CIBC FirstCaribbean International Bank

ANNUAL REPORT

2018

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Inside this report

Corporate Profile

CIBC FirstCaribbean is a relationship bank offering a full range of market leading financial services through our Corporate and Investment Banking, Retail and Business Banking and Wealth Management segments. We are located in seventeen (17) countries around the Caribbean, providing the banking services that fit our customers' lives through approximately 3,000 employees in 68 branches and offices. We are one of the largest regionally listed financial services institutions in the English and Dutch speaking Caribbean, with US$11 billion in assets and market capitalization of US$2 billion. We also have a representative office in Hong Kong providing business development, relationship management and fund administration. The face of banking is changing throughout the world and CIBC FirstCaribbean intends to lead these changes with the expertise, integrity and knowledge gained from banking in the Caribbean since 1836.

Vision

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

Mission

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

Values - Trust, Teamwork, Accountability

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

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

Strategic Priorities

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

- **Client Relationships** – We aim to grow our share of wallet with our existing clients, attract new clients, further improve sales and service capability by creating a personalized, responsive and easy experience.

- **Modern Everyday Banking Experience** – We are building digital capabilities across our sales and delivery channels to provide our clients with a modern omni-channel, banking experience.

- **Simplification** – We are optimizing our processes and cost structure by simplifying the way we do business. We aim to remove paper from our processes, and we are investing in next generation compliance and customer onboarding experiences.

- **People** – We ensure business continuity and growth by developing our people.

2018 Highlights

First for Clients

Ever mindful that a key contributor to our business success rests in the advocacy of our clients, in 2018 our lines of business held steadfast to their mission of deepening client relationships and enhancing value to the client.

Retail and Business Banking

- Despite modest economic growth being experienced across the markets we operate, Retail & Business Banking continued its positive track record achieving its 15th consecutive quarter of performing loan growth after 3 consecutive years of decline.
- Good growth was experienced across all of our key client offerings – Platinum Banking, Business Banking, Retail, Cards and Insurance.
- Our teams have embraced our corporate behaviors of being Personalised, Responsive and Easy for our clients and this has played a major role in CIBC FirstCaribbean being the preferred choice for clients in meeting their financial needs and to our being the leader in client relationships.
- Along with our continued performing loan growth track record a number of our retail operations, products and service offerings have been voted best in class._Here are but a few of the awards we have won over the past year:
    - Best Bank - Bahamas
    - Best Retail Bank - Barbados
    - Best Card Offering – International Finance Awards
    - Best Digital Bank Internet & Mobile Banking –
    - International Finance Awards
- We continued to build our digital capabilities as we strive to provide our clients with a modern omni-channel, banking experience. During the year we delivered multiple upgrades to our award-winning Mobile Banking app and Online Banking offering, which further enhanced our client experience and overall security. We are pleased to share some of the best-in-class features that are currently making our clients' lives easier:
    - Transfer History
    - Fingerprint and Facial Recognition – 1st to the Caribbean
    - Freeze My Card– 1st to the region
    - Alert me on all my transactions
    - Transaction controls on online purchases – 1st to the region
    - Mobile Location Confirmation – 1st to the region
    - Establishing Recurring payments
    - Domestic transfers to both CIBC FirstCaribbean and other banks.
- Investing in our people remains a key focus for Retail and Business Banking, with 370 employees trained in Enhancing Client Experience, Business Banking and Risk & Controls, and another 390 trained on System Enhancements, and a further 656 on Compliance Awareness.
- Our 61 branches across the region continued to keenly contest the Joy Callender Branch of the Year award in recognition for providing quality service and sales. This prestigious title was shared for the first time in its history and was awarded to Governor's Harbour - Bahamas and Sheraton Branch - Barbados.

Wealth Management

- In 2018 we continued to provide our clients with customized solutions in five key areas of wealth management – investment planning and asset management, credit planning, wealth protection and structuring, cash management, and business planning.
- Thanks to robust markets and strong business development across all wealth business lines, we had our best financial year ever. Revenue was up 15% from 2017 and operating profit was up 44%.
- Appointed a new Managing Director to head up our Bahamas Trust business._
- We expanded our Investment Advisory team adding team members in Cayman, Bahamas & Barbados in order to meet the growing needs of our clients. The Investment Advisory group continues to be a key initiative for the Private Wealth Management team.
- Private Banking continues to grow and will be adding another Private Banker in Cayman in January 2019.
- International Corporate Banking Cayman & Bahamas team had increases in staff due to the increased volumes of new accounts.
- Fund Administration Services continues to grow. We expanded our team by adding team members in Cayman. Business development activities in North America, Asia and Europe have been successful. The group continues to be a key initiative for the Private Wealth Management team.
- We also won two significant awards this year:
    - World Finance: Best Wealth Management Provider - The Bahamas
    - Euromoney: Best Caribbean Succession Planning Advice and Trusts

Corporate & Investment Banking

- Corporate & Investment Banking is servicing a wide range of corporate clients across our footprint including the largest regional corporate & sovereign clients as well as mid-size corporations in a variety of industries including Utilities, Hospitality, Infrastructure, Retail & Distribution, Real Estate and Oil & Gas. We have ten thousand corporate clients of which approximately 1500 clients are borrowing and these clients are serviced by 200 dedicated corporate bankers. We have a seasoned leadership team spread out over our footprint. Most of our clients are using our cash management and foreign exchange services.

- Corporate & Investment Banking continues to make client centricity its top priority by striving to provide exceptional service and deepen client relationships in an effort to become our clients' leading financial partner. We have launched several initiatives to simplify products and processes to speed-up our response times and improve the customer experience. Improving customer experience and upgrading and promoting our digital channels will be a key focus again for 2019.
- During the year, the Corporate & Investment Banking team was involved in structuring and arranging just over US$1 billion of financing transactions for our clients across the Caribbean. Our Investment Banking team executed some significant advisory and capital markets mandates.
- We have been supporting our corporate clients in the five territories adversely impacted by hurricanes Irma and Maria to rebuild their business. With the support of our dedicated teams, our clients were able to re-open their businesses and we also worked quickly to put in place special finance options to assist them in their recovery and rebuilding efforts. These options included payment moratoriums as well as flexible loan financing terms to pre-fund insurance settlements for property repair and asset restoration._ We are supporting our customers to understand the importance of insurance coverage, quality and resilience of construction.
- We continue to build and promote our brand through local, regional and digital campaigns with a focus on successful partnerships with our clients and on our Forex & Derivatives and Cash Management Services. Over the past year, CIBC FirstCaribbean sponsored various regional conferences such as the CARILEC CEO & Finance Conference held in Barbados in May 2018, as a silver sponsor and exhibitor and in September 2018, as a sponsor and exhibitor at the Caribbean Transitional Energy Conference in Cayman. We also actively participated through various speaking engagements at over a dozen other regional conferences and events focusing on Energy & Utilities, Telecommunication, Infrastructure development and Hospitality sectors. In addition, we were the Title Sponsor and co-host of the Caribbean Infrastructure Forum held December 2017 in Montego Bay, Jamaica. We are again sponsoring and co-hosting this year's Caribbean Infrastructure Forum in The Bahamas in December 2018.

First For Employees

In 2018 we continued our focus on making our bank a great place to work for our employees, as well as a great place to do business for our clients, by enhancing our employee programs to support our corporate strategy, to embed our client centric culture and to help our employees develop and fulfill their career ambitions.

Culture & Engagement

- Since 2016 we have been focused on engendering a client first culture within our organization supported by a number of key behaviors that underpin how we work to support our clients – agility, collaboration, integrity, ownership and urgency. These have now become a way of life for our employees and are exemplified in the way we interact with both our clients and our colleagues.
- We have embedded these behaviors in our key employee programs so that they form the core of each program. Our recognition program now identifies and rewards employees for their demonstration of our corporate values and behaviors. To ensure that those who join our bank share our values and are the right fit for our organization we have enhanced our recruitment and selection policy to include a focus not only on technical qualifications but also on personality traits and competencies that reflect our shared values and behaviors. Our performance management tool has also been enriched to include our behaviors so that we assess performance based on both what is achieved and also on how it is achieved.

Training & Development

- Achieving our strategic priorities is only possible through the dedication and hard work of the 3,000 employees who come to our bank every day to serve our clients. To ensure that all of our employees understand our vision, understand what role they play in delivering on our client promise and work together to achieve our goals requires strong leadership across the organization.
- This year our Talent Management team placed significant focus on the development of our current and future leaders. We have designed and launched a number of development programs aimed at enhancing the skills of our existing leaders and building a corps of leaders for the future.
- In June we launched our new Senior Leadership Development Program for our top 100 leaders in conjunction with Harvard Business School. This program combines on-line learning with practical project based application of the business techniques learnt through the program. Our aim is to have all_of our senior leaders complete this program over a three year period.
- We also launched a development program for Branch Managers and Country Managers, aimed at both current managers and those aspiring to management positions.
- To help our leaders become great leaders we also launched our Mentorship Program in 2018. A group of our newest leaders were paired with experienced leaders to provide them with coaching and mentoring opportunities. This program will be rolled out across our bank in 2019.

Employee Survey

- What our employees think of our bank is of huge importance to us and helps to drive the decisions we make around our people programs. For 2018, over 2,000 of our employees provided us with feedback on our progress by completing our annual survey. Most of the results were relatively similar to the results in 2017, up or down a couple of percentage points. Looking at the trends over the last five years, the results are still very positive. The work we have done around our culture and our corporate behaviors that drive how we serve our clients was one of the most notable areas of improvement over the last year with most measures increasing from 2017.
- We have also been focused on simplification within our bank and making our operational processes easier, both for our employees and our clients. Our employees have begun to recognize our progress in this area and this will be a key theme for 2019 and beyond.
- We are also working hard to build a culture within our bank where our employees feel comfortable raising issues and concerns, and can see that these are taken seriously and that steps are taken to deal with the issues raised. This year we saw a 5% increase in the measures in our survey in this area, and this continues the trend we saw in this area the previous year.

First For Communities

- The bank continued to reach out and partner with individuals and organisations to make life better for many in the communities where we operate over the past year.
- We again contributed US $1 million through the ComTrust Foundation for corporate social responsibility projects across the region whether as part of Memoranda of Understanding with institutions or single donations to organisations, social and community groups and schools.
- Again we split our funding in half giving approximately 50% to our country management teams to assist causes at the local level, while the other 50% was allocated for regional projects and disaster relief.
- We continued to support the uplifting work of the Salvation Army in Barbados and St. Lucia making major donations to their red kettle appeal and other projects.
- The bank continued to support the work of the Barbados Vagrants and Homeless Society giving $20 000 to its feeding programme. That was the second annual payment, part of a $100 000 five year commitment to that charity.
- Our flagship charitable event in the region - Walk for the Cure was again an incredible success attracting new corporate sponsors and donors and thousands more participants who took part in walks held all across our regional footprint in September and October.
- The event which is the region's largest cancer fundraising and awareness activity raised just over US $525,000 again this year to support the work of cancer care and awareness organisations around the region, working to promote early detection of cancer and improving the lives of those affected by the disease.
- We are into the fifth year of our Memorandum of Understanding with the Hospital for Sick Children in Toronto, whose Caribbean Initiative established by its SickKids Foundation aims to improve the care and diagnosis of children in the region affected by cancer and blood diseases.
  As the nursing training partner the bank was pleased to see a second cohort of 13 regional nurses complete the one-year specialized training programme at the University of the West Indies School of Nursing in El Dorado, Trinidad. Our commitment to the SickKids Caribbean Initiative is to provide US$1,000,000 over a seven-year period.
- The bank also renewed its longstanding MOU with the University of the West Indies (UWI) this year. We continued to be the largest provider of undergraduate scholarships to awarding fifteen to students across a range of disciplines and faculties at the University of the West Indies. We also continued to support graduate research in topics related to Banking and Finance.
- The bank's technology department also entered into a special programme with the faculty of Science and Technology at Cave Hill which saw senior staffers undertaking several projects with students and offering guidance and mentoring to them.
- Staff members again this year sought to reach out and help many in their various communities using our Adopt-A-Cause Programme. Close to two dozen projects were undertaken by our branches and other offices which used funding provided by the bank and donated their time to these community projects.
- For example, in Barbados, six departments came together to support The Irvin Wilson School, an institution which educates hearing and visually impaired students as well as those with autism. They project helped to improve security at the school installing cameras and a security gate. Staff also volunteered to paint the interior and exterior of some classrooms as well as outdoor furniture.
- In Jamaica, the St Elmos Primary School and the St. Albans Infants School were fully outfitted with toilet facilities and running water thanks to the staff at the Santa Cruz branch. St. Albans also had the additional benefit of the installation of a water tank.
- Two departments in St. Vincent and the Grenadines joined forces to refurbish the Belair Government School with specific emphasis on the Kindergarten classroom. The classroom was tiled and the floors and walls painted. The project saw bank staff as well as teachers and their tiny charges joining heart and hands for the project.

Financial Highlights

US $ millions, except per share amounts, as at or for the year ended October 31		2018	2017	2016	2015	2014
Common share information						
Per share (US cents)	- basic and diluted earnings/(loss)	6.1	8.7	8.9	6.0	(9.3)
	- adjusted basic and diluted earnings	10.1	9.4	8.9	7.6	5.2
	- regular dividends	5.0	5.0	4.5	3.5	3.0
	- special dividend	12.7	-	-	6.3	-
Share price (US cents)	- closing	134	129	113	86	88
Shares outstanding (thousands)	- end of the period	1,577,095	1,577,095	1,577,095	1,577,095	1,577,095
Market capitalisation		2,120	2,035	1,789	1,363	1,395
Value measures*						
Dividend yield (dividends per share/share price)		3.7%	3.9%	4.0%	4.0%	3.4%
Dividend payout ratio (dividends/net income)		81.5%	57.2%	50.7%	58.3%	n/m
Adjusted dividend payout ratio (dividends/net income)		49.7%	53.5%	50.7%	45.9%	58.2%
Financial results						
Total revenue		581	547	534	522	529
Credit loss expense on financial assets		102	24	17	42	206
Impairment of intangible assets		-	-	-	-	116
Operating expenses		387	372	357	370	349
Net income/(loss)		101	142	143	98	(148)
Adjusted net income		163	151	143	123	83
Financial measures						
Efficiency ratio (operating expenses/total revenue)		66.5%	68.0%	67.0%	70.9%	66.0%
Return on equity (net income/average equity)		7.5%	10.0%	10.4%	7.2%	(10.3%)
Adjusted return on equity (net income/average equity)		12.2%	10.7%	10.4%	9.1%	5.8%
Net interest margin (net interest income/average total assets)		3.5%	3.3%	3.4%	3.4%	3.3%
Statement of Financial Position information						
Loans and advances to customers		5,905	6,358	6,212	6,005	6,140
Total assets		10,996	12,251	10,966	10,689	10,779
Customer deposits		9,537	10,372	9,156	8,699	9,200
Debt securities in issue		91	213	198	209	31
Total equity		1,153	1,442	1,375	1,381	1,338
Statement of Financial Position quality measures						
Common equity to risk weighted assets		16.2%	20.2%	21.3%	24.0%	22.1%
Risk weighted assets		7,096	7,134	6,461	5,745	5,955
Tier I capital ratio		14.3%	18.0%	18.9%	21.6%	19.5%
Tier I and II capital ratio		15.6%	19.7%	20.6%	22.8%	20.8%
Other information						
Employees (#)		3,092	3,013	2,991	3,055	3,053

n/m - Not meaningful

* - excludes special dividends

An eventful year for our bank

David Ritch OBE, J.P
Chair of the Board

The economic rebound in the USA and Canada – the Caribbean's major trading partners – continued in 2018, but economic growth in the UK remained modest, while the challenging economic environment in Venezuela persisted. Further, while they have since moderated, average global crude oil prices' upward trend continued up until October 2018. Developments in regional economic activity thus generally responded to global economic trends and external shocks for the year-to-date 2018. Most markets experienced some expansion in real GDP, but those countries affected by Hurricanes Irma and Maria in Q3 2017 and those who depend heavily on the UK (specifically Barbados) or Venezuela (Aruba and Curacao) for tourist arrivals experienced either modest or negative economic growth over the period.

However, surges in capital expenditure in some hurricane-affected markets likely partially offset the fall-out from fewer tourist arrivals, and private sector construction activity seems to have led to growth in overall construction thus far in 2018.

The Government of Barbados ("GOB") and the International Monetary Fund reached an agreement on a 4-year US$290 million financing programme under the Extended Fund Facility on October 1, 2018. GOB's associated fiscal consolidation programme and its ongoing debt restructuring targets a reduction in the government's debt to GDP ratio from approximately 157% to 60% by 2033. This debt restructuring, while likely to immediately reduce profitability in the domestic banking system in the short-term, will likely ease the government's cash flow constraints and provide space to finance much needed capital expenditures.

The effects of these external developments influenced fiscal performances in many markets so far in 2018. Specifically, those markets hit by Hurricanes Irma and Maria have lost revenue from weaker economic activity and/or substantially increased expenditure related to reconstruction and rehabilitation post-disaster.

Notwithstanding mixed economic performance, regional loan growth accelerated during the first half of 2018, but faster deposit growth further increased excess liquidity year-on-year over the same period. Loan quality continues to improve in the larger markets, but has started to worsen in hurricane-hit markets. However, regional banking sectors generally remain stable and strong as capital adequacy generally exceeds globally-accepted minimums.

While the hurricanes of 2017 severely tested our teams in the affected markets, 2018 saw our people in those affected countries demonstrate a pleasing level of resilience. CIBC FirstCaribbean continues to work on once again achieving our pre-hurricane performance levels. We are happy to report that the renovations to our physical locations are complete and we continue to support our clients, some of whom, as indicated above, continue to struggle on their own path to recovery.

Continuing challenges notwithstanding, the Bank had a satisfying year, with reported net income of $101 million compared to $142 million in the prior year. Items of note impacting this year's results were $66 million of credit losses attributable to the GOB debt restructuring and $4 million of insurance recoveries from the 2017 damage of hurricanes Irma and Maria. Excluding these items of note, the Bank recorded strong normalized net income of $163 million versus normalized net income of $151 million in the prior year, an improvement of 8% on EPS and an adjusted return of equity of 12%. Our net income growth is driven primarily by increased performing loans, after adjusting for the early repayment of a loan previously made to our major shareholder and higher interest margins from the impact of increasing US interest rates.

The Board is therefore pleased to announce that, based on the earnings per share of 6.1 cents, a final dividend of $0.0125 per share has been fixed. This represents a total regular dividend of $0.050 for the year.

It has been an eventful year for the Bank. In March of 2018, we filed an F1 Statement with the United States Securities Commission which was intended to pave the way for the listing of our common shares on the NYSE; however, the Bank ultimately decided not to proceed.

There were a number of changes to the composition of your Board during the financial year. Mr. Christopher de Caires was appointed to the Board in February 14, 2018 and elected by shareholders at the Annual Meeting in March. Mr. Brian Clarke resigned as a director effective September 7, 2018. Mr. Mark St. Hill, Managing Director Retail and Business Banking, was appointed a director, also effective September 7, 2018. Ms. G. Diane Stewart resigned from the Board on October 1st to take up an appointment as a Judge of the Supreme Court of the Commonwealth of the Bahamas, and after the close of the financial year Mr. Craig Gomez was appointed to replace Ms. Stewart and will be presented to shareholders for election at the annual meeting, the date of which will be announced in due course.

