collective Provision lifetime ECL non-credit impaired \$'000	Collective and individual provision lifetime ECL credit impaired \$'000	Total \$'000
Mortgages				
Balance at beginning of period	45,485	15,095	126,004	186,584
Originations net of repayments and other derecognitions	9,549	(510)	(9,346)	(307)
Changes in model	-	-	-	-
Net remeasurement	(3,363)	15,678	61,792	74,107
Transfers:				
- to 12-month ECL	9,133	(9,133)	-	-
- to lifetime ECL performing	(4,567)	4,567	-	-
- to lifetime ECL credit-impaired	(78)	(3,522)	3,600	-
Credit loss expense	10,674	7,080	56,046	73,800
Provision for time value interest	-	-	12,682	12,682
Total credit loss expense	10,674	7,080	68,728	86,482
Write-offs/adjustments	-	-	4,909	4,909
Interest income on impaired loans	-	-	(12,682)	(12,682)
Foreign exchange revaluation	142	183	1,230	1,555
Balance at end of year	56,301	22,358	188,189	266,848
Personal Loans				
Balance at beginning of period	223,365	39,806	203,929	467,100
Originations net of repayments and other derecognitions	99,068	585	(16,983)	82,670
Changes in model	-	-	-	-
Net remeasurement	(51,271)	7,484	239,884	196,097
Transfers:				
- to 12-month ECL	8,491	(8,484)	(7)	-
- to lifetime ECL performing	(10,902)	10,962	(60)	-
- to lifetime ECL credit-impaired	(636)	(6,262)	6,898	-
Credit loss expense	44,750	4,285	229,732	278,767
Provision for time value interest	-	-	21,346	21,346
Total credit loss expense	44,750	4,285	251,078	300,113
Write-offs/adjustments	-	-	(249,113)	(249,113)
Recoveries	-	-	37,811	37,811
Interest income on impaired loans	-	-	(21,346)	(21,346)
Foreign exchange revaluation	700	36	1,131	1,867
Balance at end of year	268,815	44,127	223,490	536,432

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8. Loans and Advances to Customers (Continued)

The movement in the ECL allowances during the year is as follows (continued):

	Stage 1	Stage 2	Stage 3	2024
	Collective provision 12- month ECL non-credit impaired \$'000	Collective provision lifetime ECL non-credit impaired \$'000	Collective and Individual Provision lifetime ECL credit impaired \$'000	Total \$'000
Business and Government				
Balance at beginning of period	483,638	55,511	95,758	634,907
Originations net of repayments and other derecognitions	104,228	8,105	(9,541)	102,792
Changes in model	-	-	-	-
Net remeasurement	(134,372)	(19,857)	16,419	(137,810)
Transfers:				
- to 12-month ECL	22,169	(16,921)	(5,248)	-
- to lifetime ECL performing	(24,563)	24,575	(12)	-
- to lifetime ECL credit-impaired	(134)	(1,204)	1,338	-
Credit loss (release)/expense	(32,672)	(5,302)	2,956	(35,018)
Provision for time value interest	-	-	9,768	9,768
Total credit loss (release)/expense	(32,672)	(5,302)	12,724	(25,250)
Write-offs/adjustments	-	-	(49,342)	(49,342)
Interest income on impaired loans	-	-	(9,768)	(9,768)
Foreign exchange revaluation	1,515	51	2,039	3,605
Balance at end of year	452,481	50,260	51,411	554,152
Total ECL allowance	777,597	116,745	463,090	1,357,432

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8. Loans and Advances to Customers (Continued)

The movement in the ECL allowances during the year is as follows (continued):

	Stage 1	Stage 2	Stage 3	2024
	Collective provision 12- month ECL non-credit impaired \$'000	Collective provision lifetime ECL non-credit impaired \$'000	Collective and individual provision lifetime ECL credit impaired \$'000	Total \$'000
Total Bank				
Balance at beginning of period	752,488	110,412	425,691	1,288,591
Originations net of repayments and other derecognitions	212,845	8,180	(35,870)	185,155
Changes in model	-	-	-	-
Net remeasurement	(189,006)	3,305	318,095	132,394
Transfers:				
- to 12-month ECL	39,793	(34,538)	(5,255)	-
- to lifetime ECL performing	(40,032)	40,104	(72)	-
- to lifetime ECL credit-impaired	(848)	(10,988)	11,836	-
Credit loss expense	22,752	6,063	288,734	317,549
Provision for time value interest	-	-	43,796	43,796
Total credit loss expense	22,752	6,063	332,530	361,345
Write-offs/adjustments	-	-	(293,546)	(293,546)
Recoveries	-	-	37,811	37,811
Interest income on impaired loans	-	-	(43,796)	(43,796)
Foreign exchange revaluation	2,357	270	4,400	7,027
Balance at end of year	777,597	116,745	463,090	1,357,432
Comprises:				
Loans	722,344	116,376	463,090	1,301,810
Undrawn credit facilities and other	55,253	369	-	55,622
Total ECL allowance	777,597	116,745	463,090	1,357,432

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8. Loans and Advances to Customers (Continued)

The movement in the ECL allowances during the year is as follows (continued):

	Stage 1	Stage 2	Stage 3	2023
	Collective Provision 12 month ECL non-credit impaired \$'000	Collective Provision lifetime ECL non-credit impaired \$'000	Collective and individual provision lifetime ECL credit impaired \$'000	Total \$'000
Mortgages				
Balance at beginning of period	44,193	14,147	92,691	151,031
Originations net of repayments and other derecognitions	7,312	1,102	(3,105)	5,309
Changes in model	(7,592)	(2,989)	(4,137)	(14,718)
Net remeasurement	(10,593)	14,083	5,002	8,492
Transfers:				
- to 12-month ECL	16,538	(16,538)	-	-
- to lifetime ECL performing	(5,077)	5,077	-	-
- to lifetime ECL credit-impaired	(33)	(556)	589	-
Credit loss expense/(release)	555	179	(1,651)	(917)
Provision for time value interest	-	-	9,051	9,051
Total credit loss expense	555	179	7,400	8,134
Write-offs	-	-	(523)	(523)
Interest income on impaired loans	-	-	(9,051)	(9,051)
Foreign exchange revaluation	737	769	35,487	36,993
Balance at end of year	45,485	15,095	126,004	186,584
Personal Loans				
Balance at beginning of period	256,058	48,691	657,380	962,129
Originations net of repayments and other derecognitions	77,659	(1,755)	(21,017)	54,887
Changes in model	(17,610)	(1,186)	(12,303)	(31,099)
Net remeasurement	(93,835)	(1,055)	298,841	203,951
Transfers:				
- to 12-month ECL	8,762	(8,422)	(340)	-
- to lifetime ECL performing	(8,966)	9,748	(782)	-
- to lifetime ECL credit-impaired	(680)	(6,215)	6,895	-
Credit loss (release)/expense	(34,670)	(8,885)	271,294	227,739
Provision for time value interest	-	-	16,590	16,590
Total credit loss (release)/expense	(34,670)	(8,885)	287,884	244,329
Write-offs/adjustments			(736,089)	(736,089)
Recoveries			46,414	46,414
Interest income on impaired loans			(17,535)	(17,535)
Foreign exchange revaluation	1,977	-	(34,125)	(32,148)
Balance at end of year	223,365	39,806	203,929	467,100
Personal Loans				
Balance at beginning of period	256,058	48,691	657,380	962,129

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8. Loans and Advances to Customers (Continued)

The movement in the ECL allowances during the year is as follows (continued):

	Stage 1	Stage 2	Stage 3	2023
	Collective provision 12- month ECL non-credit impaired \$'000	Collective provision lifetime ECL non-credit impaired \$'000	Collective and Individual Provision lifetime ECL credit impaired \$'000	Total \$'000
Business and Government				
Balance at beginning of period	865,362	205,772	229,792	1,300,926
Originations net of repayments and other derecognitions	100,724	(9,485)	(1,945)	89,294
Changes in model	(66,718)	(10,528)	(4,695)	(81,941)
Net remeasurement	(437,472)	(110,306)	63,183	(484,595)
Transfers:				
- to 12-month ECL	25,124	(24,360)	(764)	-
- to lifetime ECL performing	(4,649)	4,702	(53)	-
- to lifetime ECL credit-impaired	(345)	(284)	629	-
Credit loss (release)/expense	(383,336)	(150,261)	56,355	(477,242)
Provision for time value interest	-	-	12,351	12,351
Total credit loss (release)/expense	(383,336)	(150,261)	68,706	(464,891)
Write-offs	-	-	(178,298)	(178,298)
Interest income on impaired loans	-	-	(25,059)	(25,059)
Foreign exchange revaluation	1,612	-	617	2,229
Balance at end of year	483,638	55,511	95,758	634,907
Total ECL allowance	752,488	110,412	425,691	1,288,591

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8. Loans and Advances to Customers (Continued)

The movement in the ECL allowances during the year is as follows (continued):

	Stage 1	Stage 2	Stage 3	2023
	Collective provision 12-month ECL non-credit impaired \$'000	Collective provision lifetime ECL non-credit impaired \$'000	Collective and individual provision lifetime ECL credit impaired \$'000	Total \$'000
Total Bank				
Balance at beginning of period	1,165,613	268,610	979,863	2,414,086
Originations net of repayments and other derecognitions	185,695	(10,138)	(26,067)	149,490
Changes in model	(91,920)	(14,703)	(21,135)	(127,758)
Net remeasurement	(541,900)	(97,278)	367,026	(272,152)
Transfers:				
- to 12-month ECL	50,424	(49,320)	(1,104)	-
- to lifetime ECL performing	(18,692)	19,527	(835)	-
- to lifetime ECL credit-impaired	(1,058)	(7,055)	8,113	-
Credit loss (release)/expense	(417,451)	(158,967)	325,998	(250,420)
Provision for time value interest	-	-	37,992	37,992
Total credit loss (release)/expense	(417,451)	(158,967)	363,990	(212,428)
Write-offs/adjustments	-	-	(914,910)	(914,910)
Recoveries	-	-	46,414	46,414
Interest income on impaired loans	-	-	(51,645)	(51,645)
Foreign exchange revaluation	4,326	769	1,979	7,074
Balance at end of year	752,488	110,412	425,691	1,288,591
Comprises:				
Loans	715,768	109,089	425,691	1,250,548
Undrawn credit facilities and other	36,720	1,323	-	38,043
Total ECL allowance	752,488	110,412	425,691	1,288,591