Finally, Mr. Gary Brown retired as CEO and ceased to be a director, effective October 31, 2018. Consequently, Mr. Robert Frentzel Managing Director and President of Specialized Industries for CIBC's U.S. Region, was appointed a director to replace Gary, effective November 1, 2018.

I wish to thank our outgoing directors for their contribution to the Board and to CIBC FirstCaribbean and welcome those who have been appointed during the course of the year.

During 2018, we received the sad news that Sir Fred Gollop passed away after a period of illness. Sir Fred joined the board of directors of the then CIBC West Indies Holdings in May 2001, and following the merger of that bank with Barclays to form FirstCaribbean in 2002, he continued on the new board giving invaluable service for 15 years. During that time, he served on a number of sub-committees and saw the Bank through a number of crucial changes over those years. We are eternally grateful for the time that he was a member of our Board. May he rest in peace.

I also wish to place on record our sincere thanks to our outgoing CEO, Mr. Gary Brown. Gary served this Bank with distinction during his nearly three-year stint in the Caribbean. His client centric approach to banking was a key driver in motivating the management team not only to strive for success in all that we do but more importantly to remind us all to put the customer first. On behalf of the directors of CIBC FirstCaribbean, I wish Gary a long and happy retirement.

Ms. Colette Delaney, formerly the Bank's Chief Operating Officer, was appointed Chief Executive Officer to replace Gary effective November 1, 2018.

We wish Colette every success in this role, and thank her and the Bank's employees across the Caribbean for their continuing contribution to CIBC FirstCaribbean.

David Ritch OBE, J.P
Chair of the Board

Chief Executive Officer Gary Brown retired on October 31, 2018 handing over to new Chief Executive Officer Colette Delaney, who assumed the role on November 1, 2018.

Simplified and modern banking experience

Colette Delaney
Chief Executive Officer

For the fiscal year ending October 31, 2018, the Bank reported net income of $101 million and net income of $163 million excluding items of note, namely, $88 million ($66 million after-tax) of incremental provision for credit losses as a result of the Government of Barbados ("GOB") debt restructuring and $4 million due to insurance recoveries from the impact of Hurricane Irma and Maria.

The comprehensive debt restructuring agreement with the GOB excluded US dollar denominated loans and securities with a notional value of $51 million, of which $33 million was classified as impaired with a related expected credit loss allowance of $8 million. We believe our expected credit loss allowances on the US dollar denominated portfolio to be reasonable at this time.

Excluding these items of note_, the Bank generated net income of $163 million; an improvement from prior year reported net income of $142 million and adjusted net income of $151 million.

Total Revenues rose by $34 million from $547 million in 2017 due primarily to increased net interest income which was 6% higher than the prior year. This was largely due to rising US interest rates and our continued growth in performing loans, after adjusting for the early repayment of a loan previously made to our major shareholder. Operating income was up $3 million or 2% higher than prior year due to higher fee income, investing and funding activity.

Operating expenses of $387 million were up $19 million or 5% from prior year largely due to higher salaries and benefits and systems infrastructure costs. Adjusted operating expenses were $391 million compared to $366 million in the prior year.

Credit loss expense on financial assets of $102 million was up $77 million or 316% compared with the same period in the prior year. However, after adjusting for $88 million in incremental provision for credit losses resulting from the GOB debt restructuring, adjusted credit loss expense was $13 million, down $3 million or 16% from the prior year due to parameter changes and model enhancements.

Income tax credit of $8 million for the year versus an income tax expense of $13 million in the prior year was due to lower taxable income as a result of increased provisions related to the GOB debt restructuring. Adjusting for items of note, income tax expense was $14 million, unchanged from prior year.

The Directors have approved a final dividend for quarter ended October 31, 2018 of $0.0125 per share bringing a total regular dividend for the year to $0.050 per share which illustrates our company's strong financial position, our commitment to shareholder returns, our confidence in the region and our positive outlook for future earnings. The dividend will be paid on January 25th, 2019 to the shareholders of record on December 11th, 2018. In addition, we maintained strong capital levels in excess of applicable regulatory requirements.

Client Relationships

We are dedicated to growing our share of wallet with our existing clients and attracting new clients by further improving our sales and service capability with the aspiration of making all of our interactions with our clients personalised, responsive and easy.

This year we reopened our Emmaplein branch on Sint Maarten which was extensively damaged last year by Hurricane Irma. Business recovery has been strong, and we are very proud of all of our employees in the jurisdictions which were badly impacted by hurricanes who have pulled together to re-open our facilities and to continue providing service to our clients.

During the year we opened a new branch at Baha Mar in the Bahamas. This small facility targeted to the needs of Baha Mar employees, offers our full suite of Retail Banking products and services as well as two ABMs in a dedicated self service area, and it is a prototype of the smaller, more focused branch which can serve our clients in the future. In Wealth Management we expanded our Investment Advisory team by adding team members in Cayman, Bahamas and Barbados in order to meet the growing demand from clients. We also made the difficult decision to close our operations in Anguilla and the securities business in Jamaica. This decision allows us to refocus efforts where we can add more value for our clients. Operations in these countries will cease on January 31, 2019 and March 31, 2019 respectively.

Modern Everyday Banking Experience

Building digital capabilities across our sales and delivery channels to provide our clients with a modern, omni-channel, banking experience remains a key focus of our Bank. This year we put our Online Banking service on a new platform and refreshed the user interface to enhance the client experience. Also, on our award winning mobile banking smart phone app, we significantly improved credit and debit card fraud detection and protection with client transaction alerts and geo-location monitoring.

Simplification

Optimising our processes and cost structure are keys to simplifying the way we do business. Accordingly, our processes are continually being enhanced, and of particular focus, is simplifying our client onboarding and lending processes.

In our efforts to get information to our clients faster and to “go green”, we continue to work with our clients to provide paperless options through which they can access their account information.

Corporate Social Responsibility

This year we again contributed US $1.4 million for corporate social responsibility projects across the region. We continued to support the uplifting work of the Salvation Army in Barbados and St. Lucia making major donations to their red kettle appeal and other projects. The Bank maintained sponsorship of the work of the Barbados Vagrants and Homeless Society giving $20 000 to its feeding programme. That was the second annual payment, part of a $100 000 five year commitment to that charity.

I am extremely proud to report that our flagship charitable event in the region - Walk for the Cure raised just over US $525,000 again this year to support the work of cancer care and awareness organisations around the region. And, we are into the fifth year of our Memorandum of Understanding (“MOU”) with the Hospital for Sick Children in Toronto, whose Caribbean Initiative established by its SickKids Foundation aims to improve the care and diagnosis of children in the region affected by cancer and blood diseases. Our commitment to the SickKids Caribbean Initiative is to provide $1 million commitment over a seven year period.

The Bank also renewed its longstanding MOU with the University of the West Indies (UWI) this year. We continued to be the largest provider of undergraduate scholarships awarding fifteen to students across a range of disciplines and faculties at the UWI. We also continued to sponsor graduate research in topics related to Banking and Finance. Staff members again this year sought to reach out and help many in their various communities using our Adopt-A-Cause Programme. Close to two dozen projects were undertaken by our branches and other offices which used funding provided by the bank and donated their time to these community projects.

Notwithstanding the challenges experienced during the 2018 fiscal year as a result of the GOB debt restructuring, I am encouraged by the strength of our franchise and the commitment of our employees across the region to serving our clients.

Our focus as we move forward will continue to be on our relationships with our clients and on providing them with a simplified and modern everyday banking experience.

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

Colette Delaney
Chief Executive Officer

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

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

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

In recognition of his services to the Islands, David was awarded the honour of Officer of the Most Excellent Order of the British Empire (OBE) in 2003 by her Majesty, Queen Elizabeth II and received the Cayman Islands Quincentennial Lifetime Achievement Award for Law. He is also a Justice of the Peace, current Chair of the Board of Directors of Caribbean Utilities Company, Ltd. and a Director of FirstCaribbean International Bank (Cayman) Limited.

Year Joined Board	2018 Meeting Attendance	
	Overall Attendance	Interim Meetings
2002	4/4	8/8

Board Committee Memberships		
Committee memberships January - June		
• Audit & Governance Committee	2/2	4/4
• Change, Operations, Technology & Human Resources Committee	2/2	-
• Finance, Risk & Conduct Review Committee	2/2	3/3
Committee memberships June - December		
• Audit Committee	2/2	2/2
• Compensation Committee	2/2	2/2
• Nominating/Corporate Governance Committee – Chair	2/2	-
• Risk Committee	2/2	6/6

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

GARY BROWN
Barbados
Non-Independent

Gary Brown served as Chief Executive Officer of CIBC FirstCaribbean from January 1, 2016 until his retirement on October 31, 2018.

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

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

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

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

He retired as Chief Executive Officer and as a director effective October 31, 2018.

Year Joined Board	2018 Meeting Attendance	
	Overall Attendance	Interim Meetings
2016	3/3	5/5
Board Committee Memberships		
Committee memberships January - June		
• Change, Operations, Technology & Human Resources Committee	2/2	
• Finance, Risk & Conduct Review Committee	2/2	3/3
Committee memberships June - October		
• Risk Committee	1/1	3/3

Interlocking/Other Current Directorships	Former Directorships
	K2 Digital Sefar Americas, Inc. FirstCaribbean International Bank (Barbados) Limited FirstCaribbean International Trust & Merchant Bank (Barbados) Limited** FirstCaribbean International Wealth Management Bank (Barbados) Limited FirstCaribbean International Finance Corporation (Leeward & Windward) Limited FirstCaribbean International Bank (Bahamas) Limited FirstCaribbean International Bank (Cayman) Limited Board of Trustees, Mercy College Board of Trustees, Oral Roberts University Foreign Policy Association

*** This entity was amalgamated with FirstCaribbean International Bank (Barbados) Limited in March 2018.*

BLAIR COWAN
Canada
Non-Independent

Blair Cowan is Senior Vice-President, Corporate Finance, CIBC.

A business leader and corporate finance professional with more than 22 years experience operating in the Canadian corporate and commercial markets. Blair joined CIBC in 2004 as the head of CIBC's Mezzanine Finance Group.

After three years, Blair was appointed to lead the Leveraged Finance Group, a newly-created, Enterprise Value-focused lending team mandated to structure and implement structured capital solutions (including both senior and mezzanine debt) on behalf of CIBC clients and prospects as well as the Private Equity community.

In April 2010, Blair was appointed Vice President of Corporate Finance, and his role was augmented further to include responsibility for CIBC's Asset Based Lending team - an asset-focused specialty lender whose structures provide greater flexibility than typical credit models for collateral rich companies. In 2015 Blair worked directly with CIBC's CEO and EVP Brand, Corporate and Client Relationships on strategic client-focused initiatives. In late 2015 Blair was appointed SVP and resumed his role as Head of a further expanded Corporate Finance Division which now includes the Mid-Market Investment Banking, National Accounts, Leveraged Finance, Asset Based Lending and Franchising Teams.

Prior to joining CIBC, Blair served as Director and Team Lead in the proprietary mezzanine finance group of a competing Schedule I Canadian Bank. Blair holds a Master of Business Administration degree from Dalhousie University, an Honours Bachelor of Business Administration degree from Wilfrid Laurier University, and is a Fellow of the Institute of Canadian Bankers. Blair also serves as a Director on the boards of the Canadian Business Growth Fund, CIBC Mortgages Inc and Jack.Org.

Year Joined Board	2018 Meeting Attendance	
	Overall Attendance	Interim Meetings
2017	4/4	1/8*

Board Committee Memberships		
Committee memberships January - June		
• Audit & Governance Committee	2/2	1/4*
Committee memberships June - December		
• Audit Committee	2/2	0/2*
• Risk Committee	2/2	0/6*

Interlocking/Other Current Directorships	Former Directorships
Canadian Business Growth Fund CIBC Mortgages Inc. Jack. Org.	None

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

THE BOARD OF DIRECTORS

CHRIS DE CAIRES
Barbados
Independent

Chris de Caires has been Chair and Managing Director of the Fednav group of companies in Barbados since July 2006. Fednav is a private shipping group that operates a fleet of over 100 bulk cargo vessels worldwide.

Chris has been the principal of de Caires & Co. Inc., a consulting firm providing corporate finance and management advisory services, since 2002. He was the senior vice president of the Interamericana Trading Corporation, a regional Caribbean automotive group, with responsibility for all group operations, from 2000 to 2002. He was a partner in the East Caribbean firm of PricewaterhouseCoopers, with responsibility for corporate finance and management consulting, from 1994 to 1999. Chris was the finance manager of The Barbados Light & Power Company, an electric utility, from 1982 to 1994, with responsibility for financial and accounting matters. Between 1970 and 1982, he worked with the accounting firms of Coopers & Lybrand in Barbados and Reeves and Neylan in the U.K.

Chris is a director of Banks Holdings Limited, a regional beverage manufacturer owned by AB InBev. He is Chair of the Barbados Entrepreneurship Foundation, a charitable organisation charged with enhancing entrepreneurship on the island. He has also served as a director for a number of companies, including Sagicor Financial Corporation, Trinidad Cement Limited and Scotia Insurance (Barbados) Ltd.

Chris was Chair of the Barbados Private Sector Association and has served the Government of Barbados as Chair to the local organising committee for the ICC Cricket World Cup 2007 and the Barbados Tourism Investment Inc. He holds a masters degree in business administration from the Henely Management College in the U.K. and qualified as a chartered accountant with the Institute of Chartered Accountants in England and Wales.

Year Joined Board	2018 Meeting Attendance	
	Overall Attendance	Interim Meetings
2018	4/4	8/8
Board Committee Memberships		
Committee memberships February - June		
• Audit & Governance Committee	2/2	4/4
• Change, Operations, Technology & Human Resources Meeting	2/2	-
• Finance, Risk & Conduct Review Committee	2/2	1/2*
Committee memberships June - December		
• Audit Committee	2/2	2/2
• Compensation Committee	2/2	2/2
• Nominating & Corporate Governance Committee	2/2	-
• Risk Committee	2/2	5/6

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

**Chris joined the Board and became a member of the Finance, Risk & Conduct Review Committee in February 2018.*

COLETTE DELANEY
Barbados
Non-Independent

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

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

As Chief Operating Officer, Colette had responsibility for the performance of the bank's functional regional business lines – Retail & Business Banking, Cards & Customer Relationship Management, Corporate & Investment Banking, and Wealth Management.

She was also responsible for the Bank's Regional Country Management including local regulatory and client relationships. Additionally, Colette led the Marketing & Communications and Strategy functions, for which she assumed responsibility in May of 2017.

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

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

Year Joined Board	2018 Meeting Attendance	
	Overall Attendance	Interim Meetings
2017	4/4	7/8
Board Committee Memberships		
Committee memberships January - June		
• Audit & Governance Committee	2/2	3/4
• Finance, Risk & Conduct Review Committee	2/2	3/3
Committee memberships November – December		
• Risk Committee*	1/1	2/2

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

**Colette became a member of the Risk Committee effective November 1, 2018.*

LYNNE KILPATRICK
Canada
Non-Independent

Lynne Kilpatrick is Executive Vice-President, Client Experience and Marketing, CIBC. Her team is accountable for leading CIBC's focus on improving client experience and for building a strong and differentiated CIBC brand.

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

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

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

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

Year Joined Board	2018 Meeting Attendance	
	Overall Attendance	Interim Meetings
2017	3/4	0/8*
Current Board Committee Memberships		
Committee memberships January - June		
• Change, Operations, Technology & Human Resources Meeting - Chair	1/2	-
Committee memberships June - December		
• Compensation Committee - Chair	2/2	0/2*
• Nominating and Corporate Governance Committee	2/2	-

Interlocking/Other Current Directorships	Former Directorships
None	None

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

BRIAN McDONOUGH
Canada
Non-Independent

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

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

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

Year Joined Board	2018 Meeting Attendance	
	Overall Attendance	Interim Meetings
2013	4/4	1/8*

Current Board Committee Memberships		
Committee memberships January - June		
• Finance, Risk & Conduct Review Committee – Chair	2/2	1/3*
Committee memberships June - December		
• Audit Committee	2/2	0/2*
• Risk Committee - Chair	2/2	0/6*

Interlocking/Other Current Directorships	Former Directorships
None	None

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

MARK ST. HILL
Barbados
Non-Independent

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

Mark has responsibility for the development and growth of CIBC FirstCaribbean's Retail & Business Banking operations across 17 countries. Previous to his current appointment, Mark was the Barbados Country Manager and Managing Director of CIBC FirstCaribbean's Barbados Operating Company.

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

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

An experienced banker with over 28 years in various positions spanning Insurance Brokerage, Retail Banking, Corporate Banking, Credit Risk, International Banking and Wealth Management, Mark has also held senior management positions in several countries in the Caribbean such as Grenada, British Virgin Islands and Barbados.

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

Year Joined Board	2018 Meeting Attendance	
	Overall Attendance	Special Meetings
2018*	1/1	5/5

Current Board Committee Memberships		
None	N/A	N/A

Interlocking/Other Current Directorships	Former Directorships
FirstCaribbean International Bank (Barbados) Limited – Chair FirstCaribbean International Bank (Jamaica) Limited – Chair FirstCaribbean International Bank (Trinidad & Tobago) Limited - Chair	None

**Mark was appointed a director effective September 7, 2018.*

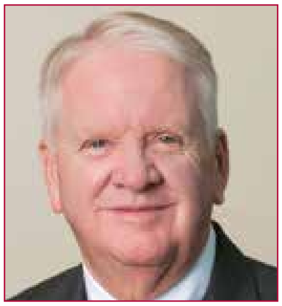
PAULA RAJKUMARSINGH
Trinidad & Tobago
Independent

Paula Rajkumarsingh is a Senior Vice President, at Massy Holdings Ltd. She is a Corporate Financial Executive, with over 20 years of experience at a senior management level. She serves as a director of the St Joseph Convent Cluny Schools Board of Management, Financial Council of The Roman Catholic Church of Trinidad and Tobago and FirstCaribbean International Bank (Trinidad & Tobago) Limited. She previously served on the boards of Massy Holdings Ltd for over 10 years, Trinidad & Tobago Chamber of Industry and Commerce and the Sugar Manufacturing Company as well as a private Equity Fund.

Year Joined Board	2018 Meeting Attendance	
	Overall Attendance	Interim Meetings
2008	4/4	8/8

Current Board Committee Memberships		
Committee memberships January – June		
• Audit & Governance Committee	2/2	4/4
• Change, Operations, Technology & Human Resources Committee	2/2	-
• Finance, Risk & Conduct Review Committee	2/2	2/3
Committee memberships June - December		
• Audit Committee	2/2	2/2
• Compensation Committee	2/2	2/2
• Nominating and Corporate Governance Committee	2/2	-
• Risk Committee	2/2	6/6

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



GARY BROWN
Barbados
Executive Committee
Senior Executive Team

Gary Brown served as Chief Executive Officer and Director of CIBC FirstCaribbean from January 1, 2016 until his retirement on October 31, 2018.

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

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

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

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

NEIL BRENNAN
Barbados
Executive Committee
Senior Executive Team

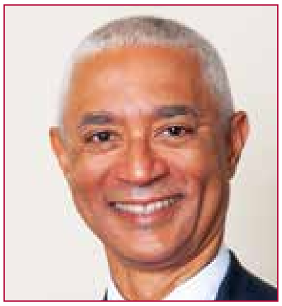
Neil Brennan was appointed Managing Director, Human Resources in 2015 and Chief Administrative Officer effective November 9, 2018.

Neil joined FirstCaribbean International Bank in 2004 and served in the position of Director, Compensation, Benefits & HR Operations until 2009. He returned to CIBC FirstCaribbean in 2012 to the position of Director, Financial Integration and Operations and was appointed to the role of Managing Director Human Resources in 2015. In November 2018 Neil was appointed to the role of Chief Administrative Officer with responsibility for Human Resources, Property Services, Marketing, Communications and Strategy.

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

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

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



BRIAN CLARKE
Barbados
Executive Committee
Senior Executive Team

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

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

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

COLETTE DELANEY
Barbados
Executive Committee
Senior Executive Team

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

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

As Chief Operating Officer, Colette had responsibility for the performance of the Bank's functional regional business lines – Retail & Business Banking, Cards & Customer Relationship Management, Corporate & Investment Banking, and Wealth Management.

She was also responsible for the Bank's Regional Country Management including local regulatory and client relationships. Additionally, Colette led the Marketing & Communications and Strategy functions, for which she assumed responsibility in May of 2017.

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

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

PATRICK McKENNA
Barbados
Executive Committee
Senior Executive Team

Patrick McKenna was appointed Chief Risk Officer in May 2017.

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

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

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

ESAN PETERS
Barbados
Executive Committee
Senior Executive Team

Esan Peters was appointed Chief Information Officer and Managing Director, Technology & Operations, in February 2018.

Esan has worked in the technology and financial services industries for the past 20 years. He held a number of progressively senior roles in the offshore software development sector from 1998 to 2002, where he worked on the development of technology platforms for trading, investment and portfolio management.

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

In 2004, he joined CIBC FirstCaribbean as a software developer in the Technology function to support the Treasury systems of the Bank, transitioning from Technology to Finance in 2005 as Manager, Financial Systems and later became Senior Manager, Financial Systems in 2007. In that role, he was responsible for the financial accounting, planning and reporting systems of the Bank.

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

In 2017, Esan was appointed Deputy Chief Information Officer & Senior Director Technology, responsible for leading the Architecture, Digital Client Experience, Data & Risk Services, Infrastructure & Application Support, and End User Technology functions for the bank.

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

MARK ST. HILL
Barbados
Executive Committee
Senior Executive Team

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

Mark has responsibility for the development and growth of CIBC FirstCaribbean's Retail & Business Banking operations across 17 countries. Previous to his current appointment, Mark was the Barbados Country Manager and Managing Director of CIBC FirstCaribbean's Barbados Operating Company.

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

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

An experienced banker with over 28 years in various positions spanning Insurance Brokerage, Retail Banking, Corporate Banking, Credit Risk, International Banking and Wealth Management, Mark has also held senior management positions in several countries in the Caribbean such as Grenada, British Virgin Islands and Barbados.

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

TREVOR TORZSAS
The Bahamas
Executive Committee
Senior Executive Team

Trevor Torzsas was appointed Managing Director, Cards & Customer Relationship Management in May 2012, and left the Bank effective November 30, 2018.

Trevor played a pivotal role in maximizing sustainable revenues at the Bank. He managed the Cards Issuing and Cash Management businesses and had responsibility for Product Development & Customer Analytics, Customer Research and Insights, Customer Experience and Alternate Channels.

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

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

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

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

PIM VAN DER BURG
Curaçao
Executive Committee
Senior Executive Team

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

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

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

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

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

DOUG WILLIAMSON
Barbados
Executive Committee
Senior Executive Team

Doug Williamson was appointed Chief Financial Officer in May 2017.

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

Doug joined CIBC in 2012, and since then, he has held multiple executive positions with increasing responsibility. Prior to his current role, he was Vice-President, Infrastructure CFO and Finance Shared Services, where he provided financial leadership and strategic advice to all functional groups, including Technology and Operations, Administration, Risk Management, and Finance. He was also responsible for Enterprise Management Reporting, General Accounting & Allocations, and Project Finance Centres of Excellence. In addition, he was a member of the Board of Directors for INTRIA Items Inc., is currently the Chair of the Board for CIBC Reinsurance Company Limited, and is joining the Board for both FirstCaribbean International Bank (Barbados) Limited and FirstCaribbean International Wealth Management Bank (Barbados) Limited as of November 1st 2018.

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

DANIEL WRIGHT
The Cayman Islands
Executive Committee
Senior Executive Team

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

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

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

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

SENIOR EXECUTIVE TEAM

NIGEL HOLNESS
Jamaica
Senior Executive Team

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

In his role he is responsible for delivering financial solutions that drive profitable and sustainable growth, through the Jamaica commercial bank operations.

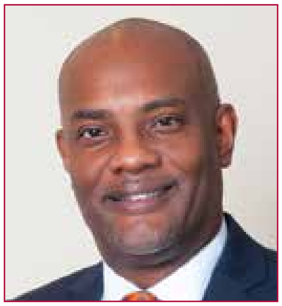
Nigel's experience in the financial services industry in Jamaica and the Caribbean spans over 30 years and covers the areas of Treasury Management, Operations, General Retail and Corporate Banking. He is widely recognized as a strong leader in the domestic market.

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

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

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

Nigel has been exposed to a number of formal training and development programs locally and internationally, and recently completed a Masters Certificate in Financial Services Leadership with York University.



CARL LEWIS
Barbados
Senior Executive Team

Carl Lewis was appointed Chief Auditor in July 2018.

Carl has over 20 years' experience in the finance and banking sectors and is a long-standing member of the CIBC FirstCaribbean team, having joined the bank in 1998. He has held senior roles in Finance, Corporate and Investment Banking and Strategy.

Carl was most recently the Chief Accountant where he had overall responsibility for statutory reporting including the provision of consolidated financial statements. He was also responsible for all Group audit matters, accounting policy and development, tax and maintaining appropriate financial controls in support of the finance function. Carl was also a member of the Pension Investment Sub-committee.

During his career with CIBC FirstCaribbean, he has amassed considerable knowledge of the business. He held a number of senior roles in Finance prior to moving to Corporate Banking in 2006.

As part of the Corporate Banking leadership, he led the business in the Southern Caribbean, covering business development, risk evaluation and people development. He later assumed the role of Director, Corporate Credit Products where his responsibilities included strategic development, deal structuring along with credit portfolio retention and growth.

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

Prior to joining CIBC FirstCaribbean, Carl was with KPMG for several years in the area of audit and assurance.

He received executive education at the Wharton School of Business at the University of Pennsylvania and is also a graduate of the CIBC FirstCaribbean Executive Leadership program also conducted at the Wharton School of Business. Carl is a Canadian Chartered Professional Accountant (CPA) and is a fellow of the local Institute of Chartered Accountants' of Barbados. Carl is also a member of the Institute of Internal Auditors.

MARK McINTYRE
The Cayman Islands
Senior Executive Team

Mark McIntyre was appointed Managing Director, Cayman Islands, BVI and Platinum Banking in January 2012. Effective November 1, 2017 Mark was appointed Managing Director, Cayman Operating Company.

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

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

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

MARIE RODLAND-ALLEN
The Bahamas
Senior Executive Team

Marie Rodland-Allen was appointed Managing Director of the Bahamas Operating Company in September 2010 and serves as a Director of FirstCaribbean International Bank (Bahamas) Limited and CIBC Trust Company (Bahamas) Limited.

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

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

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

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

ANTHONY SEERAJ
Trinidad
Senior Executive Team

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

Anthony has over 34 years' experience in corporate banking and has been a key contributor to the development of the Corporate footprint and the bank's profile in Trinidad, bringing several new key relationships to the bank.

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

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

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

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

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

DONNA WELLINGTON
Barbados
Senior Executive Team

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

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

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

Donna is the President of the Barbados Bankers' Association.

Management's discussion and analysis (MD&A) is provided to enable readers to assess CIBC FirstCaribbean's financial condition and results of operations as at and for the year ended October 31, 2018, compared with prior years. The MD&A should be read in conjunction with the audited consolidated financial statements included in this Annual Report. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and are expressed in thousands of United States dollars. Certain comparative amounts have been reclassified to conform to the presentation adopted in the current year.

Overview

FirstCaribbean International Bank Limited is a leading Caribbean financial institution providing individual and business clients with a full range of products and services through our four (4) segments – Retail and Business Banking, Corporate and Investment Banking, Wealth Management and Administration. Our business segments service clients in seventeen (17) countries through our eight (8) operating companies located in Bahamas, Barbados, Cayman, Jamaica and Trinidad (collectively the "Group").

The business segments and geographic operating companies are supported by the Administration segment which includes Finance, Human Resources, Risk, Technology & Operations, Treasury, and other support units. Highlights and commentary on business segments can be found in the 2018 Highlights Section of this annual report.

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

Nature of the business

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

Objectives and strategies

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

Resources, risks and relationships

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

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

Review of results, performance measures and indicators

Review of the Consolidated Statement of Income

$ Millions except per share amounts, as at or for the year ended October 31	2018	2017
Total revenue	581	547
Net income for the year	101	142
Adjusted net income for the year	163	151
Net income attributable to the equity holders of the parent	97	138
Adjusted net income attributable to equity holders of the parent	159	147
Total assets	10,996	12,251
Basic and diluted earnings per share (cents)	6.1	8.7
Adjusted basic and diluted earnings per share (cents)	10.1	9.4
Dividend per share (cents)	5.0	5.0
Closing share price per share (cents)	134	129
Return on equity	7.5%	10.0%
Adjusted return on equity	12.2%	10.7%
Efficiency ratio	66.5%	68.0%
Tier I capital ratio	14.3%	18.0%
Total capital ratio	15.6%	19.7%

Net income for the year was $101 million, compared to $142 million in 2017. Excluding $62 million in non-recurring items, hurricane related recoveries and the Barbados debt restructuring adjusted net income was $163 million.

The components of the $62 million is as follows:
- Barbados debt restructure $88 million
- Hurricane related recoveries $(4) million
- Taxation credits $(22) million

Adjusting items noted in 2017 were as follows:
- Loan loss impairment expense $9 million
- Asset write-down and relief costs $2 million
- Taxation and minority interest $(1) million

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

2018
- $77 million increase in credit loss expense due to increase in stage 3 provisions for credit loss from the Barbados debt restructuring
- $19 million increase in operating expenses primarily related to salary adjustments and system infrastructure costs
- $31 million increase in net interest income due to loan growth after adjusting for the early repayment of a loan previously made to our major shareholder and rising US interest rates

Net interest income and margin

$ millions for the year ended October 31	2018	2017
Average total assets	11,624	11,608
Net interest income	410	379
Net interest margin	3.5%	3.3%

Net interest income increased year-on-year by $31 million (8%) largely due to higher performing loan earnings after adjusting for the early repayment of a loan previously made to our major shareholder and rising US interest rates.

Operating income

$ millions for the year ended October 31	2018	2017
Net fee and commission income	120	116
Foreign exchange earnings	53	50
Net loss	(5)	-
Other	3	2
	171	168

Operating income increased year-on-year by $3 million (2%) primarily due to higher service based fees.

Operating expenses

$ millions for the year ended October 31	2018	2017
Staff costs		
Salaries	155	144
Benefits & other	35	35
	190	179
Property and equipment expenses	47	44
Depreciation	25	23
Business taxes	38	42
Professional fees	19	19
Communications	11	10
Other	57	51
	387	368

Operating expenses increased year-on-year by $19 million (5%) primarily due to salary adjustments and higher depreciation due to technology investment.

Credit loss expense on financial assets

$ millions for the year ended October 31	2018	2017
Expense on impaired loans – Stage 3		
Mortgages	2	8
Personal	5	5
Business & Sovereign	60	1
	67	14
Expense on non-impaired loans		
Stage 1	(8)	10
Stage 2	(13)	-
Total loans credit loss expense	46	24
Expense on debt securities		
Stage 1	1	-
Stage 2	(25)	-
Stage 3	80	-
Total debt securities credit loss expense	56	-

Loans credit loss expense increased by $22 million (92%) year-on-year. Loss expenses on impaired loans increased by $53 million due mainly to impact of Barbados debt restructuring. Loss expenses on non-impaired loans decreased by $31 million due partly to the Barbados debt restructuring, as loans migrated to Stage 3 (impaired).

The ratio of credit loss allowances to gross loans was 4.2% compared to 4.0% at the end of 2017. Non-performing loans to gross loans declined to 4.5% at the end of 2018 compared to 5.1% as at 2017.

Debt securities credit loss expense was $56 million compared to $ nil last year due to the implementation of IFRS9 and the impact of the Barbados debt restructuring.

Income tax expense

$ millions for the year ended October 31	2018	2017
Income tax expense	(8)	13
Income before taxation	93	155
Effective tax rate	(8.4)%	8.7%

Income tax expense has decreased year-on-year by $21 million. The decrease in taxes is largely due to deferred tax credits from the Barbados debt restructure.

Review of the Consolidated Statement of Comprehensive Income

$ millions for the year ended October 31	2018	2017
Net income for the year	101	142
Other comprehensive income		
Net losses on available-for-sale investment securities	-	(1)
Net losses on debt securities at fair value through OCI	(39)	-
Net exchange gains on translation of foreign operations	-	1
Re-measurement (losses)/gains on retirement benefit plans	(15)	5
Other comprehensive (loss)/income	(54)	5
Total comprehensive income	47	147

Review of the Consolidated Statement of Financial Position

$ millions for the year ended October 31	2018	2017
Assets		
Cash and balances with banks	2,086	2,933
Investment securities	2,384	2,376
Loans and advances to customers:		
Mortgages	1,959	2,134
Personal	660	629
Business & Sovereign	3,526	3,829
Other	16	27
Provision for impairment (net of recoveries and write-offs)	(256)	(261)
	10,375	11,667
Other assets	621	584
	10,996	12,251
Liabilities and equity		
Customer deposits		
Individuals	3,514	4,171
Business & Sovereign	5,886	6,076
Banks	121	111
Interest Payable	15	13
	9,536	10,371
Debt securities in issue	91	213
Other liabilities	216	224
Non-controlling interest	28	30
Equity attributable to equity holders of the parent	1,125	1,413
	10,996	12,251

Total assets decreased by $1.3 billion (10%) primarily due to decreased loans and advances and cash.

Total customer deposits decreased by $835 million (8%) predominately due to normal core deposit movements.

Equity attributable to equity holders of the parent has decreased year on year by $288 million (20%) due mainly to the adoption of IFRS 9 of $35 million, other comprehensive loss of $54 million, dividends of $295 million offset by net income for the year of $96 million.

Our capital strength protects our depositors and creditors from risks inherent in our business, allows us to absorb unexpected losses and enables us to take advantage of attractive business opportunities. The Group continues to maintain strong capital ratios of Tier I and Tier I & II of 14.3% and 15.6% respectively at the end of 2018, well in excess of regulatory requirements.

Business Segment Overview

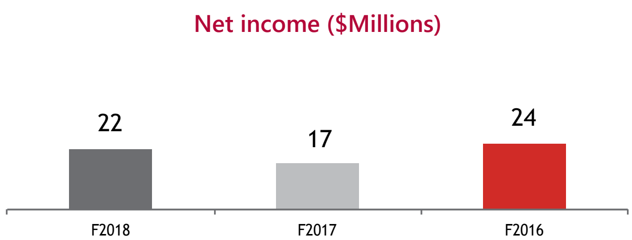
Management monitors the operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment.

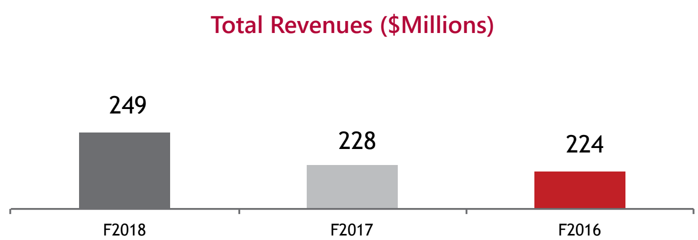
Transactions between the business segments are on normal commercial terms and conditions.

Retail & Business Banking

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

Total revenues increased year-on-year by $21 million or 9% primarily due to higher performing loans income, foreign exchange commissions, deposit services fees and card fee based income. Net income increased year-on-year by $5 million driven by the higher revenue.

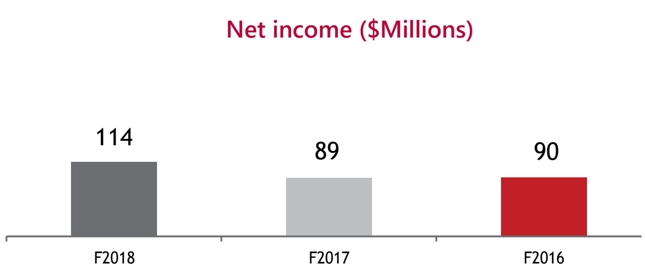


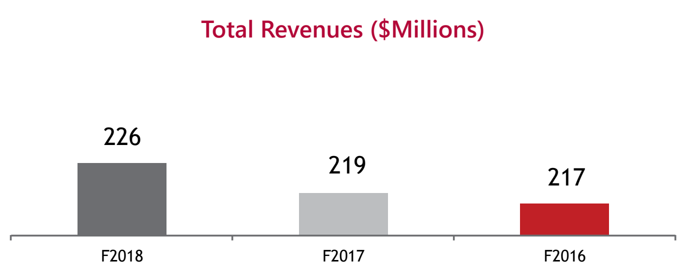


Corporate & Investment Banking

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

Total revenues increased year-on-year by $7 million or 3% primarily due to higher loan earnings. Net income increased year-on-year by $25 million as a result of lower provision for credit losses and indirect expenses, as well as higher revenue.



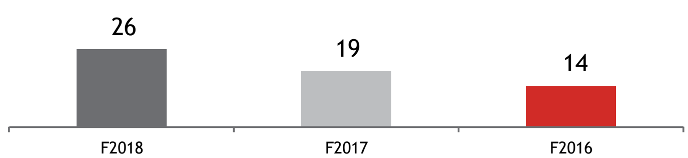


Wealth Management

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

International Corporate Banking is a specialized business that services non domestic, international corporate and institutional clients (such as Offshore Mutual Funds, Hedge Funds, Captives and IBCs) in 6 jurisdictions with core banking, international payments & cash management, lending, standby letters of credits, and investment management alternatives. Total revenue increased year-over-year by $12 million or 15% as a result of higher internal revenue. Net income increased year-on-year by $7 million driven by higher internal revenues from increased margins.