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9. Property and Equipment

	Land \$'000	Buildings \$'000	Leasehold Improvements \$'000	Equipment, Furniture and Vehicles \$'000	Right-of- Use-Assets- Buildings \$'000	Total \$'000
2024						
Cost						
1 November 2023	55,000	468,528	463,784	4,686,463	2,133,625	7,807,400
Additions	-	-	54,037	960,761	-	1,014,798
Disposals/ adjustments	-	-	(4,573)	(485,146)	-	(489,719)
Modifications	-	-	-	-	430,925	430,925
Transfers	-	6,593	36,907	(43,500)	-	-
31 October 2024	55,000	475,121	550,155	5,118,578	2,564,550	8,763,404
Accumulated depreciation						
1 November 2023	-	113,526	312,889	2,896,901	1,250,305	4,573,621
Charge for the year (Note 24)	-	11,602	35,712	413,940	357,653	818,907
Relieved on disposals	-	-	(4,573)	(484,418)	-	(488,991)
31 October 2024	-	125,128	344,028	2,826,423	1,607,958	4,903,537
Net book value						
31 October 2024	55,000	349,993	206,127	2,292,155	956,592	3,859,867
2023						
Cost						
1 November 2022	55,000	411,560	445,499	3,940,526	1,178,395	6,030,980
Additions	-	45,508	7,399	837,930	7,160	897,997
Disposals/ adjustments	-	-	(7,004)	(62,643)	(2,296)	(71,943)
Modifications	-	-	-	-	950,366	950,366
Transfers	-	11,460	17,890	(29,350)	-	-
31 October 2023	55,000	468,528	463,784	4,686,463	2,133,625	7,807,400
Accumulated depreciation						
1 November 2022	-	102,443	285,181	2,631,353	905,644	3,924,621
Charge for the year (Note 24)	-	11,083	34,620	326,739	346,748	719,190
Relieved on disposals	-	-	(6,912)	(61,191)	(2,087)	(70,190)
31 October 2023	-	113,526	312,889	2,896,901	1,250,305	4,573,621
Net book value						
31 October 2023	55,000	355,002	150,895	1,789,562	883,320	3,233,779

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9. Property and Equipment (Continued)

This note also provides information for operating leases where the Bank is a lessee. There are no operating leases where the Bank is a lessor.

Included in the table above are amounts totaling \$14,430,000 (2023 – \$14,430,000) representing the revalued amount of land and buildings which has been used as the deemed cost of these assets under the provision of IFRS 1 on transition to IFRS on 1 November 2002. Subsequent additions and other property and equipment are shown at cost. Equipment, furniture, and vehicles include \$369,808,000 (2023 - \$475,846,000) relating to work-in-progress on which no depreciation has been charged.

Set out below are the carrying amounts of lease liabilities (included under 'Other liabilities' in Note 13) and the movements during the period:

	2024	2023
	\$'000	\$'000
As at 1 November	977,451	353,260
Additions	-	7,160
Terminations	-	(510)
Modification	430,925	950,366
	<u>1,408,376</u>	<u>1,310,276</u>
Accretion of interest (Note 21)	45,126	23,028
Payments	(379,789)	(367,153)
Revaluation	22,815	11,300
As at 31 October	<u>1,096,527</u>	<u>977,451</u>

The maturity analysis of lease liabilities are disclosed in Note 33.

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:

	2024	2023
	\$'000	\$'000
Expenses relating to leases of low-value assets not shown above as short-term	<u>57,319</u>	<u>39,169</u>

There were no variable lease payments in the current or prior year.

The Bank had total cash outflows for leases of \$379,789,000 (2023: \$367,153,000) as at 31 October 2024.

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10. Deferred Income Taxes

Deferred income taxes are calculated on all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes using the statutory tax rate of 33⅓% (2023 - 33⅓%).

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities.

The movement in the deferred income tax account was as follows:

	2024	2023
	\$'000	\$'000
Balance as at 1 November	118,266	(188,326)
Release/(charge) to the statement of income (Note 25)	40,214	(224,112)
Prior year adjustment	(1,141)	-
(Charge)/release to other comprehensive income (Note 27)	<u>(292,406)</u>	<u>530,704</u>
Balance as at 31 October	<u><u>(135,067)</u></u>	<u><u>118,266</u></u>

Deferred income tax assets and liabilities were attributable to the following items:

	2024	2023
	\$'000	\$'000
Deferred tax assets:		
Expected credit loss allowances	307,338	302,812
Post-retirement medical and insurance benefits	29,760	23,990
Unearned fees	265,152	228,997
Other provisions	<u>118,380</u>	<u>47,272</u>
	<u>720,630</u>	<u>603,071</u>
Deferred tax liabilities:		
Accelerated tax depreciation	217,380	138,894
Retirement benefit asset	628,061	334,605
Debt securities at FVOCI	<u>10,256</u>	<u>11,306</u>
	<u>855,697</u>	<u>484,805</u>
Net deferred tax (liability)/asset	<u><u>(135,067)</u></u>	<u><u>118,266</u></u>

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11. Retirement Benefit Asset (Obligation)

Plan Characteristics, funding, and risks

The Bank operates a pension scheme covering all permanent employees. The pension benefit is based on the average of the best five consecutive years' earnings in the last ten years, multiplied by the years of credited service. The assets of the plan are held independently of the Bank's assets in a separate trustee fund. The scheme is valued by independent actuaries annually using the Projected Unit Credit Method. The latest actuarial valuation for IFRS Accounting Standards purposes was carried out as at 31 October 2024.

Benefit changes

There were no material changes to the terms of the defined benefit pension or post-retirement medical benefit plans in 2024 or 2023.

Risks

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

Plan Governance

The Bank is responsible for the establishment of the plan and has oversight of its management and administration. The Bank's Board of Directors has delegated powers and authorities to a Pension Steering Committee ("PSC") 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 plan and the investment of plan assets. These are set out in the documented mandates for these committees. The day-to-day oversight of the management and administration of the plan is the responsibility of the Board of Trustees who ensures the plan is operated in accordance with the Trust Deed and Rules and local legislation and that all benefits are calculated and paid in accordance with the plan Rules. The Trustees have appointed an Investment Manager who holds the funds on behalf of the Trustees and invests the plan assets as directed by the Trustees. The PSC and ISC provide support and guidance to the Board of Trustees on matters such as investment strategy, risk management, funding, and administration. The Trustees set the contribution rates, in consultation with the PSC, based on the results of the triennial actuarial funding valuation. The last actuarial valuation to determine the adequacy of funding done as at 31 October 2021 revealed that the scheme was adequately funded at that date. The investment strategy for the plan, as set out in the Statement of Investment Objectives, Policies and Procedures, is reviewed annually by the Trustees in consultation with the ISC. The current plan assets include investments in locally quoted equities, bonds, and real estate.

Amounts recognized in the statement of financial position:

	2024 \$'000	2023 \$'000
Defined benefit pension scheme (Note 11(a))	1,755,444	1,032,709
Other post-retirement benefits (Note 11(b))	(89,279)	(78,802)

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11. Retirement Benefit Asset (Obligation) (Continued)

(a) Defined benefit pension scheme

	2024 \$'000	2023 \$'000
Fair value of plan asset	6,242,975	5,785,268
Present value of funded obligation	<u>(4,487,531)</u>	<u>(4,752,559)</u>
Asset in the statement of financial position	<u><u>1,755,444</u></u>	<u><u>1,032,709</u></u>

At 31 October 2024, pension plan assets include the Parent's ordinary stock units with a fair value of \$51,738,000 (2023 – \$46,843,000).

	2024 \$'000	2023 \$'000
Balance at 1 November	1,032,709	2,530,949
Credit for the year (Note 23)	(7,381)	201,999
Employer contributions	(155,702)	(134,407)
Effect on statement of other comprehensive income (Note 27)	<u>885,818</u>	<u>(1,565,832)</u>
Balance at 31 October	<u><u>1,755,444</u></u>	<u><u>1,032,709</u></u>

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

	2024 \$'000	2023 \$'000
Current service cost	82,017	51,338
Interest cost	532,095	346,348
Interest income	(642,036)	(629,679)
Administration and other non-plan investment management expenses	<u>35,305</u>	<u>29,994</u>
Included in staff costs (Note 23)	<u><u>7,381</u></u>	<u><u>(201,999)</u></u>
Actual return on plan assets	<u><u>900,014</u></u>	<u><u>517,103</u></u>

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11. Retirement Benefit Asset (Obligation) (Continued)

(a) Defined benefit pension scheme (continued)

Changes in the fair value of plan asset are as follows:

	2024	2023
	\$'000	\$'000
Fair value of plan asset at start of year	5,785,268	5,652,776
Actual return on plan asset	900,014	517,103
Employer contributions (including direct benefit payments for unfunded plans)	(155,702)	(134,407)
Benefits paid during year	(251,300)	(220,210)
Administration and other non-plan investment management expenses	(35,305)	(29,994)
Fair value of plan asset at end of year	<u>6,242,975</u>	<u>5,785,268</u>

Changes in the present value of obligation are as follows:

	2024	2023
	\$'000	\$'000
Present value of obligation at start of year	4,752,559	3,121,827
Interest cost	532,095	346,348
Current service cost	82,017	51,338
Benefits paid during year	(251,300)	(220,210)
Actuarial (gains)/losses on plan obligation	(627,840)	1,453,256
Present value of obligation at end of year	<u>4,487,531</u>	<u>4,752,559</u>

The Bank expects to contribute \$50,000 (2023 - \$50,000) to its defined benefit pension plan in the next year.

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11. Retirement Benefit Asset (Obligation) (Continued)

(a) Defined benefit pension scheme (continued)

The net remeasurement gains/(losses) recognized in statement of other comprehensive income were as follows:

	2024	2023
	\$'000	\$'000
Actuarial gains/(losses) on defined benefit obligation arising from:		
- Financial assumptions	688,283	(1,298,415)
- Experience adjustments	(60,443)	(154,841)
Return on plan assets excluding interest income	257,978	(112,576)
	<u>885,818</u>	<u>(1,565,832)</u>
Net remeasurement gains/(losses) recognized in OCI	<u>885,818</u>	<u>(1,565,832)</u>

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

	2024	2023
	\$'000	\$'000
Active members	2,369,557	2,577,506
Inactive and retired members	2,117,974	2,175,053
	<u>4,487,531</u>	<u>4,752,559</u>

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

	2024	2023
Average duration, in years	<u>13</u>	<u>14</u>

The major categories of plan assets as a percentage of the fair value of total plan assets were as follows:

	2024	2023
	%	%
Quoted equity instruments:		
Local	17	17
International	1	1
Debt instruments:		
Government bonds	19	21
Corporate bonds	13	14
Real estate	29	28
Other assets	21	19
	<u>100</u>	<u>100</u>

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11. Retirement Benefit Asset (Obligation) (Continued)

(a) Defined benefit pension scheme (continued)

The principal actuarial assumptions used were as follows:

	2024	2023
	%	%
Discount rate	11.00	11.50%
Future salary increases	8.00	8.50%
Future pension increases	4.50	6.38%
Existing retiree age (years)	65	65

Defined benefit pension plan amounts for the current and previous four years were as follows:

	2024	2023	2022	2021	2020
	\$'000	\$'000	\$'000	\$'000	\$'000
Fair value of plan assets	6,242,975	5,785,268	5,652,776	5,723,321	5,304,505
Present value of obligation	(4,487,531)	(4,752,559)	(3,121,827)	(4,179,405)	(3,787,853)
	<u>1,755,444</u>	<u>1,032,709</u>	<u>2,530,949</u>	<u>1,543,916</u>	<u>1,516,652</u>

A quantitative sensitivity analysis for significant assumptions as at 31 October 2024 is shown below:

Assumption	Sensitivity level	Impact on net defined benefit pension plans	
		Increase \$'000	Decrease \$'000
Discount rate	1.00%	519,044	631,372
Future salary increases	0.50%	73,632	70,560
Future pension increases	0.50%	214,635	199,125
Existing retiree age	1 year	155,824	N/A

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11. Retirement Benefit Asset (Obligation) (Continued)

(a) Defined benefit pension scheme (continued)

A quantitative sensitivity analysis for significant assumptions as at 31 October 2023 is shown below:

Assumption	Sensitivity level	Impact on net defined benefit pension plans	
		Increase \$'000	Decrease \$'000
Discount rate	1.00%	596,492	734,615
Future salary increases	0.50%	86,086	82,292
Future pension increases	0.50%	246,528	227,817
Existing retiree age	1 year	162,198	N/A

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

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

	2024 \$'000	2023 \$'000
Within the next 12 months	166,182	150,929
Between 1 and 5 years	939,624	875,687
Between 5 and 10 years	2,020,000	1,995,395
Total expected payment	3,125,806	3,022,011

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11. Retirement Benefit Asset (Obligation) (Continued)

(b) Post-retirement medical benefits

In addition to pension benefits, the Bank offers medical benefits that contribute to the health care and life insurance coverage of employees and beneficiaries after retirement. The method of accounting and frequency of valuations are similar to those used for the defined benefit pension scheme.

In addition to the assumptions used for the pension scheme, the main actuarial assumption is a long-term increase in health costs of 6% per year (2023: 6%).

A quantitative sensitivity analysis for significant assumptions as at 31 October 2024 is as shown below:

Assumption	Sensitivity level	Impact on post-retirement medical benefits	
		Increase \$'000	Decrease \$'000
Discount rate	1.00%	5,254	5,888
Medical premium inflation	1.00%	6,012	5,439
Existing retiree age	1 year	3,068	N/A

A quantitative sensitivity analysis for significant assumptions as at 31 October 2023 is as shown below:

Assumption	Sensitivity level	Impact on post-retirement medical benefits	
		Increase \$'000	Decrease \$'000
Discount rate	1.00%	4,680	5,251
Medical premium inflation	1.00%	5,389	4,867
Existing retiree age	1 year	2,541	N/A
		2024 \$'000	2023 \$'000
Present value of unfunded obligations and liability in the statement of financial position		89,279	78,802

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11. Retirement Benefit Asset/(Obligation) (Continued)

(b) Post-retirement medical benefits (continued)

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

	2024	2023
	\$'000	\$'000
Within the next 12 months	9,718	8,565
Between 1 and 5 years	45,039	39,754
Between 5 and 10 years	52,160	47,460
Total expected payment	<u>106,917</u>	<u>95,779</u>

	2024	2023
	\$'000	\$'000
Obligation at beginning of year	78,802	72,234
Charge for the year (Note 23)	8,843	8,114
Employer contributions	(3,816)	(3,359)
Effect of statement of other comprehensive income (Note 27)	5,450	1,813
Obligation at end of year	<u>89,279</u>	<u>78,802</u>

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

	2024	2023
	\$'000	\$'000
Interest cost	<u>8,843</u>	<u>8,114</u>
Total included in staff costs (Note 23)	<u>8,843</u>	<u>8,114</u>

The net remeasurement gains recognized in the statement of other comprehensive income was as follows:

	2024	2023
	\$'000	\$'000
Actuarial gains on defined benefit obligation arising from:		
- Experience adjustments	<u>2,750</u>	<u>1,813</u>
Net remeasurement losses recognized in OCI	<u>2,750</u>	<u>1,813</u>

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11. Retirement Benefit Asset/(Obligation) (Continued)

(b) Post-retirement medical benefits (continued)

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

	2024 \$'000	2023 \$'000
Inactive and retired members	<u>89,279</u>	<u>78,802</u>

The average duration of the obligation at the end of the reporting period of the obligation is as follows:

	2024	2023
Average duration, in years	<u>6</u>	<u>6</u>

12. Customer Deposits

	2024 \$'000	2023 \$'000
Individuals	55,755,095	30,886,149
Business and Government	75,521,280	85,789,160
Banks	<u>28,464,565</u>	<u>28,354,298</u>
	159,740,940	145,029,607
Interest payable	<u>934,143</u>	<u>660,272</u>
	<u>160,675,083</u>	<u>145,689,879</u>

13. Other Liabilities

	2024 \$'000	2023 \$'000
Accounts payable and accruals	1,474,374	1,145,506
Lease liability (Note 9)	1,096,527	977,451
Due to related parties	-	188,298
Items in transit, net	251,870	251,332
Other taxation payable	<u>98,596</u>	<u>124,899</u>
	<u>2,921,367</u>	<u>2,687,486</u>

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14. Share Capital and Reserves

	2024	2023
	No. of	No. of
	shares	shares
	(000)	(000)
Share Capital		
Authorised -		
Ordinary shares of no par value ⁽¹⁾	300,000	300,000
'A' ordinary shares of no par value ⁽¹⁾	900,000	900,000
	<u>1,200,000</u>	<u>1,200,000</u>
These shares rank pari passu.		
	2024	2023
	\$'000	\$'000
Issued and fully paid -		
265,756,730 (2023: 265,756,730) ordinary stock units of no par value	1,396,667	1,396,667
612,854,717 (2023: 264,000,000) 'A' ordinary shares of no par value:		
At the beginning of year	3,533,591	3,533,591
Issued during the year	4,622,309	-
At end of year	<u>8,155,900</u>	<u>3,533,591</u>
	<u>9,552,567</u>	<u>4,930,258</u>

During the year the Bank issued 348,854,717 (2023: NIL) 'A' ordinary shares of no par value to its parent company. These shares will rank pari passu with existing ordinary shares that are in issue.

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14. Share Capital and Reserves (Continued)

Objectives, policies, and procedures

Capital strength provides protection for depositors and creditors, allows the Bank to undertake profitable business opportunities as they arise and helps maintain favourable credit ratings.

The Bank's objective is to employ a strong and efficient capital base. It manages capital in accordance with policies established by the Board. These policies relate to capital strength, capital mix, dividends and return of capital, and the capital adequacy requirements applicable to a regulated entity. Each policy has associated guidelines, and capital is monitored continuously for compliance.

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

Regulatory requirements

The Bank's regulatory capital requirements are determined in accordance with the Banking Services Act, 2014, and Regulations issued thereunder, primarily, The Banking Services (Deposit Taking Institutions) (Capital Adequacy) Regulations, 2015. Capital adequacy is measured by the ratio of regulatory capital to risk-weighted assets.

Regulatory capital consists of Tier 1 capital plus Tier 2 capital, less certain prescribed deductions.

- Tier 1 capital (also referred to as "capital base") is comprised substantially of ordinary shares or stock, non-redeemable non-cumulative preference shares, plus certain eligible reserves, less: aggregate net losses as defined; goodwill, start-up expenses and other intangible assets; and any other designated deductions.
- Tier 2 capital principally comprises hybrid capital instruments (such as non-redeemable cumulative preference shares and qualifying redeemable preference shares having an original term to maturity of five years or more), and general provisions (subject to certain limitations).
- A deduction from Tier 1 and 2 Capital is required for certain prescribed items such as investments in and share of accumulated losses in unconsolidated subsidiaries.

Risk-weighted assets is the sum of on-balance sheet assets, off-balance sheets assets (contingent accounts), and foreign currency positions.

- On-balance sheet assets are classified in one of four broad risk-weighting categories. Classification is dependent on the Regulator's assessment of the nature of the counterparty or where applicable, the guarantor or the collateral.
- Off-balance sheet assets (contingent accounts) are first assigned a credit conversion factor to determine an on-balance sheet credit equivalent amount, which is then risk weighted in a manner similar to on-balance sheet assets.
- A capital charge is assessed for foreign currency risk, being the higher of aggregated long/short foreign currency positions.

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14. Share Capital and Reserves (Continued)

Objectives, policies, and procedures (continued)

Global capital standards require that banks maintain minimum Tier 1 and Capital Adequacy Ratio of 4% and 8%, respectively. Under the Banking Services Act, 2014, Jamaican deposit-taking financial institutions are required to maintain a minimum capital adequacy ratio of 10% and Tier 1 capital should be not less than 50% of regulatory capital. During the year, the Bank complied in full with all of its regulatory capital requirements, as follows:

Tier 1 and Total Capital ratios were 15.70% and 15.70%, respectively (2023: 15.94% and 15.94%).