Net income ($Millions)



Total Revenues ($Millions)

Administration

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

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

Risk Management Approach

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

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

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

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

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

Credit Risk

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

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

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

Market Risk

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

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

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

Compliance Risk

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

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

Operational Risk

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

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

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

Liquidity Risk

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

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

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

Building a better
working world

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF FIRSTCARIBBEAN INTERNATIONAL BANK

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of FirstCaribbean International Bank Limited (the Bank") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 October 2018, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 October 2018 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

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

Key Audit Matters

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

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

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF FIRSTCARIBBEAN INTERNATIONAL BANK

Report on the Audit of the Consolidated Financial Statements

Key Audit Matters (continued)

Key audit matter	*How our audit addressed the key audit matter*
Expected credit loss allowances	
Related disclosures in the financial statements are included in Note 2.3, Adoption of new accounting policies, Note 2.4, Summary of significant accounting policies, Impairment of financial assets, Note 14, Securities, Note 15, Loans and advances to customers and Note 32, Financial risk management. The Group early adopted IFRS 9, Financial Instruments effective 1 November 2017. The standard changes the evaluation of credit losses from an incurred approach to an expected credit loss ("ECL") model which requires management judgment and incorporation of forward-looking information. IFRS 9 requires the Group to record an allowance for ECLs for all loans and advances to customers and other financial assets not held at fair value through profit and loss, together with loan commitments and financial guarantee contracts. This is a key audit matter as the estimation of ECLs is inherently uncertain and requires the application of judgment and use of subjective assumptions by management. Furthermore, models used to determine credit impairment are complex, and certain inputs used are not fully observable. Management compensates for any model and data deficiencies by applying judgmental overlays to ECL model outputs.	‣ We evaluated the modelling techniques and methodologies developed by the Group in order to estimate ECLs, and assessed their compliance with the requirements of IFRS 9. ‣ We tested the completeness and accuracy of input data to the models used to determine the ECLs. We assessed the reasonableness of the methodologies and assumptions applied in determining 12 month and lifetime probabilities of default (PD), loss given default (LGD), exposure at default (EAD) and staging. We assessed external source data and assumptions, particularly with respect to forward looking information (FLI) by testing to independent sources. ‣ We involved our internal financial services risk management and economics specialists to evaluate the methodology for validating models and analyzing modelling accuracy and consistency of impairment parameters. They also assessed the reasonableness of generation of FLI. We used our internal real estate specialists to assess the methodology used and values obtained for third party appraisals of real estate held as collateral for loans. ‣ We assessed the reasonableness of all qualitative adjustments or overlays derived outside of specific model output. ‣ We assessed the adequacy of disclosures in the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF FIRSTCARIBBEAN INTERNATIONAL BANK

Report on the Audit of the Consolidated Financial Statements

Key Audit Matters (continued)

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

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF FIRSTCARIBBEAN INTERNATIONAL BANK

Report on the Audit of the Consolidated Financial Statements

Key audit matters (continued)

Key audit matter	*How our audit addressed the key audit matter*
Fair value of investment securities and derivative financial instruments and hedge accounting	
Related disclosures in the financial statements are included in Note 2.4, Summary of significant accounting policies, Derivative financial instruments and hedge accounting, Debt instruments at FVOCI, Equity instruments at FVOCI, Note 12, Derivative financial instruments, Note 14, Securities and Note 32, Financial risk management. This is a key audit matter due to the complexity of valuation models used to determine fair value. These valuation models can be subjective in nature and involve observable and unobservable data and various assumptions. These include the valuation of financial instruments with higher estimation uncertainty for which observable market prices or market parameters are not available .The use of different valuation techniques and assumptions could result in significantly different estimates of fair value. Inaccurate application of hedge accounting rules could result in incorrect classification and could have a significant impact on the statement of comprehensive income. The associated risk management disclosure is also complex and dependent upon high quality data.	‣ We tested the effectiveness of controls over valuation and monthly hedge effectiveness ensuring all hedge accounting criteria were met and in compliance with IAS 39 (IFRS 9 for hedge accounting deferred). ‣ We reviewed the market prices applied to the Bank's debt securities by comparing the prices used to an independent external source. ‣ We involved internal valuation specialists who tested the reasonableness of hedge effectiveness and the fair value of all derivatives held by the Bank. We also used internal valuation specialists to assess the reasonableness of the fair value of securities which did not have observable market prices. ‣ With respect to the Government of Barbados Domestic Debt Exchange, we tested the accounting treatment for compliance with the terms of the offer and IFRS 9 and utilized our transactions advisory specialists in determination of the reasonableness of the yield curve used to determine fair values of the new instruments. ‣ We assessed the adequacy of the disclosures in the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF FIRSTCARIBBEAN INTERNATIONAL BANK

Report on the Audit of the Consolidated Financial Statements

Other information included in the Bank's 2018 Annual Report

Management is responsible for the other information. The other information consists of the Chairman's and Chief Executive Officer's messages and Management's Discussion and Analysis included in the Bank's 2018 Annual Report, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF FIRSTCARIBBEAN INTERNATIONAL BANK

Report on the Audit of the Consolidated Financial Statements

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF FIRSTCARIBBEAN INTERNATIONAL BANK

Report on the Audit of the Consolidated Financial Statements

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

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

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

Ernst + Young Ltd
Bridgetown
BARBADOS
28 November 2018

CONSOLIDATED STATEMENT OF INCOME

For the year ended October 31, 2018
(Expressed in thousands of United States dollars, except as noted)

	Notes	2018	2017
Interest and similar income		$ 474,084	$ 443,673
Interest and similar expense		64,141	64,394
Net interest income	3	409,943	379,279
Operating income	4	171,476	168,094
		581,419	547,373
Operating expenses	5	386,660	367,903
Credit loss expense on financial assets	14,15	101,770	24,459
		488,430	392,362
Income before taxation		92,989	155,011
Income tax (credit)/ expense	6	(7,823)	13,487
Net income for the year		$ 100,812	$ 141,524
Net income for the year attributable to:			
Equity holders of the parent		$ 96,741	$ 137,851
Non-controlling interests		4,071	3,673
		$ 100,812	$ 141,524
Basic and diluted earnings per share attributable to the equity holders of the parent for the year (expressed in cents per share)	7	6.1	8.7

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended October 31, 2018
(Expressed in thousands of United States dollars)

	Notes	2018	2017
Net income for the year		$ 100,812	$ 141,524
Other comprehensive loss (net of tax) to be reclassified to net income or loss in subsequent periods			
Net losses on available-for-sale investment securities		-	(1,384)
Net losses on debt securities at fair value through OCI		(39,108)	-
Net exchange gains on translation of foreign operations		146	1,165
Net other comprehensive loss (net of tax) to be reclassified to net income or loss in subsequent periods	8,9	(38,962)	(219)
Other comprehensive (loss)/income (net of tax) not to be reclassified to net income or loss in subsequent periods			
Re-measurement (losses)/gains on retirement benefit plans	24	(15,363)	5,286
Net other comprehensive (loss)/income (net of tax) not to be reclassified to net income or loss in subsequent periods		(15,363)	5,286
Other comprehensive (loss)/income for the year, net of tax		(54,325)	5,067
Comprehensive income for the year, net of tax		$ 46,487	$ 146,591
Comprehensive income for the year attributable to:			
Equity holders of the parent		$ 42,621	$ 143,041
Non-controlling interests		3,866	3,550
		$ 46,487	$ 146,591

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended October 31, 2018
(Expressed in thousands of United States dollars)

	Notes	2018	2017
Assets			
Cash and balances with Central Banks	10	$ 1,166,851	$ 1,004,102
Due from banks	11	918,771	1,929,375
Derivative financial instruments	12	8,147	5,828
Other assets	13	99,404	81,140
Taxation recoverable		23,900	25,489
Securities	14	2,384,473	2,375,641
Loans and advances to customers	15	5,904,651	6,358,000
Property and equipment	16	165,806	158,661
Deferred tax assets	17	40,752	11,476
Retirement benefit assets	18	64,284	82,496
Intangible assets	19	218,961	218,961
Total assets		$ 10,996,000	$ 12,251,169
Liabilities			
Derivative financial instruments	12	$ 15,990	$ 25,913
Customer deposits	20	9,536,530	10,371,531
Other liabilities	21	169,881	160,719
Taxation payable		3,459	7,375
Deferred tax liabilities	17	3,396	8,260
Debt securities in issue	22	90,918	213,001
Retirement benefit obligations	18	23,032	22,160
Total liabilities		$ 9,843,206	$ 10,808,959
Equity attributable to equity holders of the parent			
Issued capital	23	$ 1,193,149	$ 1,193,149
Reserves	24	(241,315)	(226,135)
Retained earnings		173,117	445,507
		1,124,951	1,412,521
Non-controlling interests		27,843	29,689
Total equity		1,152,794	1,442,210
Total liabilities and equity		$ 10,996,000	$ 12,251,169

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

Approved by the Board of Directors on November 28, 2018

Colette Delaney
Chief Executive Officer

Chris De Caires
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended October 31, 2018
(Expressed in thousands of United States dollars)

	Notes	Attributable to equity holders of the parent							
			Issued capital		Reserves		Retained earnings	Non-controlling interests	Total equity
Balance at October 31, 2016		$	1,193,149	$	(243,062)	$	397,159	$ 28,147	$ 1,375,393
Net income for the year			-		-		137,851	3,673	141,524
Other comprehensive income for the year, net of tax			-		5,190		-	(123)	5,067
Total comprehensive income			-		5,190		137,851	3,550	146,591
Transfer to reserves	24		-		11,668		(11,668)	-	-
Acquisition of additional interest in subsidiary			-		69		-	(282)	(213)
Equity dividends	25		-		-		(77,835)	-	(77,835)
Dividends of subsidiaries			-		-		-	(1,726)	(1,726)
Balance at October 31, 2017		$	1,193,149	$	(226,135)	$	445,507	$ 29,689	$ 1,442,210
Impact of adopting IFRS 9 at Nov 1, 2017	2.3		-		36,752		(72,058)	(650)	(35,956)
Restated balance at Nov 1, 2017 after adopting IFRS 9			1,193,149		(189,383)		373,449	29,039	1,406,254
Net income for the year			-		-		96,741	4,071	100,812
Other comprehensive loss for the year, net of tax			-		(54,120)		-	(205)	(54,325)
Total comprehensive income			-		(54,120)		96,741	3,866	46,487
Transfer to reserves	24		-		2,188		(2,188)	-	-
Equity dividends	25		-		-		(294,885)	-	(294,885)
Dividends of subsidiaries			-		-		-	(5,062)	(5,062)
Balance at October 31, 2018		$	1,193,149	$	(241,315)	$	173,117	$ 27,843	$ 1,152,794

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended October 31, 2018
(Expressed in thousands of United States dollars)

	2018	2017
Cash flows from operating activities		
Income before taxation	$ 92,989	$ 150,835
Loan loss impairment	101,770	24,459
Depreciation of property and equipment	24,930	22,977
Net losses/(gains) on disposals of property and equipment	207	(3,320)
Net losses/(gains) on disposals and redemption of investment securities	5,039	(317)
Net hedging gains	(466)	(1,296)
Interest income earned on investment securities	(70,518)	(65,040)
Interest expense incurred on other borrowed funds and debt securities	6,670	8,402
Net cash flows from operating income before changes in operating assets and liabilities	160,621	136,700
Changes in operating assets and liabilities:		
- net decrease in due from banks	19,337	62,995
- net decrease/(increase) in loans and advances to customers	272,104	(160,739)
- net increase in other assets	(18,764)	(8,556)
- net (decrease)/increase in customer deposits	(835,001)	1,216,768
- net increase/(decrease) in other liabilities	13,771	(27,372)
Income taxes paid	(13,190)	(13,716)
Net cash (used in)/from operating activities	(401,122)	1,206,080
Cash flows from investing activities		
Purchases of property and equipment	(32,282)	(35,071)
Proceeds from disposal of property and equipment	-	10,675
Purchases of investment securities	(3,905,109)	(1,944,834)
Proceeds from disposals and redemption of investment securities	3,867,781	1,755,286
Interest income received on investment securities	70,768	66,898
Acquisition of additional interest in subsidiary	-	(213)
Net cash from/(used in) investing activities	1,158	(147,259)
Cash flows from financing activities		
Net (repayments)/proceeds on other borrowed funds and debt securities (note 22)	(121,777)	14,211
Interest expense paid on other borrowed funds and debt securities	(6,976)	(7,909)
Dividends paid to equity holders of the parent	(294,885)	(77,835))
Dividends paid to non-controlling interests	(5,062)	(1,726)
Net cash used in financing activities	(428,700)	(73,259)
Net (decrease)/increase in cash and cash equivalents for the year	(828,664)	985,562
Effect of exchange rate changes on cash and cash equivalents	146	1,165
Cash and cash equivalents, beginning of year	2,512,595	1,525,868
Cash and cash equivalents, end of year (note 10)	$ 1,684,077	$ 2,512,595

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

For the year ended October 31, 2018
(Expressed in thousands of United States dollars)

Note 1 General Information

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

The Bank has a primary listing on the Barbados and Trinidad Stock Exchange. These consolidated financial statements have been authorised for issue by the Board of Directors on November 28, 2018. The Board of Directors has the power to amend these consolidated financial statements after issue, if required.

Note 2 Basis of preparation and summary of significant accounting policies

2.1 Basis of preparation

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

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

Statement of compliance

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

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries as at October 31, 2018 (the "reporting date"). The financial statements of the subsidiaries are prepared for the same reporting year as the Bank, using consistent accounting policies.

Subsidiaries

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

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

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

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

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

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

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

Transactions with non-controlling interests

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

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

Transactions with jointly controlled entities

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

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

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

2.2 Significant accounting judgements and estimates

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

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

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

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

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

Fair value of financial instruments

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

Impairment losses on financial assets

The measurement of impairment losses both under IFRS 9 and IAS 39 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

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

- The Group's internal credit grading model, which assigns a probability of default (PD) to the individual grades
- The Group's criteria for assessing if there has been a significant increase in credit risk, and therefore allowances for financial assets should be measured on a Lifetime ECL (LTECL) basis andthe 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 Group's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

Retirement benefit obligations

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

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

Income taxes

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

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

Intangible assets

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

2.3 Adoption of new accounting policies

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

New and amended standards and interpretations

In these financial statements, The Group early adopted IFRS 9 and the related IFRS 7R which are effective for annual periods beginning on or after 1 January 2018. These standards were applied on a retrospective basis, with certain exceptions. As permitted, we did not restate our prior period comparative consolidated financial statements. Differences in the carrying amounts of financial instruments resulting from the adoption of IFRS 9 are recognised in our opening November 1, 2017 retained earnings and accumulated other comprehensive income (AOCI) as if we had always followed the new requirements. As permitted, we have elected to continue to apply the hedge accounting requirements of IAS 39.

In addition, the Group applied amendments to IAS 7 Statement of Cash Flows and IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses.

The nature and the impact of the new standards and amendments is described below:

IFRS 9 Financial Instruments

IFRS 9 replaces IAS 39 as at November 1, 2017. The Group elected, as a policy choice permitted under IFRS 9, to continue to apply hedge accounting in accordance with IAS 39. The Bank has not restated comparative information for 2017 for financial instruments in the scope of IFRS 9. Therefore, the comparative information for 2017 is reported under IAS 39 and is not comparable to the information presented for 2018. Differences arising from the adoption of IFRS 9 have been recognised directly in retained earnings as of November 1, 2017 and are disclosed below:

Changes to classification and measurement

To determine their classification and measurement category, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics. The IAS 39 measurement categories of financial assets (fair value through profit or loss (FVPL), available for sale (AFS), held-to-maturity and amortised cost have been replaced by:

- Debt instruments at amortised cost
- Debt instruments at fair value through other comprehensive income (FVOCI), with gains or losses recycled to profit or loss on derecognition
- Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition
- Financial assets at fair value through profit or loss (FVPL)

The accounting for financial liabilities remains largely the same as it was under IAS 39, except for the treatment of gains or losses arising from an entity's own credit risk relating to liabilities designated at FVPL. Such movements are presented in OCI with no subsequent reclassification to the income statement.

Under IFRS 9, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified based on the business model and their contractual terms, as explained in Note 2.4. The accounting for derivatives embedded in financial liabilities and in non-financial host contracts has not changed. The Group's accounting policies for embedded derivatives are set out in Note 2.4.

The Group's classification of its financial assets and liabilities is explained in Notes 2.4. The quantitative impact of applying IFRS 9 as at November 1, 2017 is disclosed below:

Changes to the impairment calculation

The adoption of IFRS 9 has fundamentally changed the Group's accounting for loan loss impairments by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination in which case a lifetime ECL is determined. If the financial asset meets the definition of purchased or originated credit impaired (POCI), the allowance is based on the change in the ECLs over the life of the asset.

Details of the Group's impairment method are disclosed in Note 2.4. The quantitative impact of applying IFRS 9 as at November 1, 2017 is disclosed below:

IFRS 7R

To reflect the differences between IFRS 9 and IAS 39, IFRS 7 Financial Instruments: Disclosures was updated and the Group has adopted it, together with IFRS 9, for the year beginning November 1, 2017. Changes include transition disclosures, detailed qualitative and quantitative information about the ECL calculations such as the assumptions and inputs used are set out below.

Transition disclosures

The following pages set out the impact of adopting IFRS 9 on the statement of financial position, and retained earnings including the effect of replacing IAS 39's incurred credit loss calculations with IFRS 9's ECLs.

A reconciliation between the carrying amounts under IAS 39 to the balances reported under IFRS 9 as of November 1, 2017 is as follows:

For the year ended October 31, 2018
(Expressed in thousands of United States dollars)

	IAS 39 carrying amount as at Oct 31, 2017	Reclassification	Remeasurements	IFRS 9 carrying amount as at Nov 1, 2017
Financial assets				
Cash and balances with Central Banks	$ 1,004,102	$ -	$ -	$ 1,004,102
Due from banks	1,929,375	-	-	1,929,375
Derivative financial instruments	5,828	-	-	5,828
Securities				
Available-for-sale (AFS) securities				
Opening balance	2,375,641			
To debt securities measured at FVOCI		(2,375,641)		
Closing balance				-
Debt securities measured at FVOCI				
Opening balance	-			
From AFS securities		2,375,641		
Closing balance				2,375,641
	2,375,641	-	-	2,375,641
Loans and advances to customers	6,358,000	-	(50,396)	6,307,604
Non-financial assets	578,223	-	-	578,223
Total Assets	$ 12,251,169	$ -	$ (50,396)	$ 12,200,773
Financial liabilities				
Derivative financial instruments	$ 25,913	$ -	$ -	$ 25,913
Customer deposits	10,371,531	-	-	10,371,531
Debt securities in issue	213,001	-	-	213,001
Non-financial liabilities	198,514	-	-	198,514
Total Liabilities	$ 10,808,959	$ -	$ -	$ 10,808,959

As of November 1, 2017, the Group has assessed its liquidity portfolio which had previously been classified as AFS debt instruments. The Bank concluded that these instruments are managed within a business model of collecting contractual cash flows and selling the financial assets. Accordingly, the Bank has classified these investments as debt instruments measured at FVOCI.