Reserves

	2024	2023
	\$'000	\$'000
Capital reserves (Note 15)	12,833	12,833
Retirement benefit reserve (Note 16)	1,295,599	708,687
Statutory reserve fund (Note 17)	3,439,667	3,326,667
Retained earnings reserve (Note 18)	4,863,228	4,495,463
General reserve (Note 19)	45,522	45,522
Fair value reserves – debt instruments through OCI (Note 20)	20,511	22,610
Total reserves at end of the year	<u>9,677,360</u>	<u>8,611,782</u>

15. Capital Reserves

	2024	2023
	\$'000	\$'000
Comprised:		
Unrealised –		
Surplus on revaluation of premises	5,493	5,493
Realised –		
Profit on sale of property and equipment	7,340	7,340
Balance at end of year	<u>12,833</u>	<u>12,833</u>

16. Retirement Benefit Reserve

	2024	2023
	\$'000	\$'000
Balance at beginning of year	708,687	1,753,784
Remeasurement gains on retirement benefit plans during the year (Note 27)	586,912	(1,045,097)
Balance at end of year	<u>1,295,599</u>	<u>708,687</u>

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

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17. Statutory Reserve Fund

	2024 \$'000	2023 \$'000
Balance at beginning of the year	3,326,667	3,256,667
Transfer from retained earnings	<u>113,000</u>	<u>70,000</u>
Balance at end of the year	<u><u>3,439,667</u></u>	<u><u>3,326,667</u></u>

The fund is maintained in accordance with the Banking Services Act, 2014. The Bank is required to make transfers of a minimum of 15% of net profit until the amount in the fund is equal to 50% of the paid-up capital of the Bank and thereafter 10% of the net profits until the reserve fund is not less than paid up share capital. The Board of Directors approved the transfer of \$58,000,000 (2023: \$113,000,000) from retained earnings to the statutory reserve fund effective 31 January 2025. The transfer is based on the net profits for the year ended 31 October 2024.

18. Retained Earnings Reserve

	2024 \$'000	2023 \$'000
Balance at beginning of the year	4,495,463	3,261,163
Transfer from retained earnings	<u>367,765</u>	<u>1,234,300</u>
Balance at end of the year	<u><u>4,863,228</u></u>	<u><u>4,495,463</u></u>

Section 42(1) of the Banking Services Act, 2014, permits the transfer of any portion of net profit to a retained earnings reserve. This reserve constitutes a part of the capital base for the purpose of determining the maximum level of deposit liabilities and lending to customers.

Transfers to the retained earnings reserve are made at the discretion of the Board; such transfers must be reported to the Bank of Jamaica. During the year, the Board of Directors approved the transfer of \$NIL (2023 - \$644,300,000) from retained earnings to the retained earnings reserve. For effective dates after 31 October 2024, the Board of Directors also approved transfers totaling \$322,000,000 (2023: \$367,765,000) from retained earnings to the retained earnings reserve.

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19. General Reserve

	2024	2023
	\$'000	\$'000
Balance at beginning and end of the year	<u>45,522</u>	<u>45,522</u>

This represents a transfer from retained earnings to a general reserve on a tax free basis.

20. Fair Value Reserves

Debt instruments at fair value through OCI:

	2024	2023
	\$'000	\$'000
Balance at beginning of year	22,610	38,923
Net losses on debt securities measured at FVOCI during the year (Note 27)	<u>(2,099)</u>	<u>(16,313)</u>
Balance at end of the year	<u>20,511</u>	<u>22,610</u>

21. Net Interest Income

	2024	2023
	\$'000	\$'000
Interest and similar income:		
Cash and balances due from banks	977,162	1,091,461
Investment securities	1,866,152	1,414,534
Derivative interest	28,742	18,484
Loans and advances	<u>8,524,864</u>	<u>7,267,320</u>
	<u>11,396,920</u>	<u>9,791,799</u>
Interest and similar expense:		
Customer deposits	(4,174,810)	(3,187,655)
Lease liability (Note 9)	<u>(45,126)</u>	<u>(23,028)</u>
	<u>(4,219,936)</u>	<u>(3,210,683)</u>
Net interest income	<u>7,176,984</u>	<u>6,581,116</u>

22. Other Operating Income

	2024	2023
	\$'000	\$'000
Net fees and commissions	1,004,332	1,045,871
Foreign exchange transactional net gains	2,402,353	2,337,080
Foreign exchange revaluation net gains	75,670	11,733
Securities (losses)/gains	<u>(27,480)</u>	<u>38,857</u>
Other operating income	<u>203,056</u>	<u>184,768</u>
	<u>3,657,931</u>	<u>3,618,309</u>

Foreign exchange transactional net gains include gains and losses arising from foreign currency trading activities.

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23. Operating Expenses

	2024	2023
	\$'000	\$'000
Staff costs	1,798,055	1,353,999
Depreciation (Note 9)	818,907	719,190
Occupancy costs	450,711	202,443
Other operating expenses	6,710,528	6,343,133
	<u>9,778,201</u>	<u>8,618,765</u>

Analysis of staff costs:

	2024	2023
	\$'000	\$'000
Wages and salaries	1,228,362	1,074,419
Pension costs –		
Defined benefit plan (Note 11)	7,381	(201,999)
Defined contribution plan	56,495	50,311
Other post retirement benefits (Note 11)	8,843	8,114
Other share and cash-based benefits (Note 35)	13,407	12,853
Severance	-	5,415
Other staff-related costs	483,567	404,886
	<u>1,798,055</u>	<u>1,353,999</u>

Depreciation includes amortisation on right-of-use assets of \$357,653,000 (2023: \$346,748,000). Other operating expenses include expenses relating to short-term leases of \$6,710,000 (2023: \$8,715,000) and to leases of low-value assets of \$57,319,000 (2023: \$39,169,000).

24. Profit Before Taxation

Profit before taxation is stated after charging:

	2024	2023
	\$'000	\$'000
Depreciation (Note 9)	818,907	719,190
Directors' emoluments-		
Fees	11,581	11,425
Management remuneration (Note 28(b))	78,692	72,431
Auditor's remuneration	21,953	20,733

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25. Income Tax Expense

(a) The taxation expense is based on the profit for the year, adjusted for taxation purposes and comprises:

	2024	2023
	\$'000	\$'000
Current year income tax	367,838	461,144
Prior year under accrual	139	9,969
Tax on income at source	5,085	1,402
	<u>373,062</u>	<u>472,515</u>
Deferred tax (release)/charge (Note 10)	(40,214)	224,112
	<u>332,848</u>	<u>696,627</u>

Income tax is calculated at the rate of 33 $\frac{1}{3}$ % (2023: 33 $\frac{1}{3}$ %).

(b) Tax on the Bank's profit before tax differs from the theoretical amount that would arise using the statutory tax rate as follows:

	2024	2023
	\$'000	\$'000
Profit before taxation	<u>713,154</u>	<u>1,821,692</u>
Tax calculated at 33 $\frac{1}{3}$ %	237,718	607,231
Effect of:		
Income not subject to tax	(13,431)	(14,830)
Expenses not deductible for tax	127,653	111,286
Dividend income tax at 15%	(8,201)	(3,443)
Prior year under accrual on corporation tax liability	139	9,969
Other charges and allowances	(11,030)	(13,586)
	<u>332,848</u>	<u>696,627</u>

26. Earnings Per Stock Unit

Earnings per ordinary stock unit for the Bank is calculated by dividing the net profit for the year by the weighted average number of ordinary stock units in issue:

	2024	2023
Net profit for the year (\$'000)	<u>380,306</u>	<u>1,125,065</u>
Weighted average number of ordinary stock units in issue ('000)	<u>704,767</u>	<u>529,757</u>
Earnings per stock unit (\$)	<u>0.54</u>	<u>2.12</u>

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27. Components of Other Comprehensive Income

	2024	2023
	\$'000	\$'000
Debt instruments at fair value through OCI:		
Losses arising during the year	(3,149)	(24,469)
Less: Deferred tax	1,050	8,156
Other comprehensive losses for the year (Note 20)	<u>(2,099)</u>	<u>(16,313)</u>
Remeasurement on retirement benefit plans:		
Gains/(losses) arising during the year	880,368	(1,567,645)
Less: Deferred tax	<u>(293,456)</u>	<u>522,548</u>
Other comprehensive gains/(losses) for the year (Note 16)	<u>586,912</u>	<u>(1,045,097)</u>
Total other comprehensive gains/(losses) for the year, net of tax	<u><u>584,813</u></u>	<u><u>(1,061,410)</u></u>

28. Related Party Transactions

In the ordinary course of business, the Bank provides to its connected persons normal banking services on terms similar to those offered to persons not connected to the Bank.

(a) Transactions and balances with CIBC Caribbean entities and their associates

	2024	2023
	\$'000	\$'000
The Parent, CIBC Caribbean Bank Limited:		
Net (receivable)/payable	(866,584)	188,298
Other expenses for banking and support services	3,971,549	3,762,028
Other CIBC Caribbean entities and affiliates:		
Interest income	88,690	158,038
Interest expense	1,854,608	1,700,777
Deposits by other CIBCCaribbean entities	28,514,834	28,439,464
Placements	3,044,174	2,503,153
The ultimate parent, CIBC:		
Interest income	11	3
Customer deposits	54,339	41,129
Placements (Note 4)	200,811	591,512
Loans and advances to customers	<u>112</u>	<u>101</u>

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28. Related Party Transactions (Continued)

(b) Transactions and balances with directors

	2024	2023
	\$'000	\$'000
Loans outstanding	59,941	38,417
Deposits	24,086	49,165
Interest income	3,251	2,404
Interest expense	59	259
Directors' fees	11,581	11,425
Post-retirement benefits	7,472	5,069
Management remuneration paid (included below) (Note 24)	<u>87,319</u>	<u>79,271</u>

(c) Key management remuneration paid during the year

	2024	2023
	\$'000	\$'000
Wages and salaries	147,338	128,916
Statutory contributions	15,100	13,753
Post-retirement benefits	14,430	10,838
Long-term incentive benefits	17,928	14,375
	<u>194,797</u>	<u>167,882</u>

29. Commitments

(a) Future rental commitments under operating leases

At 31 October 2024, the Bank held leases on buildings for extended periods. The leases have an average life of between 1 and 5 years. There are no restrictions placed upon the lessee by entering into these contracts. The Bank has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Bank's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised (refer to Note 2). As at 31 October 2024, there are no material extension options not expected to be exercised or termination options expected to be exercised.

The future rental commitments under these leases were as follows:

	2024	2023
	\$'000	\$'000
Not later than 1 year	374,880	321,716
Later than 1 year and less than 5 years	804,955	744,928
	<u>1,179,835</u>	<u>1,066,644</u>

Commitments related to short-term and low-value leases amounted to \$152,080,000 (2023: \$58,377,000); of which \$149,079,000 (2023: \$54,886,000) relate to items later than 1 year and less than 5 years.

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29. Commitments (Continued)

(b) Other

The following table indicates the contractual amounts of financial instruments not presented in the statement of financial position that commit the Bank to extend credit to customers:

	2024	2023
	\$'000	\$'000
Guarantees and indemnities	3,396,861	1,184,662
Letters of credit	1,267,449	1,290,823
Loan commitments	17,124,826	11,862,344
	<u>21,789,136</u>	<u>14,337,829</u>

30. Contingencies

The Bank, because of the nature of its business, is subject to various threatened or filed legal actions. In respect of claims against the Bank which have not been provided for in these financial statements, management is of the opinion that the outcome of threatened or filed suits will not have a material adverse effect on the financial position of the Bank.

31. Pledged Assets

Mandatory reserve deposits are held at the Bank of Jamaica in accordance with statutory requirements. These deposits are not available to finance the Bank's day to day operations. Additionally, assets are pledged as collateral to third parties.

	2024	2023
	\$'000	\$'000
Cash and balances with Central Bank		
Statutory reserves at Bank of Jamaica (Note 3)	14,519,575	13,953,372
Securities – bonds & debentures:		
Pledged as collateral for clearing services	307,068	448,082
	<u>14,826,643</u>	<u>14,401,454</u>

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32. Business Segments

The Bank's operations are organised into two business segments, Personal and Business Banking (PBB); and Corporate and Investment Banking (CIB) which are supported by the functional units within the Administration (Admin) segment (which includes Finance, Human Resources, Technology, Innovation & Infrastructure, Treasury, Risk and Other). PBB and CIB are charged or credited by Treasury with a market-based cost of funds on assets, liabilities and capital. The offset of these charges or credits are reported in the Treasury function within Administration.

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. The Bank reviews its 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. Securities and cash placements are normally held within the Treasury unit within the Administration segment.

The Bank's operations are located solely in Jamaica.

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32. Business Segments (Continued)

	Personal & Business Banking \$'000	Corporate & Investment Banking \$'000	Administration \$'000	Total \$'000
31 October 2024				
External revenue	2,728,143	3,508,276	940,565	7,176,984
Internal revenue	1,858,187	(102,010)	(1,756,177)	-
Net interest income	4,586,330	3,406,266	(815,612)	7,176,984
Operating income	1,865,681	1,981,415	(189,165)	3,657,931
Total Revenue	6,452,011	5,387,681	(1,004,777)	10,834,915
Depreciation	180,126	34,714	604,067	818,907
Non-interest expenses	2,542,210	638,034	5,779,050	8,959,294
Indirect expenses	3,946,803	2,212,044	(6,158,847)	-
Credit loss expense/(release) on financial assets	386,595	(25,250)	(17,785)	343,560
Total Expenses	7,055,734	2,859,542	206,485	10,121,761
(Loss)/Income before taxation	(603,723)	2,528,139	(1,211,262)	713,154
Income tax (credit)/expense	(195,098)	819,304	(291,358)	332,848
Net (loss) / profit for the year	(408,625)	1,708,835	(919,904)	380,306
Segment assets	40,546,025	58,889,800	84,299,232	183,735,057
Segment liabilities	77,434,435	56,908,257	29,722,915	164,065,607
Other segment information				
Interest income	5,292,124	4,988,953	1,115,843	11,396,920
Interest expense	705,794	1,582,687	1,931,455	4,219,936
Capital expenditure	194,466	130,606	689,726	1,014,798

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32. Business Segments (Continued)

	Personal & Business Banking \$'000	Corporate & Investment Banking \$'000	Administration \$'000	Total \$'000
31 October 2023				
External revenue	2,460,890	3,339,559	780,667	6,581,116
Internal revenue	1,537,717	(368,224)	(1,169,493)	-
Net interest income	3,998,607	2,971,335	(388,826)	6,581,116
Operating Income	1,973,528	1,613,206	31,575	3,618,309
Total Revenue	5,972,135	4,584,541	(357,251)	10,199,425
Depreciation	213,588	26,015	479,587	719,190
Non-interest expenses	2,215,879	566,146	5,117,550	7,899,575
Indirect expenses	3,276,024	1,643,097	(4,919,121)	-
Credit loss expense/(release) on financial assets	274,298	(486,727)	(28,603)	(241,032)
Total Expenses	5,979,789	1,748,531	649,413	8,377,733
(Loss)/Income before taxation	(7,654)	2,836,010	(1,006,664)	1,821,692
Income tax (credit)/expense	(5,577)	940,370	(238,166)	696,627
Net (loss)/profit for the year	(2,077)	1,895,640	(768,498)	1,125,065
Segment assets	34,350,936	56,849,359	71,387,570	162,587,865
Segment liabilities	67,868,513	40,009,957	40,627,373	148,505,843
Other segment information				
Interest income	4,486,117	3,968,952	1,336,730	9,791,799
Interest expense	487,510	997,617	1,725,556	3,210,683
Capital expenditure	243,249	31,476	623,272	897,997

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33. Financial Risk Management

(a) Strategy in using financial instruments

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

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

The Bank also seeks to raise its interest margins by obtaining above average margins, net of provisions, through lending to commercial and retail borrowers with a range of credit standing. Such exposures involve not just loans and advances which are disclosed on the statement of financial position, but the Bank also enters into guarantees and other commitments such as letters of credit and performance and other bonds.

(b) Credit risk

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

Process and Control

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

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

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33. Financial Risk Management (Continued)

(b) Credit risk (continued)

Credit Risk Limits

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

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

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

Collateral

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

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

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

As at 31 October 2024, 57% (2023: 57%) of stage 3 impaired loans were either fully or partially collateralized.

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33. Financial Risk Management (Continued)

(b) Credit risk (continued)

Exposures by Industry Groups

The following table provides an industry-wide break down of total exposures by industry groups:

	2024			2023		
	Loans and Advances \$'000	Acceptances, Guarantees and Letters of Credit \$'000	Total 2024 \$'000	Loans and Advances \$'000	Acceptances, Guarantees and Letters of Credit \$'000	Total 2023 \$'000
Agriculture, fishing and mining	4,370,446	33,395	4,403,841	1,979,504	68,133	2,047,637
Construction	13,523,772	5,000	13,528,772	13,909,390	-	13,909,390
Distribution	13,505,941	2,580,141	16,086,082	8,461,335	1,860,912	10,322,247
Electricity, gas and water	15,584,284	171,006	15,755,290	17,570,924	238,875	17,809,799
Financial institutions	6,856,691	777,500	7,634,191	4,441,357	516,230	4,957,587
Government and public entities	1,260,990	-	1,260,990	1,870,959	-	1,870,959
Manufacturing and production	9,610,312	5,586,801	15,197,113	2,852,549	2,690,973	5,543,522
Personal	37,866,268	10,637,585	48,503,853	29,613,916	5,288,320	34,902,236
Professional and other services	5,782,366	1,736,926	7,519,292	4,194,252	814,632	5,008,884
Tourism and entertainment	337,691	129,596	467,287	425,693	273,703	699,396
Transport, storage and communication	4,039,269	131,186	4,170,455	5,048,102	110,566	5,158,668
Total	112,738,030	21,789,136	134,527,166	90,367,981	11,862,344	102,230,325

Derivatives

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

Master Netting Arrangements

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

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33. Financial Risk Management (Continued)

(b) Credit risk (continued)

Credit Related Commitments

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

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

Maximum Exposure to Credit Risk

The maximum exposure to credit risk would be all statement of financial position carrying values of all financial assets plus the contingent liabilities and commitments [these disclosures are shown in Note 29(b)] not recognised in the statement of financial position. The gross maximum exposure would be before ECL allowances and the effect of mitigation through the use of master netting and collateral arrangements. The maximum exposure to credit risk within the customer loan portfolio would be all the statement of financial position carrying values plus the loan commitments [these disclosures are shown in Note 29(b)] not recognised in the statement of financial position. The gross maximum exposure within the customer loan portfolio would be before ECL allowances and the effect of mitigation through the use of master netting and collateral arrangements, plus the loan commitments amount not recognised in the statement of financial position.

Impairment assessment

The references below show where the Bank's impairment assessment and measurement approach is set out in this report. This section should be read in conjunction with the summary of material accounting policies (Note 2(i)).

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33. Financial Risk Management (Continued)

(b) Credit risk (continued)

Definition of default and cure

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

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

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

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

The Bank's internal rating and PD estimation process

The Bank's Credit Risk Department operates its internal rating models. The Bank monitors all corporate facilities with a value exceeding US\$250,000 which are assigned an ORR of 1 to 9 under the Bank's internal rating system. The models used incorporate both qualitative and quantitative information and, in addition to information specific to the borrower, 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 Bank calculates 12-month and lifetime PDs on a product by country basis. 12-month PDs are determined using historical default data and then incorporate forward looking information. Lifetime PDs are determined using historical 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. Lifetime PDs are also capped at a 10-year maturity.

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33. Financial Risk Management (Continued)

(b) Credit risk (continued)

Treasury, trading, and interbank relationships

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

Corporate and small business lending

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

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

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.

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33. Financial Risk Management (Continued)

(c) Geographical concentration of assets, liabilities, off-balance sheet items, revenues, and capital expenditure

The Bank operates in only the Jamaican geographical market.

(d) Credit rating system and credit quality per class of financial assets

Credit rating

For the retail portfolio, which includes residential mortgages and personal loans, the Bank's assessment of credit quality is in line with the IFRS 9 methodology for staging which is based on days past due and trends to support significant increases in credit risk on a more forward-looking basis. The trends are established in order to avoid volatility in the movement of significant increases in credit risk. All retail loans on which repayment of principal or payment of interest is contractually 30 days in arrears are automatically migrated to Stage 2.

For the business and government loans and securities, a mapping between the obligor risk rating grades used by the Bank and the external agencies' ratings is shown in the table below. As part of the Bank's risk-rating methodology, the risk assessed includes a review of external ratings of the obligor. The obligor rating assessment takes into consideration the Bank's financial assessment of the obligor, the industry, and the economic environment of the country in which the obligor operates. In certain circumstances, where a guarantee from a third party exists, both the obligor and the guarantor will be assessed. Deterioration or improvement in the risk ratings or adjustments to the risk rating downgrade thresholds used to determine a significant increase in credit risk can cause significant migration of loans and securities between Stage 1 and Stage 2, which in turn can have a significant impact on the amount of ECL allowances recognised. All business & government loans on which repayment of principal or payment of interest is contractually 30 days in arrears are automatically migrated to stage 2 regardless of ORR movement.

	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		
High (Stage 2)	61-89		
Default (Stage 3)	90+		
	Business & Government loans and Securities		
Grade description	Standard & Poor's equivalent	Moody's Investor Services	Internal ORRs
Investment grade	AAA to BBB-	Aaa to Baa3	1.0 to 4.0
Non-investment grade	BB+ to C	Ba to C	5.0 to 8.0
Default	D	D	9.0
Not rated	No obligor risk rating (ORR)		

This risk-rating system is used for portfolio management, risk-limit setting, product pricing, and in the determination of economic capital. The effectiveness of the risk-rating system and the parameters associated with the risk ratings are monitored within Risk Management and are subject to an annual review.