The impact of transition to IFRS 9 (before non-controlling interest) on reserves and retained earnings is, as follows:

	Reserves and retained earnings
Fair value reserve	
Closing balance under IAS 39 *(October 31, 2017)*	$ (7,395)
Recognition of expected credit losses under IFRS 9 for debt securities at FVOCI	37,511
Deferred tax in relation to the above	(759)
Opening balance under IFRS 9 *(November 1, 2017)*	$ 29,357
Retained earnings	
Closing balance under IAS 39 *(October 31, 2017)*	$ 445,507
Recognition of IFRS 9 ECLs including those measured at FVOCI (see below)	(87,907)
Deferred tax in relation to the above	15,849
Opening balance under IFRS 9 *(November 1, 2017)*	$ 373,449
Total change in equity due to adopting IFRS 9	$ (35,306)

For the year ended October 31, 2018
(Expressed in thousands of United States dollars)

The following table reconciles the aggregate opening loan loss provision allowances under IAS 39 and provisions for loan commitments and financial guarantee contracts in accordance with IAS 37 Provisions Contingent Liabilities and Contingent Assets to the ECL allowances under IFRS 9.

Impairment allowance for	Loan loss provision under IAS 39 /IAS 37 at October 31, 2017	Re-measurement	ECLs under IFRS 9 as at November 1, 2017
Loans and receivables at amortised cost per IAS 39/financial assets at amortised costs under IFRS 9[(1)]	$ 260,886	$ 50,396	$ 311,282
Available for sale debt instrument securities per IAS 39/debt financial financial assets at FVOCI under IFRS 9	$ -	$ 37,511	$ 37,511

(1) Includes financial guarantees, letter of credit for customer and other commitments

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative

The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). The Group has elected to provide the information for the current period only in Note 22.

Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of deductible temporary difference related to unrealised losses. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The Group applied amendments retrospectively. Application of the clarifying amendments has no effect on the Group's financial position and performance as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

2.4 Summary of significant accounting policies

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

Foreign currency translation

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

Transactions and balances

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

For the year ended October 31, 2018
(Expressed in thousands of United States dollars)

Group companies

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

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

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

Derivative financial instruments and hedge accounting

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

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

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

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

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

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

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

Fair value hedge

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

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

Cash flow hedge

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

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

Interest income and expense

Under both IFRS 9 and IAS 39, interest income and expense are recorded using the effective interest rate (EIR) method for all financial instruments measured at amortised cost and financial instruments designated at FVPL. Interest income on financial assets measured at FVOCI under IFRS 9, similarly to financial assets classified as available-for-sale or held to maturity under IAS 39 are also recorded by using the EIR method. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset. When calculating the EIR, we estimate future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

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

The Group calculates interest income by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets. When a financial asset becomes credit-impaired (as set out in Note 15) and is, therefore, regarded as ‘Stage 3’, the Group calculates interest income by applying the effective interest rate to the net amortised cost of the financial asset. If the financial assets cures (as outlined in Note 15) and is no longer credit-impaired, the Group reverts to calculating interest income on a gross basis.

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

Fee and commission income

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Loan origination fees, which have a high probability of being drawn down, are deferred (together with related direct costs) and recognised as an adjustment to the effective interest yield on the loan. Commission and fees arising from negotiating, or participating in the negotiation of a transaction for a third party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses, are recognized on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts. Asset management fees related to investment funds are recognised proportionately over the period the service is provided. The same principle is applied for wealth management, financial planning and custody services that are continuously provided over an extended period of time.

Customer loyalty programmes

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

Financial instruments: initial recognition

Date of recognition

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

Initial measurement of financial instruments

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

Day 1 profit or loss

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

Measurement categories of financial assets and liabilities

From November 1 2017, the Group classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortised cost
- FVOCI
- FVPL

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

Before November 1 2017, the Group classified its financial assets as loans and receivables (amortised cost), FVPL, or available-for-sale financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost or at FVPL when they are held for trading and derivative instruments or the fair value designation is applied.

Financial assets and liabilities

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

Before November 1 2017, Due from bank and Loans and advances to customers, included non-derivative financial assets with fixed or determinable payments that were not quoted in an active market, other than those:

- That the Group intended to sell immediately or in the near term
- That the Group, upon initial recognition, designated as at FVPL or as available-for-sale

- For which the Group may not recover substantially all of its initial investment, other than because of credit deterioration, which were designated as available-for-sale

From November 1 2017, the Group only measures Due from banks, Loans and advances to customers and other financial investments at amortised cost if both of the following conditions are met:

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

The details of these conditions are outlined below:

Business model assessment

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

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

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

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

The SPPI (solely payments of principle and interest) test

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

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

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

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

Derivatives recorded at fair value through profit or loss

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

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract (i.e., the 'underlying')

- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts expected to have a similar response to changes in market factors
- It is settled at a future date

The Group enters into derivative transactions with various counterparties. These include interest rate swaps, futures, credit default swaps, cross-currency swaps, forward foreign exchange contracts and options on interest rates, foreign currencies and equities. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. The notional amount and fair value of such derivatives are disclosed separately in Note 12. Changes in the fair value of derivatives are included in net trading income unless hedge accounting is applied. Hedge accounting disclosures are provided in Note 12.

Debt instruments at FVOCI (Policy applicable from November 1, 2017)

The Group applies the new category under IFRS 9 of debt instruments measured at FVOCI when both of the following conditions are met:

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

These instruments largely comprise assets that had previously been classified as financial investments available for-sale under IAS 39.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and foreign exchange gains and losses are recognised in profit or loss in the same manner as for financial assets measured at amortised cost. The ECL calculation for debt instruments at FVOCI is shown in Note 14. Where the Group holds more than one investment in the same security, they are deemed to be disposed of on a first–in first-out basis. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

Equity instruments at FVOCI (Policy applicable from November 1, 2017)

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

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

Debt issued and other borrowed funds

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

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

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

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

- The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis, or
- The liabilities (and assets until November 1, 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 November 1, 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 Group's own credit risk. Such changes in fair value are recorded in the Own credit reserve through OCI and do not get recycled to the profit or loss. Interest earned or incurred on instruments designated at FVPL is accrued in interest income or interest expense, respectively, using the EIR, taking into account any discount/premium and qualifying transaction costs being an integral part of instrument. Interest earned on assets mandatorily required to be measured at FVPL is recorded using contractual interest rate as explained in Note 12. Dividend income from equity instruments measured at FVPL is recorded in profit or loss as other operating income when the right to the payment has been established.

Financial guarantees, letters of credit and undrawn loan commitments

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

Financial guarantees are initially recognised in the financial statements at fair value, being the premium received. Subsequent to initial recognition, the Group's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the income statement, and – under IAS 39 – the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee, or – under IFRS 9 – an ECL allowance.

The premium received is recognised in the income statement 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 Group is required to provide a loan with pre-specified terms to the customer. Similar to financial guarantee contracts, under IAS 39, a provision was made if they were an onerous contract but, from November 1, 2017, these contracts are in the scope of the ECL requirements.

The nominal contractual value of financial guarantees, letters of credit and undrawn loan commitments, where the loan agreed to be provided is on market terms, is not recorded on in the statement of financial position. The nominal values of these instruments together with the corresponding ECLs are disclosed in Note 15.

The Group occasionally issues loan commitments at below market interest rates drawdown. Such commitments are subsequently measured at the higher of the amount of the ECL allowance and the amount initially recognised less, when appropriate, the cumulative amount of income recognised as outlined in Note 15.

Available-for-sale financial investments (Policy applicable before November 1, 2017)

Available-for-sale (AFS) investment securities are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

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

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

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

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

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

Reclassification of financial assets and liabilities

From November 1, 2017, the Group does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Group acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified. The Group reclassified any one of its financial assets from loans and advances to debt instruments at armotised costs. No financial liabilities were reclassified.

Derecognition of financial assets and liabilities

Derecognition due to substantial modification of terms and conditions

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

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

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

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

Derecognition other than for substantial modification
Financial assets
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired. The Group also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.
The Group has transferred the financial asset if, and only if, either:

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

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

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

A transfer only qualifies for derecognition if either:

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

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

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

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

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

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

Impairment of financial assets (Policy applicable from November 1, 2017)

Overview of the ECL principles

As described in Note 2.3, the adoption of IFRS 9 has fundamentally changed the Group's loan loss impairment method by replacing IAS 39's incurred loss approach with a forward-looking ECL approach. From November 1 2017, the Group has been recording 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 Note 15). The Group's policies for determining if there has been a significant increase in credit risk are set out in Note 2.3.

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

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

The Group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. This is further explained in Note 32.

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

- **Stage 1:** When loans are first recognised, the Group recognises an allowance based on 12mECLs. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.
- **Stage 2:** When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECLs. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.
- **Stage 3:** Loans considered credit-impaired (as outlined in Note 15).The Group records an allowance for the LTECLs.
- **POCI:** Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted EIR. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

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

The calculation of ECLs

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

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

- **PD** - The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio. The concept of PDs is further explained in Note 32.
- **EAD** - The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments. The EAD is further explained in Note 32.

- **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 32.

  With the exception of credit cards and other revolving facilities, the maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Group has the legal right to call it earlier.The mechanics of the ECL method are summarised below:
- **Stage 1:** The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Group calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR.
- **Stage 2:** When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECLs. The mechanics are similar to those explained above, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.
- **Stage 3:** For loans considered credit-impaired, the Group recognises the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.
- **POCI:** assets are financial assets that are credit impaired on initial recognition. The Group only recognises the cumulative changes in lifetime ECLs since initial recognition, based on a probability-weighting scenarios, discounted by the credit adjusted EIR.
- **Loan commitments and letters of credit:** When estimating 12mECL for undrawn loan commitments, the Group applies the PD and LGD to the undrawn amount, and this amount is discounted at an approximation to the expected EIR on the loan.

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

Debt instruments measured at fair value through OCI

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

Purchased or originated credit impaired financial assets (POCI)

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

Credit cards and other revolving facilities

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

The ongoing assessment of whether a significant increase in credit risk has occurred for revolving facilities is similar to other lending products. This is based on shifts in the customer's internal credit grade or history of delinquency, as explained in Note 32, but greater emphasis is also given to qualitative factors such as changes in usage.

The interest rate used to discount the ECLs for credit cards is based on the average effective interest rate that is expected to be charged over the expected period of exposure to the facilities.

The calculation of ECLs, including the estimation of the expected period of exposure and discount rate is made, as explained in Note 32), on an individual basis for corporate and 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 Group relies on a broad range of forward looking information as economic inputs, such as:

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

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. Detailed information about these inputs and sensitivity analysis are provided in Note 32.

Collateral valuation

To mitigate its credit risks on financial assets, the Group seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. The Group's accounting policy for collateral assigned to it through its lending arrangements under IFRS 9 is the same is it was under IAS 39. Collateral, unless repossessed, is not recorded on the Group's statement of financial position. However, the fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and re-assessed on a quarterly basis. Details of the impact of the Group's various credit enhancements are disclosed in Note 15.

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

Collateral repossessed

The Group's accounting policy under IFRS 9 remains the same as it was under IAS 39. The Group's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets for which selling is determined to be a better option are transferred to assets held for sale at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date in, line with the Group's policy.

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

For the year ended October 31, 2018
(Expressed in thousands of United States dollars)

Write-offs

The Group's accounting policy under IFRS 9 remains the same as it was under IAS 39. Financial assets are written off either partially or in their entirety only when the Group has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

Forborne and modified loans

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

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

From November 1, 2017, when the loan has been renegotiated or modified but not derecognised, the Group also reassesses whether there has been a significant increase in credit risk, as set out in Note 32. The Group also considers whether the assets should be classified as Stage 3. Once an asset has been classified as forborne, it will remain forborne for a minimum probation period according to the regulatory rules in each country. In order for the loan to be reclassified out of the forborne category, the customer has to meet all of the following criteria:

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

Details of forborne assets are disclosed in Note 32. If modifications are substantial, the loan is derecognised.

Impairment of financial assets (Policy applicable before November 1, 2017)
Loans and receivables

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

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the Group granting to a borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;
- it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the

decrease cannot yet be identified with the individual financial assets in the group, including:

- adverse changes in the payment status of borrowers in the group; or
- national or local economic conditions that correlate with default on the assets in the group.

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

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

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

AFS debt instruments

An AFS debt instrument is identified as impaired when there is objective observable evidence about our inability to collect the contractual principal or interest. When an AFS debt instrument is determined to be impaired, an impairment loss is recognized by reclassifying the cumulative unrealized losses in other comprehensive income to the consolidated statement of income. Impairment losses previously recognized in the consolidated statement of income are reversed in the consolidated statement of income if the fair value subsequently increases and the increase can be objectively determined to relate to an event occurring after the impairment loss was recognized.

AFS equity instruments

Objective evidence of impairment for an investment in an AFS equity instrument exists if there has been a significant or prolonged decline in the fair value of the investment below its cost, or if there is information about significant adverse changes in the technological, market, economic, or legal environment in which the issuer operates, or if the issuer is experiencing significant financial difficulty.

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

Offsetting financial instruments

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

Sale and repurchase agreements

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

Intangible assets

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

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

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

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

Goodwill

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

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

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

Property and equipment

All property and equipment is stated at historical cost less accumulated depreciation, with the exception of land which is not depreciated. Historical cost includes expenditures that are directly attributable to the acquisition of the items. Land and buildings comprise mainly of branches and offices. Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of income during the financial period in which they are incurred.

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

The annual rates used are:

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

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

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

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

Leases

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

Financial guarantees

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

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

Cash and cash equivalents

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

Provisions

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

For the year ended October 31, 2018
(Expressed in thousands of United States dollars)

Restructuring provisions

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

Retirement benefit obligations

Pension obligations

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

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

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

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

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

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

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

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

Other post-retirement obligations

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

Deferred tax

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

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

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

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

Share capital

Share issue costs

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

Dividends on common shares

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

Earnings per share

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

Fiduciary activities

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

Segment reporting

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

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

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

For the year ended October 31, 2018
(Expressed in thousands of United States dollars)

Fair value measurement

The Group measures financial instruments, such as, derivatives, and FVOCI debt securities at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 32. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

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

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

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

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

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

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

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

Comparatives

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

2.5 Standards issued but not yet effective

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

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014, and amended in April 2016, and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after January 1 2018. Early adoption is permitted. The Group plans to adopt the new standard on the required effective date using the modified retrospective application. During 2018, the Group performed a detailed assessment of IFRS 15 and the impact on the Group.

The Group is in the business of accepting deposits from customers and entering into lending activities. The group also provides payment services and executes wealth management services, credit and loyalty programs for its clients.

In summary, the impact of IFRS 15 adoption is expected to be immaterial to the Group.

IFRS 16 Leases

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

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

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

IFRIC Interpretation 22 - Foreign Currency Transactions and Advance Consideration

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

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

These amendments are effective for annual periods beginning on or after January 1, 2018 and early application is permitted. Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognised on or after: (i) The beginning of the reporting period in which the entity first applies the interpretation or (ii) The beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation. The Group does not expect any effect on its consolidated financial statements.

IFRIC Interpretation 23 - Uncertainty over Income Tax Treatments

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

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

IAS 19: Plan Amendment, Curtailment or Settlement

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

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

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

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

Annual Improvements 2015 - 2017 Cycle

The improvements in this cycle include:

IFRS 3 Business Combinations

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

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

IFRS 11 Joint Arrangements

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

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

IAS 12 Income Taxes

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

An entity applies those amendments for annual reporting periods beginning on or after January 1 2019, with early application is permitted. When an entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period. Since the Group's current practice is in line with these amendments, the Group does not expect any effect on its consolidated financial statements.

IAS 23 Borrowing Costs

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

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

For the year ended October 31, 2018
(Expressed in thousands of United States dollars)

Note 3 | Net interest income

	2018	2017
Interest and similar income		
Cash, balances with Central Banks and due from banks	$ 12,422	$ 7,077
Investment securities	70,518	65,040
Loans and advances to customers	391,144	371,556
	474,084	443,673
Interest and similar expense		
Customer deposits	53,716	48,184
Debt securities in issue	6,670	8,402
Other	3,755	7,808
	64,141	64,394
	$ 409,943	$ 379,279

Note 4 | Operating income

	2018	2017
Net fee and commission income	$ 120,483	$ 115,753
Foreign exchange commissions	53,088	44,605
Foreign exchange revaluation net (loss)/gains	(372)	4,968
Net trading losses	(7,253)	(1,580)
Net gains on disposals and redemption of investment securities (note 8)	1,345	317
Net hedging gains	869	1,296
Other operating income	3,316	2,735
	$ 171,476	$ 168,094

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

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

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

Analysis of net fee and commission income:

	2018	2017
Underwriting	$ 3,774	$ 4,196
Deposit services	51,113	45,840
Credit services	7,116	10,172
Card services	25,683	22,178
Fiduciary & investment management	30,199	29,293
Other	2,598	4,074
	$ 120,483	$ 115,753

For the year ended October 31, 2018
(Expressed in thousands of United States dollars)

Note 5 Operating expenses

	2018	2017
Staff costs	$ 190,383	$ 178,554
Property and equipment expenses	47,064	43,455
Depreciation (note 16)	24,930	22,977
Other operating expenses	124,283	122,917
	$ 386,660	$ 367,903

Analysis of staff costs:

	2018	2017
Salaries	$ 155,489	$ 144,313
Pension costs - defined contribution plans (note 18)	5,397	5,159
Pension costs - defined benefit plans (note 18)	1,989	1,518
Post-retirement medical benefits charge (note 18)	1,517	1,744
Other share and cash-based benefits	1,407	1,247
Risk benefits	8,845	8,642
Other staff related costs	15,739	15,931
	$ 190,383	$ 178,554

Analysis of other operating expenses:

	2018	2017
Business taxes	$ 38,267	$ 41,859
Professional fees	19,406	18,873
Advertising and marketing	3,700	3,894
Business development and travel	4,488	4,401
Communications	11,361	10,161
Net losses/(gains) on sale of property and equipment	207	(3,320)
Consumer related expenses	5,847	5,117
Non-credit losses	2,325	3,828
Outside services	10,713	11,239
Other	27,969	26,865
	$ 124,283	$ 122,917

For the year ended October 31, 2018
(Expressed in thousands of United States dollars)

Note 6 Income tax expense

	2018	2017
The components of income tax expense for the year are:		
Current tax charge	$ 8,267	$ 15,586
Deferred tax credit	(16,056)	(2,243)
Prior year tax (credit)/charge	(34)	144
	$ (7,823)	$ 13,487

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

	2018	2017
Income before taxation	$ 92,989	$ 155,011
Tax calculated at the statutory tax rate of 30% (2017: 25%)	27,897	38,753
Effect of different tax rates in other countries	(34,316)	(28,395)
Effect of income not subject to tax	(8,065)	(6,016)
Effect of income subject to tax at 12.5%	1,502	5,392
Under provision of prior year deferred tax liability	768	(79)
Effect of withholding tax adjustments	(602)	4,176
Under provision of current year corporation tax liability	(122)	303
Under provision of prior year deferred tax liability	116	-
Movement in deferred tax asset not recognised	(2,123)	-
Effect of expenses not deductible for tax purposes	7,122	(647)
	$ (7,823)	$ 13,487

Note 7 Earnings per share

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

Basic and diluted earnings per share

	2018	2017
Net income attributable to equity holders of the parent	$ 96,741	$ 137,851
Weighted average number of common shares (thousands)	1,577,095	1,577,095
Basic and diluted earnings per share (expressed in cents per share)	6.1	8.7

There are no potentially dilutive instruments

For the year ended October 31, 2018
(Expressed in thousands of United States dollars)

Note 8 Components of other comprehensive loss, net of tax

	2018	2017
Available-for-sale investment securities, net of tax:		
Net losses arising during the year	$ -	$ (1,067)
Reclassification adjustments for gains included in the consolidated statement of income	-	(317)
	-	(1,384)
Attributable to:		
Equity holders of the parent	-	(1,384)
Non-controlling interests	-	-
	-	(1,384)
Debt securities at fair value through other comprehensive income, net of tax:		
Net losses arising during the year	(37,760)	-
Reclassification to the income statement	(1,348)	-
	(39,108)	-
Attributable to:		
Equity holders of the parent	(38,903)	-
Non-controlling interests	(205)	-
	(39,108)	
Net exchange gains on translation of foreign operations, net of tax		
Attributable to:		
Equity holders of the parent	146	1,165
Non-controlling interests	-	-
	146	1,165
Other comprehensive loss for the year, net of tax	$ (38,962)	$ (219)

Note 9 Income tax effects relating to other comprehensive loss

	2018	2017
Available-for-sale investment securities, net of tax:		
Before	$ -	$ (1,341)
Tax credit	-	(43)
After tax	-	(1,384)
Debt securities at fair value through other comprehensive income, net of tax:		
Before	(40,866)	-
Tax credit	1,758	-
After tax	(39,108)	-
Net exchange gains on translation of foreign operations, net of tax		
Before and after tax	146	1,165
Other comprehensive loss for the year, net of tax	$ (38,962)	$ (219)

For the year ended October 31, 2018
(Expressed in thousands of United States dollars)

Note 10 Cash and balances with Central Banks

		2018		2017
Cash	$	109,036	$	101,844
Deposits with Central Banks - interest bearing		113,055		119,874
Deposits with Central Banks - non-interest bearing		944,760		782,384
Cash and balances with Central Banks		1,166,851		1,004,102
Less: Mandatory reserve deposits with Central Banks		(373,689)		(340,515)
Included in cash and cash equivalents as per below	$	793,162	$	663,587

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

Cash and cash equivalents

		2018		2017
Cash and balances with Central Banks as per above	$	793,162	$	663,587
Due from banks (note 11)		890,915		1,849,008
		1,684,077	$	2,512,595

Note 11 Due from banks

		2018		2017
Included in cash and cash equivalents (note 10)	$	890,915	$	1,849,008
Greater than 90 days maturity from date of acquisition		27,856		80,367
	$	918,771	$	1,929,375

The average effective yield on these amounts during the year was 1.2% (2017 – 0.9%).