At the reporting date, securities were all rated standard or high grade. Cash balances and amounts due from banks are held with counterparties that are high-grade including CIBC group entities.

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33. Financial Risk Management (Continued)

(d) Credit rating system and credit quality per class of financial assets (continued)

Credit quality

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.

2024	Stage 1	Stage 2	Stage 3	Total
	\$'000	\$'000	\$'000	\$'000
Residential Mortgages				
Very low	14,128,058	-	-	14,128,058
Low	2,891,219	-	-	2,891,219
Medium	-	940,847	-	940,847
High	-	389,870	-	389,870
Default	-	-	368,302	368,302
Gross residential mortgages	17,019,277	1,330,717	368,302	18,718,296
Personal (including cards)				
Very low	16,630,756	-	-	16,630,756
Low	1,859,175	-	-	1,859,175
Medium	-	443,991	-	443,991
High	-	160,252	-	160,252
Default	-	-	433,622	433,622
Gross personal	18,489,931	604,243	433,622	19,527,796
Business and Government				
Investment Grade	11,628,889	-	-	11,628,889
Non-Investment Grade	53,372,431	5,635,908	-	59,008,339
Default	-	-	145,430	145,430
Not rated	3,543,805	165,475	-	3,709,280
Gross business and government	68,545,125	5,801,383	145,430	74,491,938
Total gross amount of loans	104,054,333	7,736,343	947,354	112,738,030
2024	Stage 1	Stage 2	Stage 3	Total
	\$'000	\$'000	\$'000	\$'000
Investment Securities				
Investment Grade	32,046,445	-	-	32,046,445
Non-Investment Grade	1,367,142	-	-	1,367,142
Not rated	5,034	-	-	5,034
Gross investment securities	33,418,621	-	-	33,418,621

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33. Financial Risk Management (Continued)

(d) Credit rating system and credit quality per class of financial assets (continued)

Credit quality (continued)

2023	Stage 1	Stage 2	Stage 3	Total
Residential Mortgages	\$'000	\$'000	\$'000	\$'000
Very low	12,508,491	-	-	12,508,491
Low	2,465,775	-	-	2,465,775
Medium	-	821,195	-	821,195
High	-	204,767	-	204,767
Default	-	-	183,530	183,530
Gross residential mortgages	14,974,266	1,025,962	183,530	16,183,758
Personal (including cards)				
Very low	12,246,274	-	-	12,246,274
Low	1,363,748	-	-	1,363,748
Medium	-	342,145	-	342,145
High	-	157,462	-	157,462
Default	-	-	338,327	338,327
Gross personal	13,610,022	499,607	338,327	14,447,956
Business and Government				
Investment Grade	8,064,833	-	-	8,064,833
Non-Investment Grade	44,939,681	3,182,735	-	48,122,416
Default	-	-	316,235	316,235
Not rated	3,075,878	156,905	-	3,232,783
Gross business and government	56,080,392	3,339,640	316,235	59,736,267
Total gross amount of loans	84,664,680	4,865,209	838,092	90,367,981
2023				
Investment Securities	\$'000	\$'000	\$'000	\$'000
Investment Grade	31,411,340	-	-	31,411,340
Non-Investment Grade	2,478,291	-	-	2,478,291
Not rated	5,034	-	-	5,034
Gross investment securities	33,894,665	-	-	33,894,665

For the Bank's Business & Government loans, it employs risk ratings in managing its credit portfolio. Business borrowers with elevated default risk are monitored on the Bank's Early Warning List. Early Warning List characteristics include borrowers exhibiting a significant decline in revenue, income, or cash flow or where the Bank has doubts as to the continuing viability of the business. Early Warning List customers are often, but not always, also delinquent. As of October 31, 2024, Early Warning List customers in the medium to high-risk category amounted to \$528,910,000 (2023: \$1,185,549,000).

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

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33. Financial Risk Management (Continued)

(d) Credit rating system and credit quality per class of financial assets (continued)

Credit quality (continued)

At the beginning of the year, the Bank reassesses the key economic indicators used in its ECL models with further reassessment during the year as required.

The following table highlights credit quality of debt securities held at Fair Value through Other Comprehensive Income (FVOCI) based on the risk rating, systems, trends, and the methodology to support performing securities, along with significant increases in credit risk.

	Stage 1	Stage 2	Stage 3	Total
	\$'000	\$'000	\$'000	\$'000
2024				
Debt securities at FVOCI:				
Government securities				
- GOJ	1,367,142	-	-	1,367,142
- International	32,046,445	-	-	32,046,445
Total debt securities	33,413,587	-	-	33,413,587
Equity securities – unquoted	5,034	-	-	5,034
Total debt securities at FVOCI	33,418,621	-	-	33,418,621
Add: Interest receivable				1,246
Total				<u>33,419,867</u>
2023				
Debt securities at FVOCI:				
Government securities				
- GOJ	2,478,291	-	-	2,478,291
- International	31,411,340	-	-	31,411,340
Total debt securities	33,889,631	-	-	33,889,631
Equity securities – unquoted	5,034	-	-	5,034
Total debt securities at FVOCI	33,894,665	-	-	33,894,665
Add: Interest receivable				1,236
Total				<u>33,895,901</u>

Model adjustments

The Bank considers the use and nature of material additional adjustments which are used to capture factors not specifically embedded in the models used. While many adjustments are part of the normal modelling process (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 economic stress overlay. Such adjustments would result in an increase or decrease in the overall ECLs.

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33. Financial Risk Management (Continued)

(d) Credit rating system and credit quality per class of financial assets (continued)

Modified financial assets

From time to time, the Bank may modify the contractual terms of loans classified as stage 2 and stage 3 for which the borrower has experienced financial difficulties, through the granting of a concession in the form of below-market rates or terms that the Bank would not otherwise have considered.

During the year ended 31 October 2024, loans classified as stage 2 with an amortised cost of \$NIL (2023: \$1,334,000) and loans classified as stage 3 with an amortised cost of \$NIL (2023: \$ NIL), in each case before the time of modification, were modified through the granting of a financial concession in response to the borrower having experienced financial difficulties. The gross carrying amount of previously modified stage 2 or stage 3 loans that have returned to stage 1 during the year ended 31 October 2024 was \$314,669,000 (2023: \$371,104,000).

Impact on regulatory capital

Annually, the base Capital Plan is assessed under a central stress scenario with ranges (mild & severe) 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. The following key assumptions are adversely varied under each recession scenario (mild & severe) to arrive at Capital Plan results:

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

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

The Bank meets each key regulatory ratio and policy liquidity metrics such as the Structural Liquidity Ratio and Liquidity Horizon. The Bank anticipates that the regulators will continue implementation of the Basel Liquidity metrics in the near future and the Bank continually updates internal processes to ensure compliance with these ratios.

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

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33. Financial Risk Management (Continued)

(e) Market risk

Market risk is the risk that the fair value of future cash flows of financial instruments will fluctuate due to the change in market variables. Market risk arises from positions in securities and derivatives as well as from our core retail, wealth, and corporate businesses. The key risks to the Bank are foreign exchange and interest rate. There is no credit spread risk as there are no non-sovereign bonds at the Bank. Market risk within the Bank is a centralized group that is independent from the front line. This mirrors the way that the hard currencies are managed by business units and although the local currencies are handled in their respective regions these are still monitored, measured, and controlled from a market risk perspective, centrally.

Policies and Standards:

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

Process and Control:

Market risk measures are monitored with differing degrees of frequency dependent upon the nature of the risk. Foreign exchange (FX) positions and interest rate stress tests are all measured daily whereas others such as income statement measures and the traded credit are performed on a monthly basis. Detailed market risk compliance reports are produced and circulated to senior management on a monthly basis and a summary version is included in the quarterly Chief Risk Officer's Consolidated Risk Report supplied to the Parent Board.

Risk Measurement:

The Bank has four main measures of market risk:

- Value at Risk (VaR), wherever feasible VaR enables the meaningful comparison of the risks in different asset classes
- 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.

VaR

VaR is used to measure the group's overall market risk. The group's VaR methodology is a statistically defined, probability-based approach that uses volatilities and correlations to quantify risk in dollar terms. VaR measures the potential loss from market movements that can occur overnight at a confidence interval under normal conditions. VaR uses numerous risk factors as inputs and is computed using the historical volatility of each risk factor and the associated historical correlations among them, updated on a regular basis.

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33. Financial Risk Management (Continued)

(e) Market risk (continued)

Position:

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

Sensitivity:

The main two measures utilised by the Bank are the DV01 (delta value of a 1 basis point move, also known as the PV01 or present value of a 1 basis point move) and the CSDV01 (credit spread delta of a 1 basis point move). The DV01 measure is calculated for a 1 basis point move down in the yield curve. This generates the change in economic value by individual currency of a parallel shift down in the related yield curve. As curves rarely move in a parallel fashion it is measured across different tenors to ensure that there is no further curve risk of having; for example, a long position in the short end of the curve offset by a short position in the longer tenors. This is then utilized within the scenario analysis. The sensitivities are calculated on a post-structural basis that includes structural assumptions for core balances of non-contractual maturity positions. The CS01 sensitivity is a way to measure the risk of the interest rate spread between Treasury securities and the non-Treasury securities in the bond portfolio widening or narrowing.

Stress Testing & Scenario Analysis:

Stress testing and scenario analysis are designed to add insight to possible outcomes of abnormal (or tail event) market conditions and to highlight where risk concentrations could be a concern.

The Bank has two distinct approaches to this which are as follows:

- For the hard currency testing it utilizes the suite of measures that the parent company has developed. The stress testing measures the effect on the hard currency portfolio values over a wide range of extreme moves in market prices. The stress testing methodology assumes no actions are taken or are able to be taken during the event to mitigate the risk, reflecting the decreased liquidity that frequently accompanies market shocks. The scenario analysis approach again for the Bank's hard currency exposures simulate an impact on earnings of extreme market events up to a period of one month. 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 Bank. This is performed daily and reported on a monthly basis as they do not tend to change rapidly.

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33. Financial Risk Management (Continued)

(e) Market risk (continued)

Summary of Key Market Risks

Of the market risks arising from the various currencies, yield curves and spreads throughout the regional and broader international markets, management considers the risk of credit spreads widening in a similar fashion to the Credit Crisis of 2008 on bonds held within the investment portfolio to be the most significant.

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 Bank's ongoing banking operations.

Foreign Exchange Risk

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

The following table highlights the currencies that the Bank had significant exposures to at 31 October 2024. It also highlights the metrics used by the Bank to measure, monitor and control that risk.

Foreign exchange exposure and risk

31 October 2024:

Currency	Position Long (Short) vs USD \$'000	4% Deval \$'000	1% Reval \$'000	Average Position \$'000
Jamaican dollar	(24,252)	933	(245)	(20,609)

31 October 2023:

Currency	Position Long (Short) vs USD \$'000	4% Deval \$'000	1% Reval \$'000	Average Position \$'000
Jamaican dollar	(15,314)	589	(155)	(9,170)

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

The Bank will occasionally trade non-USD/JMD currencies, but these are quickly hedged. There were no material balances at either 2024 or 2023 fiscal year end.

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33. Financial Risk Management (Continued)

(e) Market risk (continued)

Foreign Exchange Risk (Continued)

The table below summarizes the Bank's exposure to foreign currency exchange rate risk at 31 October:

Concentrations of assets, liabilities, and credit commitments:

	2024							Total
	EC	BDS	CAY	BAH	US	JA	Other	
As at 31 October 2024	J\$'000	J\$'000	J\$'000	J\$'000	J\$'000	J\$'000	J\$'000	J\$'000
Assets								
Cash resources	1	519	2,312	-	12,005,490	11,915,323	370,989	24,294,634
Due from banks	6,821	109,299	13,390	14,401	5,407,029	85,080	1,919,407	7,555,427
Derivative financial instruments	-	-	-	-	13,595	-	-	13,595
Other assets	-	-	73	-	1,048,777	457,103	1,863	1,507,816
Investment securities	-	-	-	-	32,241,447	1,178,420	-	33,419,867
Loans and advances to customers	-	-	-	-	38,228,150	73,100,243	14	111,328,407
Property and equipment	-	19,450	-	-	1,069,872	2,770,545	-	3,859,867
Retirement benefit asset	-	-	-	-	-	1,755,444	-	1,755,444
Total assets	6,822	129,268	15,775	14,401	90,014,360	91,262,158	2,292,273	183,735,057
Liabilities								
Customer deposits	-	-	-	-	79,346,755	79,057,342	2,270,986	160,675,083
Other liabilities	6,518	46,733	14,812	13,932	2,052,985	746,926	39,461	2,921,367
Taxation payable	-	-	-	-	-	244,811	-	244,811
Deferred tax liabilities	-	-	-	-	-	135,067	-	135,067
Retirement benefit obligation	-	-	-	-	-	89,279	-	89,279
Total liabilities	6,518	46,733	14,812	13,932	81,399,740	80,273,425	2,310,447	164,065,607
Net assets	304	82,535	963	469	8,614,620	10,988,733	(18,174)	19,669,450
Credit commitments	-	-	-	-	3,363,983	18,289,069	136,084	21,789,136

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33. Financial Risk Management (Continued)

(e) Market risk (continued)

Foreign Exchange Risk (Continued)

	2023							
	EC	BDS	CAY	BAH	US	JA	Other	Total
As at 31 October 2023	J\$'000	J\$'000	J\$'000	J\$'000	J\$'000	J\$'000	J\$'000	J\$'000
Assets								
Cash resources	-	384	3,511	-	11,193,067	16,860,785	330,145	28,387,892
Due from banks	21,413	8,453	14,782	14,122	4,678,987	69,094	1,695,342	6,502,193
Derivative financial instruments	-	-	-	-	40,818	-	-	40,818
Other assets	-	-	-	-	8,136	431,773	76	439,985
Investment securities	-	-	-	-	31,411,319	2,484,582	-	33,895,901
Loans and advances to customers	-	-	-	-	34,792,464	54,143,858	-	88,936,322
Property and equipment	-	-	-	-	776,864	2,456,915	-	3,233,779
Deferred tax asset	-	-	-	-	-	118,266	-	118,266
Retirement benefit asset	-	-	-	-	-	1,032,709	-	1,032,709
Total assets	21,413	8,837	18,293	14,122	82,901,655	77,597,982	2,025,563	162,587,865
Liabilities								
Customer deposits	-	-	-	-	77,876,076	65,959,251	1,854,552	145,689,879
Other liabilities	1,784	1,767	739	310	1,901,559	761,107	20,220	2,687,486
Taxation payable	-	-	-	-	-	49,676	-	49,676
Retirement benefit obligation	-	-	-	-	-	78,802	-	78,802
Total liabilities	1,784	1,767	739	310	79,777,635	66,848,836	1,874,772	148,505,843
Net assets	19,629	7,070	17,554	13,812	3,124,020	10,749,146	150,791	14,082,022
Credit commitments	-	-	-	-	3,607,504	10,595,230	135,095	14,337,829

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33. Financial Risk Management (Continued)

(e) Market risk (continued)

Foreign Exchange Risk (Continued)

Analysis was conducted to determine the sensitivity to reasonable possible movements of selected currencies against the Jamaican dollar to which the Bank had significant exposure at 31 October 2024 in respect of its assets and liabilities holding all other variables constant. The results revealed that as of 31 October 2024, if the Jamaican dollar had depreciated by 4% (2023 - 4%) against foreign currencies, profit before tax for the year would have been \$341,958,000 higher (2023 - \$169,623,000 higher) and shareholders' equity would have been \$343,315,000 higher (2023 - \$172,130,000 higher). Similarly, if the Jamaican dollar had revalued by 1% (2023 - 1%) against foreign currencies, profit before tax for the year would have been \$85,490,000 lower (2023 - \$42,406,000 lower) and shareholders' equity would have been \$85,829,000 (2023 - \$43,032,000 lower).

(f) Liquidity risk

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

The Bank's liquidity management strategies seek to maintain sufficient liquid financial resources to continually fund our 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 amounts recognised in the statement of financial position. Prescribed liquidity levels under a selected benchmark stress scenario are maintained for a minimum time horizon.

Risk Measurement

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

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

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33. Financial Risk Management (Continued)

(f) Liquidity risk (continued)

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

	1 to 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
As at 31 October 2024					
Assets					
Cash and balances with Central Bank	24,294,634	-	-	-	24,294,634
Due from other banks	7,555,427	-	-	-	7,555,427
Derivative financial instruments	-	13,595	-	-	13,595
Other assets	1,507,816	-	-	-	1,507,816
Investment securities	32,239,290	1,175,543	-	5,034	33,419,867
Loans and advances to customers	9,067,652	8,354,886	27,873,419	66,032,450	111,328,407
Property and equipment	72,531	218,353	2,238,763	1,330,220	3,859,867
Retirement benefit asset	-	-	-	1,755,444	1,755,444
Total assets	74,737,350	9,762,377	30,112,182	69,123,148	183,735,057
Liabilities					
Customer deposits	138,268,908	22,292,799	98,680	14,696	160,675,083
Other liabilities	2,921,367	-	-	-	2,921,367
Taxation payable	244,811	-	-	-	244,811
Deferred tax liabilities	-	-	135,067	-	135,067
Retirement benefit obligation	-	-	-	89,279	89,279
Total liabilities	141,435,086	22,292,799	233,747	103,975	164,065,607
Net (liabilities)/assets	(66,697,736)	(12,530,422)	29,878,435	69,019,173	19,669,450
Commitments, guarantees and contingent liabilities	12,991,328	1,396,072	1,851,749	5,549,987	21,789,136

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33. Financial Risk Management (Continued)

(f) Liquidity risk (continued)

	1 to 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
As at 31 October 2023					
Assets					
Cash and balances with Central Bank	28,387,892	-	-	-	28,387,892
Due from other banks	6,502,193	-	-	-	6,502,193
Derivative financial instruments	-	-	40,818	-	40,818
Other assets	439,985	-	-	-	439,985
Investment securities	32,131,289	631,425	1,128,153	5,034	33,895,901
Loans and advances to customers	6,709,390	5,229,902	21,635,834	55,361,196	88,936,322
Property and equipment	71,793	183,089	1,965,077	1,013,820	3,233,779
Deferred tax assets	-	-	118,266	-	118,266
Retirement benefit asset	-	-	-	1,032,709	1,032,709
Total assets	74,242,542	6,044,416	24,888,148	57,412,759	162,587,865
Liabilities					
Customer deposits	129,185,912	14,856,232	1,630,954	16,781	145,689,879
Other liabilities	1,620,842	321,716	744,928	-	2,687,486
Taxation payable	49,676	-	-	-	49,676
Retirement benefit obligation	-	-	-	78,802	78,802
Total liabilities	130,856,430	15,177,948	2,375,882	95,583	148,505,843
Net (liabilities)/assets	(56,613,888)	(9,133,532)	22,512,266	57,317,176	14,082,022
Commitments, guarantees and contingent liabilities	10,338,713	885,503	2,338,762	774,851	14,337,829

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33. Financial Risk Management (Continued)

(g) Interest rate risk

Interest rate risk arises from the changes in interest rate affecting the future cash flows of financial instruments. For the Bank, there is currently no trading interest rate risk. Non-trading interest rate risk consists primarily of a combination of the risks inherent in asset and liability management activities and the activities of the core retail and corporate businesses. Interest rate risk results from differences in the maturities or re-pricing dates of assets inclusive of those not recognised in the statement of financial position.

As at 31 October 2024 there are no market risk limits against the VaR.

The following table highlights the other key interest rate risk measures utilised by the Bank:

31 October 2024

Currency	Post Structural DV01 \$'000	Increase 25 basis points \$'000	Decrease 25 basis points \$'000	60-day Stressed Loss \$'000
Jamaican dollar	8,160	(204)	204	10,292

31 October 2023

Currency	Post Structural DV01 \$'000	Increase 300 basis points \$'000	Decrease 50 basis points \$'000	60-day Stressed Loss \$'000
Jamaican dollar	6,607	(330)	165	8,696

The Bank's sensitivity did not move significantly throughout the year. Generally, the contractual sensitivities are marginally long, but the effect of the structural interest rate assumptions, particularly with regard to core deposit balances, generate the relatively small net short position reflected above.

USD Interest Rate Exposure

The USD interest rate risk exposure is calculated for the Bank and reported monthly at both a product and tenor level at the Assets and Liabilities Committee. As at 31 October the risk sensitivity and related stress results to a 1 basis point drop in the underlying USD yield curve are as follows:

31 October 2024

Currency	Post Structural DV01 \$'000	Increase 25 basis points \$'000	Decrease 100 basis points \$'000	60-day Stressed Loss \$'000
USD	3,578	(89)	358	1,603

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33. Financial Risk Management (Continued)

(g) Interest rate risk (continued)

USD Interest Rate Exposure (continued)

31 October 2023

Currency	Post Structural DV01 \$'000	Increase 50 basis points \$'000	Decrease 25 basis points \$'000	60-Day Stressed Loss \$'000
USD	4,782	(239)	120	1,760

The main components of this risk on the asset side, are fixed rate loans and mortgages offset by core deposit and transactional accounts and inter-company borrowing on the liability side.