For the year ended October 31, 2018
(Expressed in thousands of United States dollars)

Note 12 Derivative financial instruments

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

2018	Notional amount	Assets	Liabilities
Interest rate swaps	$ 711,438	$ 6,913	$ 14,760
Foreign exchange forwards	6,926	88	84
Interest rate options	70,666	1,146	1,146
	$ 789,030	$ 8,147	$ 15,990

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

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

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

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

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

Cash collateral pledged with counterparties that have one-way collateral posting arrangements represent $7,172 (2017- $11,422)

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

In 2018 and 2017, the Group did not recognise any gains or losses as a result of failed hedges which are included within operating income as part of net trading gains as these derivatives are classified as trading derivatives upon failure.

For the year ended October 31, 2018
(Expressed in thousands of United States dollars)

Hedged items currently designated:

2018		Carrying amount of the hedged items		Cumulative amount of fair value of hedging adjustment included in the carrying amount of the hedged items
Consolidated statement of financial position in which the hedged item is included:				
Loans & advances to customers	$	147,976	$	3,285
Securities		47,608		3,345
	$	195,584	$	6,630

As at October 31, 2018, the accumulated fair value hedge adjustments remaining on the consolidated statement of financial position related to discontinued fair value hedges were $3,659.

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

		2018		2017
Gains recorded in operating income:				
Recognised gains on hedging instruments	$	12,374	$	16,971
Recognised losses on hedge item		(11,506)		(15,675)
Net gains recognised on fair value hedges	$	868	$	1,296

Note 13 Other assets

		2018		2017
Prepayments and deferred items	$	11,668	$	12,140
Other accounts receivable		87,736		69,000
	$	99,404	$	81,140

For the year ended October 31, 2018
(Expressed in thousands of United States dollars)

Note 14 Securities

Available-for-sale securities

		2018		2017
Equity securities – unquoted	$		$	1,043
Government debt securities				
-Barbados		-		400,109
-Bahamas		-		426,887
-Cayman		-		110,826
-Other		-		444,881
Total Government debt securities		-		1,382,703
Other debt securities				
Financial institutions		-		871,344
Non-financial institutions		-		104,738
Total other debt securities		-		976,082
Total Available-for-sale securities		-		2,359,828
Add: Interest receivable		-		15,813
	$	-	$	2,375,641

Securities measured at FVOCI

		2018		2017
Equity securities – unquoted	$	1,043	$	-
Government debt securities				
-Barbados		12,303		-
-Bahamas		342,787		-
-Cayman		9,418		-
-Other		466,914		-
Total Government debt securities		832,465		-
Other debt securities				
Financial institutions		1,052,191		-
Non-financial institutions		133,177		-
Total other debt securities		1,185,368		-
Total securities measured at FVOCI		2,017,833		
Add: Interest receivable		15,549		-
	$	2,033,382	$	-

For the year ended October 31, 2018
(Expressed in thousands of United States dollars)

Securities measured at armotised cost

		2018		2017
Government debt securities				
-Barbados	$	331,091	$	-
Total Government debt securities		331,091		-
Other debt securities				
Financial institutions		20,000		-
Total other debt securities		20,000		-
Total debt securities at amortised cost		351,091		-
Add: Interest receivable		-		-
	$	351,091	$	-

On June 1, 2018, the newly elected Barbados government announced its intention to restructure its public debt, and that debt payments to foreign creditors would be suspended and payments to domestic creditors would be made on a best-efforts basis while the government finalised a comprehensive economic reform plan. Pursuant to a comprehensive debt restructuring agreement between the domestic creditors and the Government of Barbados, on October 31, 2018 we exchanged (i) securities measured as FVOCI with a par amount of $355 million and an expected credit loss of $76 million; and (ii) loans measured at amortised cost with a par amount of $89 million and an expected credit loss of $37 million; for (i) longer dated securities with a par amount of $398 million measured as originated credit impaired amortised cost securities at an initial carrying value equal to the estimated fair value of $285 million with no initial allowance for expected credit loss allowance as risk of future losses was reflected in the acquisition date discount and (ii)shorter dated securities measured as stage 1 amortised cost securities with a par amount of $46 million with expected credit losses of $1 million.

For the year ended October 31, 2018
(Expressed in thousands of United States dollars)

Allowance for credit losses on securities

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

2018	Stage 1 Collective provision 12 month ECL performing	Stage 2 Collective provision lifetime performing	Stage 3 Collective and individual provision lifetime ECL credit credit impaired	In accordance with IFRS 9 Total
Debt Securities at FVOCI				
Balance at beginning of period	$ 10,312	$ 27,199	$ -	$ 37,511
Originations net of repayments and other derecognitions	1,162	(17,910)	-	(16,748)
Changes in model	-	-	-	-
Net remeasurement	(745)	14,571	58,361	72,187
Transfers		-	-	-
- to 12-month ECL	-	-	-	-
- to lifetime ECL non-credit impaired	-	-	-	-
- to lifetime ECL credit impaired	-	(21,875)	21,875	-
Credit loss expense / (credit)	417	(25,214)	80,236	55,439
Write-offs	-	-	-	-
Recoveries	-	-	-	-
Foreign exchange and other	-	369	(75,616)*	(75,247)
Balance at end of period	$ 10,729	$ 2,354	$ 4,620	$ 17,703
Debt securties at amortised cost				
Balance at beginning of period	$ -	$ -	$ -	$ -
Originations net of repayments and other derecognitions	627	-	-	627
Changes in model	-	-	-	-
Net remeasurement	-	-	-	-
Transfers				
- to 12-month ECL	-	-	-	-
- to lifetime ECL non-credit impaired	-	-	-	-
- to lifetime ECL credit impaired	-	-	-	-
Credit loss expense	627	-	-	627
Write-offs	-	-	-	-
Recoveries	-	-	-	-
Foreign exchange and other	-	-	-	-
Balance at end of period	$ 627	$ -	$ -	$ 627
Total ECL Allowance	$ 11,356	$ 2,354	$ 4,620	$ 18,330

*Includes ECL allowance of $75 million relating to Barbados denominated securities that were derecognised in the fourth quarter of 2018 as a result of the Government of Barbados restructuring.

For the year ended October 31, 2018
(Expressed in thousands of United States dollars)

The average effective yield during the year on debt securities was 3.1% (2017 - 2.9%). The Group has a regulatory reserve requirement to maintain a percentage of deposit liabilities in cash or in the form of Government securities. At October 31, 2018 the reserve requirement amounted to $533,595 (2017 -$498,229) of which $373,689 (2017 - $340,515) is included within cash and balances with Central Banks (note 10).

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

	2018	2017
Balance, beginning of year	$ 2,359,828	$ 2,184,922
Additions (purchases, changes in fair value and foreign exchange)	3,905,109	$ 1,930,192
Disposals (sales and redemptions)	(3,896,013)	(1,755,286)
Balance end of year	$ 2,368,924	$ 2,359,828

Note 15 Loans and advances to customers

In accordance with IFRS 9:

	Mortgages	Personal Loans	Business & Sovereign	2018
Performing loans	$ 1,831,783	$ 620,575	$ 3,413,306	$ 5,865,664
Impaired loans	127,185	38,605	113,237	279,027
Gross loans	1,958,968	659,180	3,526,543	6,144,691
Less: Expected credit loss allowances	(95,483)	(32,481)	(128,204)	(256,168)
	$ 1,863,485	$ 626,699	$ 3,398,339	$ 5,888,523
Add: Interest receivable				43,654
Less: Unearned fee income				(27,526)
				$ 5,904,651

In accordance with IAS 39:

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

For the year ended October 31, 2018
(Expressed in thousands of United States dollars)

2018	Stage 1	Stage 2	Stage 3	In accordance with IFRS 9
	Collective provision 12-month ECL performing	Collective provision lifetime ECL performing	Collective and individual provision lifetime ECL credit -impaired	Total
Residential mortgages				
Balance at beginning of period	$ 12,322	$ 18,964	$ 93,507	$ 124,793
Originations net of repayments and other derecognitions	585	115	(14)	686
Changes in model	(1,543)	381	5,324	4,162
Net remeasurement	(2,556)	(1,072)	(956)	(4,584)
Transfers				
- to 12-month ECL	2,532	(1,506)	(1,026)	-
- to lifetime ECL performing	(456)	2,105	(1,649)	-
- to lifetime ECL credit-impaired	(52)	(713)	765	-
Credit loss (credit)/expense	(1,490)	(690)	2,444	264
Net write-offs	-	-	(26,642)	(26,642)
Interest income on impaired loans	-	-	(3,186)	(3,186)
Foreign exchange and other	-	-	254	254
Balance at end of period	$ 10,832	$ 18,274	$ 66,377	$ 95,483
Personal				
Balance at beginning of period	$ 6,785	$ 774	$ 25,688	$ 33,247
Originations net of repayments and other derecognitions	625	(37)	148	736
Changes in model	(1,207)	(37)	(475)	(1,719)
Net remeasurement	(1,129)	212	2,242	1,325
Transfers				
- to 12-month ECL	422	(118)	(304)	-
- to lifetime ECL performing	(220)	380	(160)	-
- to lifetime ECL credit-impaired	(46)	(87)	133	-
Credit loss (credit)/expense	(1,555)	313	1,584	342
Net write-offs	-	-	(3,599)	(3,599)
Interest income on impaired loans	-	-	(1,324)	(1,324)
Foreign exchange and other	-	-	57	57
Balance at end of period	$ 5,230	$ 1,087	$ 22,406	$ 28,723

For the year ended October 31, 2018
(Expressed in thousands of United States dollars)

2018	Stage 1	Stage 2	Stage 3	In accordance with IFRS 9
	Collective provision 12-month ECL performing	Collective provision lifetime ECL performing	Collective and individual provision lifetime ECL credit -impaired	Total
Credit card				
Balance at beginning of period	$ 2,500	$ -	$ -	$ 2,500
Originations net of repayments and other derecognitions	10	-	-	10
Changes in model	354	1,251	-	1,605
Net remeasurement	106	-	3,115	3,221
Transfers				
- to 12-month ECL	-	-	-	-
- to lifetime ECL performing	-	-	-	-
- to lifetime ECL credit-impaired	-	(463)	463	-
Credit loss expense	470	788	3,578	4,836
Net write-offs		-	(3,578)	(3,578)
Interest income on impaired loans	-	-	-	-
Foreign exchange and other	-	-	-	-
Balance at end of period	$ 2,970	$ 788	$ -	$ 3,758
Business and government				
Balance at beginning of period	$ 50,782	$ 33,238	$ 66,221	$ 150,241
Originations net of repayments and other derecognitions	2,178	73	742	2,993
Changes in model	(5,663)	(5,129)	383	(10,409)
Net remeasurement	(3,865)	4,249	47,295	47,679
Transfers				
- to 12-month ECL	3,961	(3,785)	(176)	-
- to lifetime ECL performing	(2,084)	2,181	(97)	-
- to lifetime ECL credit-impaired	(48)	(11,649)	11,697	-
Credit loss (credit)/expense	(5,521)	(14,060)	59,844	40,263
Net write-offs	-	-	(19,795)	(19,795)
Interest income on impaired loans	-	-	(5,781)	(5,781)
Foreign exchange and other	-	-	(36,724)	(36,724)
Balance at end of period	$ 45,261	$ 19,178	$ 63,765	$ 128,204

For the year ended October 31, 2018
(Expressed in thousands of United States dollars)

2018	Stage 1	Stage 2	Stage 3	In accordance with IFRS 9
	Collective provision 12-month ECL performing	Collective provision lifetime ECL performing	Collective and individual provision lifetime ECL credit -impaired	Total
Total Bank				
Balance at beginning of period	$ 72,389	$ 52,976	$ 185,416	$ 310,781
Originations net of repayments and other derecognitions	3,398	151	876	4,425
Changes in model	(8,059)	(3,534)	5,232	(6,361)
Net remeasurement	(7,444)	3,389	51,696	47,641
Transfers				
- to 12-month ECL	6,915	(5,409)	(1,506)	-
- to lifetime ECL performing	(2,760)	4,666	(1,906)	-
- to lifetime ECL credit-impaired	(146)	(12,912)	13,058	-
Credit loss (credit)/expense	(8,096)	(13,649)	67,450	45,705
Net write-offs	-	-	(53,614)	(53,614)
Interest income on impaired loans	-	-	(10,292)	(10,292)
Foreign exchange and other	-	-	(36,412)*	(36,412)
Balance at end of period	$ 64,293	$ 39,327	$ 152,548	$ 256,168
Total ECL allowance comprises:				
Loans	$ 57,628	$ 37,837	$ 152,548	$ 248,013
Undrawn credit facilities	6,665	1,490	-	8,155

Movement in provisions for impairment is as follows:

	Mortgages	Personal Loans	Business & Sovereign	In accordance with IAS 39 2017
Balance, beginning of year	$ 129,234	$ 50,804	$ 118,752	$ 298,790
Individual impairment	7,953	5,844	804	14,601
Collective impairment	(1,267)	355	10,770	9,858
Recoveries and write-offs	(14,460)	(10,899)	(21,115)	(46,474)
Interest accrued on impaired loans	(7,641)	(2,290)	(5,958)	(15,889)
Balance, end of year	$ 113,819	$ 43,814	$ 103,253	$ 260,886

*Includes ECL allowance of $36 million relating to Barbados denominated loans that were derecognised in the fourth quarter of 2018 as a result of the Government of Barbados restructuring.

For the year ended October 31, 2018
(Expressed in thousands of United States dollars)

Impaired loans

	In accordance with IFRS 9			In accordance with IAS 39			
	2018			2017			
	Gross impaired	Stage 3 allowance[(1)]	Net impaired	Gross impaired	Individual allowance	Collective allowance[(1)]	Net impaired
Residential mortgages	$ 127,185	$ 66,377	$ 60,808	$ 176,889	$ 85,619	$ -	$ 91,270
Personal	38,605	22,406	16,199	41,107	15,243	3,623	22,241
Business and government	113,237	63,765	49,472	114,950	6,210	34,897	73,843
Total impaired loans	$ 279,027	$ 152,548	$ 126,479	$ 332,946	$ 107,072	$ 38,520	$ 187,354

The average interest yield during the year on loans and advances was 6.0% (2017 – 6.0%). Impaired loans as at October 31, 2018 amounted to $279,027 (2017 - $332,946) and interest taken to income on impaired loans during the year amounted to $8,579 (2017 – $5,811).

Contractually past due loans but not impaired

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

2018	Mortgages	Personal Loans	Business & Sovereign	Total
Less than 30 days	$ 59,374	$ 8,746	$ 54,953	$ 123,073
31 – 60 days	45,462	7,538	125,629	178,629
61 – 89 days	$ 30,846	$ 10,006	$ 14,835	55,687
	$ 135,682	$ 26,290	$ 195,417	357,389

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

Loans and advances to customers include finance lease receivables:

	2018	2017
No later than 1 year	$ 4,126	$ 5,499
Later than 1 year and no later than 5 years	6,530	6,841
Gross investment in finance leases	10,656	12,340
Unearned finance income on finance leases	(658)	(1,064)
Net investment in finance leases	$ 9,998	$ 11,276

During the year ended October 31 2018, $612 (2017 - $768) of lease income was recorded in net income.

For the year ended October 31, 2018
(Expressed in thousands of United States dollars)

Note 16 Property and equipment

2018	Land and buildings	Equipment, furniture and vehicles	Leasehold improvements	Total
Cost				
Balance, beginning of year	$ 94,499	$ 317,105	$ 43,640	$ 455,244
Purchases	4,144	25,444	1,113	30,701
Disposals	-	(223)	-	(223)
Net transfers/write-offs *	804	(2,943)	(14)	(2,153)
Balance, end of year	$ 99,447	$ 339,383	$ 44,739	$ 483,569
Accumulated depreciation				
Balance, beginning of year	$ 36,996	$ 227,898	$ 31,689	$ 296,583
Depreciation	2,285	20,653	1,992	24,930
Disposals	-	(16)	-	(16)
Net transfers/write-offs *	(4)	(3,388)	(342)	(3,734)
Balance, end of year	$ 39,277	$ 245,147	$ 33,339	317,763
Net book value, end of year	$ 60,170	$ 94,236	$ 11,400	$ 165,806

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

Included as part of equipment, furniture and vehicles is an amount for $24,831 (2017 - $28,977) relating to systems development costs and work in progress which is incomplete, not yet in operation and on which no depreciation has been charged.