Credit Spread Risk

Credit spread exists as the benchmark curve and the reference asset curves either converge or diverge. The Bank has two portfolios that have a material amount of credit spread risk. The risk is measured using an estimated CSDV01 and stress scenarios. The results of these are reported daily to senior management. There are no credit spread risks for the Bank in 2024 and 2023 as there are no non-sovereign bonds booked in the Bank.

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 hedge accounting. Derivative hedges that do not qualify for hedge accounting treatment are considered to be economic hedges and are recorded at market value on the Statement of Financial Position with changes in the fair value reflected through the profit or 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.

(h) Cash flow and fair value interest rate risk

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

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

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33. Financial Risk Management (Continued)

(h) Cash flow and fair value interest rate risk (continued)

The following tables summarise carrying amounts of statement of financial position, asset, and liabilities in order to arrive at the Bank's interest rate gap based on earlier of contractual re-pricing or maturity dates.

	Immediately Rate Sensitive ⁽¹⁾	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Non Rate Sensitive ^(2&3)	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
As at 31 October 2024							
Assets							
Cash and balances with							
Central Bank	-	16,024,118	-	-	-	8,270,516	24,294,634
Due from other banks	5,124,833	3,835,010	-	-	-	(1,404,416)	7,555,427
Derivative financial							
instruments	-	13,595	-	-	-	-	13,595
Other assets	-	-	-	-	-	1,507,816	1,507,816
Investment securities	-	32,284,339	1,130,494	-	-	5,034	33,419,867
Loans and advances to							
customers	3,360,328	7,177,423	8,222,999	27,221,495	65,346,162	-	111,328,407
Property and equipment	-	-	-	-	-	3,859,867	3,859,867
Retirement benefit asset	-	-	-	-	-	1,755,444	1,755,444
Total assets	8,485,161	59,334,485	9,353,493	27,221,495	65,346,162	13,994,261	183,735,057
Liabilities							
Customer deposits	97,577,028	40,777,114	22,204,401	101,844	14,696	-	160,675,083
Other liabilities	-	-	-	-	-	2,921,367	2,921,367
Taxation payable	-	-	-	-	-	244,811	244,811
Deferred tax liabilities	-	-	-	-	-	135,067	135,067
Retirement benefit obligation	-	-	-	-	-	89,279	89,279
Total liabilities	97,577,028	40,777,114	22,204,401	101,844	14,696	3,390,524	164,065,607
Total interest rate							
Sensitivity gap	(89,091,867)	18,557,371	(12,850,908)	27,119,651	65,331,466	10,603,737	19,669,450
Cumulative gap	(89,091,867)	(70,534,496)	(83,385,404)	(56,265,753)	9,065,713	19,669,450	-

⁽¹⁾ This represents those financial instruments whose interest rates change concurrently with a change in the underlying interest rate basis, for example base rate loans.

⁽²⁾ This includes financial instruments such as equity investments.

⁽³⁾ This includes non-financial instruments.

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33. Financial Risk Management (Continued)

(h) Cash flow and fair value interest rate risk (continued)

	Immediately Rate Sensitive ⁽¹⁾	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Non Rate Sensitive ^(2&3)	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
As at 31 October 2023							
Assets							
Cash and balances with Central Bank	-	19,927,642	-	-	-	8,460,250	28,387,892
Due from other banks	538,520	3,485,362	-	-	-	2,478,311	6,502,193
Derivative financial instruments	-	40,818	-	-	-	-	40,818
Other assets	-	-	-	-	-	439,985	439,985
Investment securities	-	32,176,555	1,714,312	-	-	5,034	33,895,901
Loans and advances to customers	2,848,469	5,831,170	4,312,683	14,568,385	61,375,615	-	88,936,322
Property and equipment	-	-	-	-	-	3,233,779	3,233,779
Retirement benefit asset	-	-	-	-	-	1,032,709	1,032,709
Total assets	3,386,989	61,461,547	6,026,995	14,568,385	61,375,615	15,768,334	162,587,865
Liabilities							
Customer deposits	92,846,796	36,050,015	15,144,556	1,640,794	7,718	-	145,689,879
Other liabilities	-	-	-	-	-	2,687,486	2,687,486
Taxation payable	-	-	-	-	-	49,676	49,676
Retirement benefit obligation	-	-	-	-	-	78,802	78,802
Total liabilities	92,846,796	36,050,015	15,144,556	1,640,794	7,718	2,815,964	148,505,843
Total interest rate sensitivity gap	(89,459,807)	25,411,532	(9,117,561)	12,927,591	61,367,897	12,952,370	14,082,022
Cumulative gap	(89,459,807)	(64,048,275)	(73,165,836)	(60,238,245)	1,129,652	14,082,022	-

⁽¹⁾ This represents those financial instruments whose interest rates change concurrently with a change in the underlying interest rate basis, for example base rate loans.

⁽²⁾ This includes financial instruments such as equity investments.

⁽³⁾ This includes non-financial instruments.

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33. Financial Risk Management (Continued)

(h) Cash flow and fair value interest rate risk (continued)

Average effective yields by the earlier of the contractual re-pricing or maturity dates:

	2024					Total %
	Immediately Rate Sensitive	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	
	%	%	%	%	%	
Cash and balances with Central Bank	-	2.18	-	-	-	2.18
Due from other banks	-	4.56	-	-	-	4.56
Securities⁽¹⁾	-	0.95	4.50	-	-	1.07
Loans to customers ⁽²⁾	36.60	6.78	8.83	7.86	7.85	8.72
Customer deposits⁽³⁾	0.05	6.17	6.70	5.10	2.78	2.52
	2023					
	Immediately Rate Sensitive	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Total %
	%	%	%	%	%	%
Cash and balances with Central Bank	-	3.53	-	-	-	3.53
Due from other banks	-	5.16	-	-	-	5.16
Securities⁽¹⁾	-	1.01	3.23	-	-	1.13
Loans to customers ⁽²⁾	38.03	6.36	8.69	8.33	7.73	8.76
Customer deposits⁽³⁾	0.05	5.99	6.62	4.31	1.65	2.25

(1) Yields are based on book values and contractual interest rates adjusted for amortisation of premiums and discounts.

(2) Yields are based on book values, net of allowance for credit losses and contractual interest rates.

(3) Yields are based on contractual interest rates.

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33. Financial Risk Management (Continued)

(i) Fair value of financial instruments

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 following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
31 October 2024				
Financial assets				
Derivative financial instrument	-	13,595	-	13,595
Securities:				
Government debt securities	-	33,414,833	-	33,414,833
Unquoted equities		-	5,034	5,034
Total financial assets	-	33,428,428	5,034	33,433,462

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33. Financial Risk Management (Continued)

(i) Fair value of financial instruments (continued)

31 October 2023	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
Derivative financial instrument	-	40,818	-	40,818
Securities:				
Government debt securities		33,890,867	-	33,890,867
Unquoted equities	-	-	5,034	5,034
Total financial assets	-	33,931,685	5,034	33,936,719

There were no transfers between levels in the fair value hierarchy during the year.

Financial instruments recorded at fair value

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

a) Debt instruments at FVOCI

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

b) 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.

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 recorded at fair value in the financial statements:

i. Due from other banks

Loans and advances to banks include inter-bank placements and items in the course of collection. The fair value of floating rate placements and overnight deposits is their carrying amount. The estimated fair value of fixed interest bearing-deposits is based on discounted cash flows using prevailing money market interest rates for debts with similar credit risk and remaining maturity. Their carrying values approximate their fair values.

ii. Loans and advances to customers

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

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33. Financial Risk Management (Continued)

(i) Fair value of financial instruments (continued)

Fair value of financial instruments not carried at fair value (continued)

iii. Customer deposits

The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand. The estimated fair value of fixed interest-bearing deposits and other borrowings without quoted market price is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

iv. Financial assets and liabilities with carrying values that approximate fair values

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

The following tables set out the fair values of the financial instruments of the Bank not shown on the statement of financial position at fair value:

	Carrying value	Fair value	Carrying value	Fair value
	2024	2024	2023	2023
	\$'000	\$'000	\$'000	\$'000
Loans and advances to customers (1)	111,328,407	111,056,833	88,936,322	88,463,344
Customer deposits (1)	160,675,083	159,229,020	145,689,879	145,209,612

(1) These financial instruments are all Level 3 items by level of the fair value hierarchy.

Transfers between levels in the fair value hierarchy are deemed to have occurred at the beginning of the year in which the transfer occurred. Transfers between levels can occur as a result of additional or new information regarding valuation inputs and changes in their observability. There were no transfers between levels during the year.

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:

			Range of inputs			
			2024		2023	
As at 31 October	Valuation technique	Key non-observable inputs	Low	High	Low	High
Loans and advances to	Market proxy or direct broker quote	Market proxy or direct broker quote	0%	22%	0%	22%
Customer deposits	Market proxy or direct broker quote	Market proxy or direct broker quote	0%	10%	0%	10%

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34. Critical Accounting Judgements and Estimates in Applying Accounting Policies

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 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:

(a) 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 Bank's Expected Credit Loss (ECL) calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

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

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

(b) Retirement benefit obligation

Accounting for some retirement benefit obligation 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.

(c) Property and equipment

Management exercises judgement in determining whether costs incurred can accrue significant future economic benefits to the Bank to enable the value to be treated as a capital expense.

Further judgement is applied in the annual review of the useful lives and residual values of all categories of property and equipment and the resulting depreciation determined thereon.

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34. Critical Accounting Judgements and Estimates in Applying Accounting Policies (Continued)

(d) Income taxes

The Bank is subject to taxation 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 impact the income tax and deferred tax provisions in the period in which such determination is made.

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.

(e) Fair value of financial instruments

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

35. Employee Share Purchase Plan

Under the employee share purchase plan, qualifying employees can choose each year to have up to 6% of their eligible earnings withheld to purchase common shares in the Parent. The Bank matches 50% of the employee contribution amount, up to a maximum contribution of 6% of eligible earnings, depending upon length of service and job level. The Bank's contributions vest after employees have two years of continuous participation in the plan. All contributions are paid into a trust and used by the plan trustees to purchase common shares in the open market. The Bank's contributions are expensed as incurred and totalled \$13,407,000 (2023 - \$12,853,000) (Note 23).