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

For the year ended October 31, 2018
(Expressed in thousands of United States dollars)

Note 17 | Deferred tax assets/(liabilities)

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

		2018		2017
Net deferred tax position, beginning of year	$	3,216	$	3,023
Deferred tax credit to statement of income for the year		16,056		2,243
Deferred tax credit/(charge) to other comprehensive income for the year		2,987		(2,050)
Deferred tax charge to opening retained earnings on implementation of IFRS 9		15,097		-
Net deferred tax position, end of year	$	37,356	$	3,216

Represented by:

		2018		2017
Deferred tax assets	$	40,752	$	11,476
Deferred tax liabilities		(3,396)		(8,260)
Net deferred tax position, end of year	$	37,356	$	3,216

The components of the net deferred tax position are:

		2018		2017
Decelerated tax depreciation	$	(2,042)	$	(727)
ECL allowances/loan loss provisions (2017)		14,542		5,581
Other provisions		2,543		3,948
Tax losses carried forward		29,976		3,553
Pension and other post-retirement benefit assets		(8,449)		(9,340)
Changes in fair value of debt securities in other comprehensive income		786		- 201
	$	37,356	$	3,216

The deferred tax assets include assets established on tax losses carried forward of $27,509 (2017 - $3,709), $22,407 will expire over the next seven years (2017 - $ nil). The Group has tax losses of $790,468 (2017 - $858,242) for which no deferred tax assets have been recognized due to uncertainty of their recoverability. These losses will expire over the next seven years.

Note 18 | Retirement benefit assets and obligations

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

Plan characteristics, funding and risks

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

Benefit changes

There were no material changes to the terms of the Group's defined benefit pension or post-retirement medical benefit plans in 2018 or 2017.

Risks

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

Plan governance

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

Amounts recognized on the consolidated statement of financial position

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

The total expense relating to the contributory plans charged for the year was $5,397 (2017 - $5,159), which represents contributions to defined contribution plans by the Group at rates specified in the rules of the plan. Refer to note 5.

For the year ended October 31, 2018
(Expressed in thousands of United States dollars)

	Defined benefit pension plans		Post-retirement medical benefits	
	2018	2017	2018	2017
Fair value of the plan assets	$ 388,702	$ 394,949	$ -	$ -
Present value of the obligations	(324,418)	(312,453)	(23,032)	(22,160)
Net retirement benefit assets/(obligations)	$ 64,284	$ 82,496	$ (23,032)	$ (22,160)

The pension plan assets include the Bank's common shares with a fair value of $1,538 (2017 - $1,428).

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

	2018	2017
Opening fair value of plan assets	$ 394,949	$ 364,813
Interest income on plan assets	5,941	40,132
Contributions by employer	479	1,341
Benefits paid	(11,106)	(10,841)
Foreign exchange translation losses	82	944
Assets transferred out	(794)	(684)
Plan administration costs	(849)	(756)
Closing fair value of plan assets	$ 388,702	$ 394,949

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

	2018	2017
Opening obligations	$ (312,453)	$ (287,992)
Interest cost on defined benefit obligation	(20,844)	(19,909)
Current service costs	(7,144)	(6,668)
Benefits paid	11,141	10,841
Foreign exchange translation (losses)/gains	223	(363)
Actuarial (losses)/gains on obligations	4,659	(8,362)
Closing obligations	$ (324,418)	$ (312,453)

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

	2018	2017
Opening obligations	$ (22,160)	$ (22,973)
Interest costs	(1,488)	(1,485)
Current service costs	(29)	(28)
Curtailment loss	-	(231)
Benefits paid	1,068	1,197
Foreign exchange translation gains	-	6
Actuarial (losses)/gains on obligations	(423)	1,354
Closing obligations	$ (23,032)	$ (22,160)

The Bank expects to contribute $nil (2017 - $450) to its defined benefit pension plans in the following year as the plans are on a contribution holiday. The Plan Actuary of the Bank has recommended a Defined Benefit contribution holiday for the next three years. The contribution holiday is expected to last for six years if the existing surplus is to be fully amortized, and will be re-evaluated in the plans next triennial valuation.

For the year ended October 31, 2018
(Expressed in thousands of United States dollars)

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

	Defined benefit pension plans		Post-retirement medical benefits	
	2018	2017	2018	2017
Current service costs	$ 7,144	$ 6,668	$ 29	$ 28
Interest costs on defined benefit obligation	20,809	19,909	1,488	1,485
Interest income on plan assets	(26,813)	(25,815)	-	-
Curtailment losses	-	-	-	231
Plan administration costs	849	756	-	-
Total amount included in staff costs (note 5)	$ 1,989	$ 1,518	$ 1,517	$ 1,744
Actual return on plan assets	$ 5,941	$ 40,132	$ -	$ -

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

	Defined benefit pension plans		Post-retirement medical benefits	
	2018	2017	2018	2017
Actuarial loss/(gain) on defined benefit obligation arising from:				
- Financial assumptions	$ (2,243)	$ 10,911	$ 597	$ 300
- Experience adjustments	(2,415)	(2,548)	711	(1,654)
- Return on plan assets excluding interest income	20,841	(14,324)	(884)	-
Net re-measurement loss/(gain) recognized in OCI	$ 16,183	$ (5,961)	$ 424	$ (1,354)

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

	Defined benefit pension plans		Post-retirement medical benefits	
	2018	2017	2018	2017
Balance, beginning of year	$ 82,496	$ 76,821	$ (22,160)	$ (22,973)
Charge for the year	(1,989)	(1,518)	(1,517)	(1,744)
Contributions by employer	479	1,341	-	-
Benefits paid	-	-	1,068	1,197
Foreign exchange translation gains	275	575	1	6
Transfer of assets	(794)	(684)	-	-
Effect on statement of Other Comprehensive Income	(16,183)	5,961	(424)	1,354
Balance, end of year	$ 64,284	$ 82,496	$ (23,032)	$ (22,160)

For the year ended October 31, 2018
(Expressed in thousands of United States dollars)

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

	Defined benefit pension plans		Post-retirement medical benefits	
	2018	2017	2018	2017
Active members	$ (171,140)	$ (164,329)	$ (636)	$ (562)
Inactive and retired members	(153,278)	(148,124)	(22,396)	(21,598)
	$ (324,418)	$ (312,453)	$ (23,032)	$ (22,160)

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

	Defined benefit pension plans		Post-retirement medical benefits	
	2018	2017	2018	2017
Average duration, in years	17	17	13	13

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

	Main				Bahamas				Jamaica				Bahamas Trust			
	2018		2017		2018		2017		2018		2017		2018		2017	
	$	%	$	%	$	%	$	%	$	%	$	%	$	%	$	%
Quoted Equity instruments																
- Canada	-	-	-	-	-	-	-	-	89	-	72	-	-	-	-	-
- U.S	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- International	129	-	96	-	899	1%		-	8,733	20%	6,577	18%	-	-	-	-
Quoted Debt instruments																
- Government bonds	63,403	28%	6,797	3%	29,899	26%	665	1%	8,620	20%	7,387	20%	1,246	18%	507	8%
- Corporate bonds	-	-	-	-	-	-	-	-	4,241	10%	2,811	8%	-	-	-	-
- Inflation Adj. bonds	20,407	9%	-	-	-	-	-	-	1,650	4%	1,604	5%	-	-	-	-
Investment Funds																
- U.S Equity	91,732	42%	91,115	39%	82,067	71%	80,110	68%	-	-	-	-	3,317	49%	4,434	70%
- International Equity	42,957	19%	48,747	20%	-	-	994	1%	-	-	-	-	-	-	-	-
- Fixed Income	-	-	67,899	29%	-	-	32,348	28%	-	-	-	-	--	-	-	
-Other																
- Cash and Cash equiv.	4,892	2%	20,700	9%	2,672	2%	2,597	2%	9,293	22%	9,159	25%	2,251	33%	1,382	22%
- Other	-	-	-	-			-	-	10,205	24%	8,948	24%	-	-	-	-
	223,520	100%	235,354	100%	115,537	10%	116,714	100%	42,831	100%	36,558	100%	6,814	100%	6,323	100%

(Expressed in thousands of United States dollars)

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

	Defined benefit pension plans	
	2018	2017
Discount rate	4.32 – 7.75%	3.75 – 9.0%
Future salary increases	4.0 - 5.5%	4.0 – 7.5%
Future pension increases	0.0 - 3.5%	0.0 – 5.5%

	Post-retirement medical benefits	
	2018	2017
Discount rate	4.32 – 7.75%	3.75 – 9.0%
Premium escalation rate	6.0%	6.0 – 8.0%
Existing retiree age	55 - 65	60 - 65

A quantitative sensitivity analysis for significant assumptions as at October 31, 2018 is as shown below:

Assumption	Sensitivity level	Impact on net defined benefit pension plans		Impact on Post-retirement medical benefits	
		Increase	Decrease	Increase	Decrease
Discount rate	1%	(48,752)	62,778	(2,880)	3,086
Future salary increases	0.50%	8,424	(7,618)	n/a *	n/a *
Future pension increases	0.50%	19,028	(17,012)	n/a *	n/a *
Premium escalation rate	1%	n/a *	n/a *	3,308	(2,458)
Existing retiree age	1	8,582	n/a *	905	n/a *

* n/a - not applicable

The sensitivity analysis presented above is indicative only, and should be considered with caution as they have been calculated in isolation without changes in other assumptions. In practice, changes in one assumption may result in changes in another which may magnify or counteract the disclosed sensitivities.

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

For the year ended October 31, 2018
(Expressed in thousands of United States dollars)

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

	2018	2017
Within the next 12 months	$ 10,050	$ 8,032
Between 2 and 5 years	48,767	39,956
Between 5 and 10 years	87,653	75,661
Total expected payment	$ 146,470	$ 123,649

FirstCaribbean International Bank Limited Retirement Plan

The last actuarial valuation was conducted as at November 1, 2016 and revealed a fund surplus of $26,284.

FirstCaribbean International Bank (Bahamas) Limited Retirement Plan

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

FirstCaribbean International Bank (Jamaica) Limited Retirement Plan

The last actuarial valuation was conducted as at November 1, 2015 and revealed a fund surplus of $14,115.

CIBC Trust Company (Bahamas) Limited Retirement Plan

The last actuarial valuation was conducted as at November 1, 2015 and revealed a fund deficit of $397.

For the year ended October 31, 2018
(Expressed in thousands of United States dollars)

Note 19 Intangible assets

Goodwill	2018	2017
Cost, beginning and end of year	$ 218,961	$ 218,961
Net book value, end of year	$ 218,961	$ 218,961

Impairment tests for goodwill

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

	2018	2017
Barbados (Wealth Management Operations)	$ 17,040	$ 17,040
Bahamas	62,920	62,920
Cayman	105,369	105,369
Trinidad	4,260	4,260
Curaçao	29,372	29,372
	$ 218,961	$ 218,961

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

Based on the impairment testing performed during the fourth quarter of fiscal 2018, we have determined that the estimated recoverable amount of the CGU's was in excess of their carrying amounts. As a result, no impairment charge was recognized during 2018.

Key assumptions used for value-in-use calculations

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

For the year ended October 31, 2018
(Expressed in thousands of United States dollars)

	Discount Rate (%)		Growth Rate (%)	
	2018	2017	2018	2017
Barbados (Wealth Management Operations)	17.5	15.5	1.0	1.2
Bahamas	12.4	13.0	1.5	1.3
Cayman	10.4	10.1	2.2	2.6
Trinidad	6.2	5.8	2.2	1.4
Curaçao	13.0	13.4	0.9	0.9

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

We estimated that a 10% reduction in forecasted cash flows or a 1% rise in the discount rate would not significantly impact the recoverable values of CGU's to result in any goodwill impairment at October 31, 2018.

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

For the year ended October 31, 2018
(Expressed in thousands of United States dollars)

Note 20 Customer deposits

	Payable on demand	Payable after notice	Payable at a fixed date	2018 Total	2017 Total
Individuals	$ 701,921	$ 1,986,912	$ 825,003	$ 3,513,836	$ 4,171,035
Business & Sovereign	3,437,765	684,259	1,738,656	5,860,680	6,076,181
Banks	1,676	1,460	143,873	147,009	111,051
	4,141,362	2,672,631	2,707,532	9,521,525	10,358,267
Add: Interest payable	626	316	14,063	15,005	13,264
	$ 4,141,988	$ 2,672,947	$ 2,721,595	$ 9,536,530	$ 10,371,531

These customer deposits are measured at amortised cost.

The average effective rate of interest on customer deposits during the year was 0.5% (2017 - 0.5%).

Note 21 Other liabilities

	2018	2017
Accounts payable and accruals	$ 154,410	$ 139,724
Restructuring costs	1,683	1,691
Amounts due to related parties	13,788	19,304
	$ 169,881	$ 160,719

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

During 2013, the Group embarked on a restructuring plan which aimed to enhance its long term competitiveness through reductions in costs, duplication and complexity in the years ahead. Included in other liabilities is a related provision for severance of $245 (2017 - $1,566) and other costs of $ nil (2017 - $334). The movement in the provision during the year related primarily to payments made by the Group.

During Q4, 2018, the Bank announced the closures of the Anguilla operations and Jamaica Securities Limited which are expected to cease operations on January 31, 2019 and March 31, 2019. The Group accrued $1,438 as restructuring provision to account for severance payments and anticipated exit costs.

Note 22 Debt securities in issue

	2018	2017
Senior unsecured notes issued	$ 63,304	$ 182,092
Subordinated notes issued	26,169	29,159
Add: Interest payable	1,445	1,750
	$ 90,918	$ 213,001

For the year ended October 31, 2018
(Expressed in thousands of United States dollars)

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

Subsidiary	Description	Contractual maturity date	Interest rate	2018 Total	2017 Total
FirstCaribbean (Trinidad & Tobago) Limited	TT$195 million term notes	September 23, 2018	Fixed (1)	$ -	$ 29,159
FirstCaribbean (Trinidad & Tobago) Limited	TT$480 million senior bonds	December 22, 2017 October 20, 2018	Fixed (2)	-	143,554
FirstCaribbean (Jamaica) Limited	J$3 billion senior bonds	January 31, 2018	Fixed (3)	-	23,716
FirstCaribbean (Jamaica) Limited	J$1.875 billion senior bonds	December 9, 2019	Fixed (4)	14,706	14,822
FirstCaribbean (Trinidad & Tobago) Limited	TT$325 million senior bonds	July 11, 2021	Floating (5)	48,598	-
FirstCaribbean (Trinidad & Tobago) Limited	TT$175 million sub debt	July 11, 2024	Fixed (6)	26,169	-
				$ 89,473	$ 211,251

(1), (2), and (3) During 2018, the TT$195million term notes, the TT$480 million senior bonds and the J$3 billion senior bonds were redeemed. In accordance with their terms, the facilities were redeemed at 100% of their principal amount, plus accrued and unpaid interest thereon. The TT$480 million senior bonds and the J$3 billion senior bonds were guaranteed by CIBC.

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

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

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

The Group has not had any defaults of principal, interest or other breaches with respect to these instruments during the years ended 2018 and 2017.

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

	1 November 2017	Cash outflows	Foreign exchange movement	New issues	Other	31 October 2018
Debt securities in issue	$211,251	(196,429)	(116)	74,767	-	89,473

For the year ended October 31, 2018
(Expressed in thousands of United States dollars)

Regulatory requirements

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

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

Regulatory capital

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

As at October 31, 2018, Tier I and Tier I & II capital ratios were 14.3% and 15.6% respectively (2017 - 18.0% and 19.7% respectively).

Note 23 | Issued capital

	2018	2017
Balance, beginning and end of year	$ 1,193,149	$ 1,193,149

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

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

Capital

Objectives, policies and procedures

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

No changes were made in the objectives, policies or processes for managing capital during the years ended October 31, 2018 and 2017.

(Expressed in thousands of United States dollars)

Note 24 Reserves

	2018	2017
Statutory and general banking reserves	$ 299,691	$ 297,503
Revaluation reserve – available-for-sale securities	-	(7,395)
Revaluation reserve - debt securities measured at FVOCI	(9,546)	-
Revaluation reserve – buildings	2,846	2,846
Translation reserve	(65,344)	(65,490)
Contributed surplus reserve	3,119	3,119
Retirement benefit reserve	(8,453)	6,910
Reverse acquisition reserve	(463,628)	(463,628)
Total reserves	$ (241,315)	$ (226,135)

Statutory and general banking reserves

	2018	2017
Balance, beginning of year	$ 297,503	$ 285,835
Transfers from retained earnings	2,188	11,668
Balance, end of year	$ 299,691	$ 297,503

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

Revaluation reserve-available-for-sale securities

	2018	2017
Balance, beginning of year	$ (7,395)	$ (6,011)
Net losses on available -for-sale-securities	-	(1,384)
Reclassification to debt securities measured at FVOCI	7,395	-
Balance, end of year	$ -	$ (7,395)

Revaluation reserve - debt securities measured at FVOCI

	2018	2017
Balance, beginning of year on adopting IFRS9		
Reclassification from available-for-sale securities	$ (7,395)	$ -
Recognition of expected credit losses under IFRS9	36,752	-
	29,357	-
Net losses on debt securities measured at FVOCI	(38,903)	-
Balance end of year	$ (9,546)	$ -

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

For the year ended October 31, 2018
(Expressed in thousands of United States dollars)

Revaluation reserve – building

	2018	2017
Balance, beginning and end of year	$ 2,846	$ 2,846

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

Translation reserve

	2018	2017
Balance, beginning of year	$ (65,490)	$ (66,722)
Net exchange gains on translation of foreign operations	146	1,232
Balance, end of year	$ (65,344)	$ (65,490)

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

Contributed surplus reserve

	2018	2017
Balance, beginning and end of year	$ 3,119	$ 3,119

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

Retirement benefit reserve

	2018	2017
Balance, beginning of year	$ 6,910	$ 1,499
Re-measurement (losses)/gains on retirement benefit plans	(15,363)	5,411
Balance, end of year	$ (8,453)	$ 6,910

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

Reverse acquisition reserve

	2018	2017
Balance, beginning and end of year	$ (463,628)	$ (463,628)

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

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

Note 25 Dividends

As at October 31, 2018, the Directors recommended for approval a final common share dividend, which is not reflected in these financial statements, of one point two-five cents ($0.0125) per common share, bringing the total dividend for 2018 to five cents $0.05 per common share (2017 - $0.05). During the year, the Board of Directors approved and paid a special dividend of $200 million or twelve point seven United States cents ($0.127) per common share.

Note 26 Other employee benefits

Long-term incentive plan

The Group operates a long-term incentive plan, whereby under the rules of the plan, cash based awards are granted to employees on a discretionary basis and vest over varying periods. The awards granted in 2018 amounted to $4,419 (2017 - $4,664). The amounts expensed during the year related to these cash awards were $4,450 (2017 - $3,649).

Employee share purchase plan

Under our employee share purchase plan, qualifying employees can choose each year to have up to 10% of their eligible earnings withheld to purchase common shares in the Bank. The Bank matches 50% of the employee's contribution amount, up to a maximum contribution of 6% of eligible earnings, depending upon length of service and job level. The Bank's contributions vest after employees have two years of continuous participation in the plan, and all subsequent contributions vest immediately. All contributions are paid into a trust and used by the plan trustees to purchase common shares in the open market. The Bank's contributions are expensed as incurred and totalled $1,407 in 2018 (2017 - $1,247).

Note 27 Related party transactions and balances

The Group's major shareholder is CIBC.

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

In July 2018, the loan was fully repaid by the borrower.

For the year ended October 31, 2018
(Expressed in thousands of United States dollars)

	Directors and key management personnel		Major shareholder	
	2018	2017	2018	2017
Asset balances:				
Cash and due from banks	$ -	$ -	$ 275,851	$ 1,210,745
Loans and advances to customers	11,422	5,597	-	505,893
Derivative financial instruments	-	-	8,976	3,922
Liability balances:				
Customer deposits	20,955	8,697	13,034	38,997
Derivative financial instruments	-	-	3,423	13,475
Due to banks	-	-	13,788	19,304
Revenue transactions:				
Interest income earned	456	175	19,057	22,412
Other revenue	3	3	287	609
Other income from derivative relationship	-	-	14,111	18,078
Expense transactions:				
Interest expense incurred	103	95	2,288	14,156
Other expenses for banking and support services	-	-	6,988	7,941

The Group obtains a number of services through its parent, CIBC. These services include infrastructure and web hosting, corporate credit and operational support, cards application support, project management, information security management and other miscellaneous services. The cost of these services amounted to $6,988 (2017 - $7,941).

Key management compensation	2018	2017
Salaries and other short-term benefits	$ 7,494	$ 8,050
Post-employment benefits	326	314
Long-term incentive benefits	1,234	2,304
	$ 9,054	$ 10,668

Non-executive directors' remuneration

A listing of the members of the Board of Directors is included within the Group's Annual Report. In 2018, the total remuneration for the non-executive directors was $312 (2017 - $350). The executive director's remuneration is included under key management compensation.

For the year ended October 31, 2018
(Expressed in thousands of United States dollars)

Note 28 Commitments, guarantees and contingent liabilities

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

	2018	2017
Letters of credit	$ 144,743	$ 143,033
Loan commitments	671,395	646,844
Guarantees and indemnities	67,497	68,968
	$ 883,635	$ 858,845

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

Note 29 Future rental commitments under operating leases

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

	2018	2017
Not later than 1 year	$ 11,055	$ 12,042
Later than 1 year and less than 5 years	28,422	30,924
Later than 5 years	11,767	13,905
	$ 51,244	$ 56,871

Note 30 Fiduciary activities

The Group provides custody and trustee discretionary investment management services to third parties. Those assets that are held in a fiduciary capacity are not included in these financial statements. At the reporting date, the Group had investment assets under administration on behalf of third parties amounting to $53,525,970 (2017 - $50,388,956).

For the year ended October 31, 2018
(Expressed in thousands of United States dollars)

Note 31 Business segments

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

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

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

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

For the year ended October 31, 2018
(Expressed in thousands of United States dollars)

2018 Segment reporting

2018	RBB	CIB	WM	Admin	Total
External revenue	$ 151,985	$ 179,488	$ (10,360)	$ 88,830	$ 409,943
Internal revenue	19,360	855	53,673	(73,888)	-
Net interest income	171,345	180,343	43,313	14,942	409,943
Operating income	77,619	45,459	48,871	(473)	171,476
	248,964	225,802	92,184	14,469	581,419
Depreciation	9,098	1,054	749	14,030	24,931
Operating expenses	95,486	25,408	33,837	206,998	361,729
Indirect expenses	109,651	76,912	30,615	(217,178)	-
Credit loss expense on financial assets	16,295	29,123	433	55,919	101,770
Income before taxation	18,434	93,305	26,550	(45,300)	92,989
Income tax credit	(5,668)	8,267	(681)	(9,741)	(7,823)
Net income for the year	$ 24,102	$ 85,038	$ 27,231	$ (35,559)	$ 100,812

Total assets and liabilities by segment are as follows:

2018	RBB	CIB	WM	Admin	Total
Segment assets	$ 2,580,702	$ 3,395,765	$ 90,376	$ 4,929,157	$ 10,996,000
Segment liabilities	3,673,849	3,406,377	2,526,599	236,381	$ 9,843,206

2017 Segment reporting

2017	RBB	CIB	WM	Admin	Total
External revenue	$ 145,541	$ 166,565	$ (8,640)	$ 75,813	$ 379,279
Internal revenue	16,043	6,694	42,206	(64,943)	-
Net interest income	161,584	173,259	33,566	10,870	379,279
Operating income	66,360	46,037	46,699	8,998	168,094
	227,944	219,296	80,265	19,868	547,373
Depreciation	8,882	790	830	12,475	22,977
Operating expenses	90,266	26,684	30,848	197,128	344,926
Indirect expenses	92,280	88,169	29,832	(210,281)	-
Loan loss impairment	18,772	5,556	131	-	24,459
Income before taxation	17,744	98,097	18,624	20,546	155,011
Income tax expense	433	9,304	(469)	4,219	13,487
Net income for the year	$ 17,311	$ 88,793	$ 19,093	$ 16,327	$ 141,524

Total assets and liabilities by segment are as follows:

2017	RBB	CIB	WM	Admin	Total
Segment assets	$ 2,522,237	$ 3,391,375	$ 59,122	$ 6,278,435	$ 12,251,169
Segment liabilities	$ 3,554,978	$ 3,254,272	$ 3,649,710	$ 349,999	$ 10,808,959

Note 32 Financial risk management

Introduction

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

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

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

Credit risk

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

Process and control

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

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

Credit risk limits

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

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

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

For the year ended October 31, 2018
(Expressed in thousands of United States dollars)

Credit Valuation Adjustment (CVA)

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

Collateral

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

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

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

As at October 31, 2018, 80% of stage 3 impaired loans were either fully or partially collateralised.

Geographic distribution

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

			2018			2017
	Drawn	Undrawn	Gross maximum exposure	Drawn	Undrawn	Gross maximum exposure
Barbados	738,519	127,454	865,973	$ 1,342,293	$ 139,386	$ 1,481,679
Bahamas	1,831,135	116,955	1,948,090	1,901,482	103,158	2,004,640
Cayman	1,117,243	128,327	1,245,570	1,080,000	138,403	1,218,403
Eastern Caribbean	701,227	96,593	797,820	663,626	106,211	769,837
Jamaica	432,221	75,646	507,867	404,402	73,190	477,592
BVI	143,719	41,486	185,205	158,145	30,920	189,065
Curaçao	288,150	19,714	307,864	231,743	9,642	241,385
Trinidad	388,994	23,775	412,769	352,906	18,563	371,469
Other	503,483	41,445	544,928	457,091	27,371	484,462
	6,144,691	671,395	6,816,086	$ 6,591,688	$ 646,844	$ 7,238,532

For the year ended October 31, 2018
(Expressed in thousands of United States dollars)

Exposures by industry groups

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

	Drawn	Undrawn	2018 Gross maximum exposure	Drawn	Undrawn	2017 Gross maximum exposure
Agriculture	17,476	1,035	18,511	$ 16,688	$ 1,266	$ 17,954
Sovereign	786,785	22,858	809,643	940,886	15,113	955,999
Construction	310,054	57,002	367,056	319,976	48,090	368,066
Distribution	408,889	108,913	517,802	427,548	145,813	573,361
Education	388	60	448	380	-	380
Electricity, gas & water	241,581	31,947	273,528	156,684	35,074	191,758
Fishing	3,545	2,436	5,981	3,737	2,949	6,686
Health & social work	22,912	-	22,912	30,977	1,785	32,762
Hotels & restaurants	218,540	21,213	239,753	217,724	12,015	229,739
Individuals & individual trusts	2,401,148	293,656	2,694,804	2,328,216	268,916	2,597,132
Manufacturing	125,952	22,265	148,217	120,116	23,495	143,611
Mining & quarrying	7,850	522	8,372	9,036	284	9,320
Miscellaneous	1,086,067	65,349	1,151,416	825,001	55,840	880,841
Other depository corporations	-	3,900	3,900	-	3,900	3,900
Other financial corporations	78,783	30,615	109,398	576,803	17,199	594,002
Real estate, renting & other activities	303,870	6,323	310,193	480,128	11,481	491,609
Recreational, personal & community work	1,065	92	1,157	5,058	102	5,160
Transport, storage & communications	129,786	3,209	132,995	132,730	3,522	136,252
	6,144,691	671,395	6,816,086	$ 6,591,688	$ 646,844	$ 7,238,532

Derivatives

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

Master-netting arrangements

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

Credit-related instruments

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

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

Maximum exposure to credit risk

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

For the year ended October 31, 2018
(Expressed in thousands of United States dollars)

	Gross maximum exposure 2018	2017
Balances with Central Banks	$ 1,057,815	$ 902,258
Due from banks	918,772	1,929,375
Derivative financial instruments	8,147	5,828
Investment securities		
- Government debt securities	1,163,556	1,382,703
- Other debt securities	1,205,368	976,081
- Interest receivable	15,549	15,813
Loans and advances to customers		
- Mortgages	1,958,968	2,133,735
- Personal loans	659,180	629,303
- Business & Sovereign loans	3,526,543	3,828,650
- Interest receivable	43,654	53,004
Other assets	87,736	69,000
Total	$ 10,645,288	$ 11,925,750
Commitments, guarantees and contingent liabilities (Note 28)	883,635	858,845
Total credit risk exposure	$ 11,528,923	$ 12,784,595

Geographical concentration

The following table reflects additional geographical concentration information.

2018	Total assets	Total liabilities	Commitments, guarantees and contingent liabilities	Total revenues	Capital expenditure *	Non-current assets **
Barbados	$ 3,439,050	$ 2,740,137	$ 186,502	$ 262,807	$ 19,402	$ 79,284
Bahamas	3,147,256	2,562,925	157,884	161,892	2,318	95,997
Cayman	2,978,531	2,615,633	177,508	92,611	2,293	127,908
Eastern Caribbean	1,219,948	1,225,109	111,645	62,186	1,856	25,010
Jamaica	753,327	655,130	111,578	48,459	2,611	12,791
BVI	651,284	515,946	43,841	24,283	1,694	6,739
Curacao	835,566	720,758	23,537	20,545	8	2,490
Trinidad	627,089	536,799	26,093	15,980	44	4,853
Other	124,979	23,486	45,047	50,282	472	42,165
	13,777,030	11,595,923	883,635	739,045	30,698	397,237
Eliminations	(2,781,030)	(1,752,735)	-	(157,626)	-	(12,478)
	$10,996,000	$ 9,843,188	$ 883,635	$ 581,419	$ 30,698	$ 384,759

For the year ended October 31, 2018
(Expressed in thousands of United States dollars)

2017	Total assets	Total liabilities	Commitments, guarantees and contingent liabilities	Total revenues	Capital expenditure *	Non-current assets **
Barbados	$ 5,030,489	$ 4,047,734	$ 201,290	$ 177,722	$ 25,404	$ 77,908
Bahamas	3,263,685	2,611,669	140,217	161,752	1,930	95,490
Cayman	2,852,541	2,533,901	187,212	84,286	706	155,624
Eastern Caribbean	1,022,182	1,027,900	121,064	57,607	1,754	24,758
Jamaica	710,572	620,404	108,693	39,649	2,695	11,884
BVI	659,229	539,998	33,383	18,160	543	5,026
Curacao	641,686	529,539	15,178	18,273	46	1,766
Trinidad	637,333	550,496	20,881	12,702	1,619	4,371
Other	1,196,983	1,072,223	30,927	39,809	374	13,269
	16,014,700	13,533,864	858,845	609,960	35,071	390,096
Eliminations	(3,763,531)	(2,724,905)	-	(62,587)	-	(12,474)
	$ 12,251,169	$ 10,808,959	$ 858,845	$ 547,373	$ 35,071	$ 377,622

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

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

Impairment assessment (Policy applicable for November 1, 2017)

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

Definition of default and cure

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

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

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

For the year ended October 31, 2018
(Expressed in thousands of United States dollars)

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

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

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

Treasury, trading and interbank relationships

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

Corporate and small business lending

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

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

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

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

For the year ended October 31, 2018
(Expressed in thousands of United States dollars)

Credit quality

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

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

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

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

At the reporting date, investment securities were all rated standard or high grade, with the exception of Barbados Government securities were classified as purchased originated credit impaired 'POCI' in 2018. Cash balances and amounts due from banks are held with counterparties that are high grade including CIBC group entities.

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

	High grade	Standard	Substandard	Impaired	2018
Loans and advances to customers					
-Mortgages	1,712,298	87,949	31,536	127,185	1,958,968
-Personal loans	575,279	35,287	10,009	38,605	659,180
-Business & Sovereign loans	3,254,073	145,091	14,142	113,237	3,526,543
Total	5,541,650	268,327	55,687	279,027	6,144,691

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

For the year ended October 31, 2018
(Expressed in thousands of United States dollars)

For our Business & Sovereign loans, we employ risk ratings in managing our credit portfolio. Business borrowers with elevated default risk are monitored on our Early Warning List. Early Warning List characteristics include borrowers exhibiting a significant decline in revenue, income, or cash flow or where we have doubts as to the continuing viability of the business. Early Warning List customers are often, but not always, also delinquent. As of October 31, 2018, Early Warning List customers in the medium to high risk category amounted to $149,665 (2017 - $148,326).

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

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

Model adjustments

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

Impact on regulatory capital

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

i. mild recession;
ii. ii. severe recession

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

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

The Group meets each key regulatory ratio such as the net stable funding ratio, liquidity coverage ratio and leverage ratio.

- Net Stable Funding Ratio and the Liquidity Coverage Ratio: The Group is not required to monitor these ratios during 2018 and is currently in the process of developing an automated solution for calculation of the ratios.
- Leverage Ratio: The Group reports the leverage ratio monthly. The leverage ratio is also provided to the Board of Directors in quarterly reporting.

Modified financial assets

From time to time, we may modify the contractual terms of loans classified as stage 2 and stage 3 for which the borrower has experienced financial difficulties, through the granting of a concession in the form of below-market rates or terms that we would not otherwise have considered. Changes to the present value of the estimated future cash payments through the expected life of the modified loan discounted at the loan's original effective interest rate are recognised through changes in the ECL allowance and provision for credit losses. During the year ended October 31, 2018, loans classified as stage 2 with an amortised cost of $13,348 and loans classified as stage 3 with an amortised cost of $3,693, in each case before the time of modification, were modified through the granting of a financial concession in response to the borrower having experienced financial difficulties. In addition, the gross carrying amount of previously modified stage 2 or stage 3 loans that have returned to stage 1 during the year ended October 31, 2018 was $32,202.

For the year ended October 31, 2018
(Expressed in thousands of United States dollars)

Market Risk

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

Policies and Standards

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

Process & Control

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

Risk Measurement

The bank has three main measures of market risk:

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

Position

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

Sensitivity

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

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

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

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

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

Summary of Key Market Risks
The following market risks are considered by management the most significant for the Group arising from the various currencies, yield curves and spreads throughout the regional and broader international markets,

(i) The risk of credit spreads widening in a similar fashion to the Credit Crisis of 2008 on bonds held within the investment portfolios,
(ii) The low probability, high impact of a peg breaking between the USD and a local currency, particularly the BSD, impacting the structural long position of the bank.

The largest interest rate risk derived from running through multiple scenarios is that if the USD yield curve moves in a similar fashion to a 60 day period during the Subprime Crisis and Lehman Collapse. The following section highlights these key risks as well as some of the lesser ones that arise from the Group's ongoing banking operations.

For the year ended October 31, 2018
(Expressed in thousands of United States dollars)

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

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

The following table highlights the currencies that the Bank had significant exposures to at October 31, 2018. It also highlights the metrics used by the Group to measure, monitor and control that risk.

2018					
Currency	Trading Position Long\(Short) vs USD	VaR	Stressed Loss	Structural Position *	Total FX Position (Structural +Trading)
Cayman Island dollars	(168,819)	Pegged	13,506	155,196	(13,623)
Trinidad and Tobago dollars	4,839	71	1,210	78,398	83,237
Barbados dollars	81,990	Pegged	24,597	(52,754)	29,236
Bahamian dollars	1,562	Pegged	469	601,408	602,970
Jamaican dollars	4,511	30	1,804	62,371	66,882
East Caribbean dollars	(117,341)	Pegged	9,387	86,487	(30,854)

For the year ended October 31, 2018
(Expressed in thousands of United States dollars)

2017					
Currency	Trading Position Long\(Short) vs USD	VaR	Stressed Loss	Structural Position *	Total FX Position (Structural +Trading)
Cayman Island dollars	(168,584)	Pegged	13,487	182,628	14,044
Trinidad and Tobago dollars	(3,954)	41	316	73,828	69,874
Barbados dollars	4,794	Pegged	1,438	12,865	17,659
Bahamian dollars	2,463	Pegged	739	665,184	667,647
Jamaican dollars	6,100	16	2,440	56,895	62,995
East Caribbean dollars	(117,693)	Pegged	9,415	73,108	(44,585)

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

Interest Rate Risk

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

	2018	2017
Market Risk Metrics		
Interest rate VaR – total	2,069	1,934
Interest rate stress worst case loss of value – HC 1 day	290	454
Interest rate stress worst case loss of value – HC 60 days	25,113	34,347
Interest rate stress worst case loss of value – LC 1 day	7,320	2,744
Interest rate stress worst case loss of value – LC 60 days	28,702	17,456
DV01 HC	(121)	(166)
DV01 LC	173	(5)

	2018			2017		
Currency	DV01	VaR	60 day stressed loss	DV01	VaR	60 day stressed loss
United States dollars	$ (91.1)	901	25,113	$ (139.0)	$ 1,024	$ 28,972
Trinidad and Tobago dollars	(7.1)	39	2,896	(6.3)	7	2,426
Barbados dollars	192.1	1,606	17,138	(21.7)	65	8,713
Bahamian dollars	19.2	60	1,378	20.7	36	1,622
Jamaican dollars	2.7	165	3,191	(5.4)	79	1,530
Eastern Caribbean dollars	(1.7)	1,500	335	5.2	1,051	556
Cayman Islands dollars	(9.7)	-	1,847	(9.4)	-	1,805

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

For the year ended October 31, 2018
(Expressed in thousands of United States dollars)

Credit Spread Risk

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

Credit Spread Risk by Operating Company (OPCO)

2018	Locally Issued Hard Dollar Bonds			Non-Regional Hard Dollar Bonds			Total		
	Notional	Credit Spread DV01	Stress Loss	Notional	Credit Spread DV01	Stress Loss	Notional	Credit Spread DV01	Stress Loss
Bahamas	$ 83,210	$ 37	$ 12,675	$ 359,500	$ 76	$ 15,584	$ 442,710	$ 113	$ 28,259
Cayman	80,902	38	9,246	485,904	92	18,896	566,806	130	28,142
Barbados	159,853	37	8,430	81,500	11	2,225	241,353	48	10,655
IWM*	12,717	2	513	48,488	7	1,398	61,205	9	1,911
Trinidad	54,162	16	3,911	-	-	-	54,162	16	3,911
Jamaica	-	-	-	-	-	-	-	-	-
Total	$ 390,844	$ 130	$ 34,775	$ 975,392	$ 186	$ 38,103	$ 1,366,236	$ 316	$ 72,878

Credit spread risk by OPCO

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

At fiscal year end the weighted average rating of the positions in the Regional Hard Currency Portfolio remained BBB+. The average weighted maturity is 6 years. The weighted average rating of the positions in the Non-Regional Hard Currency Portfolio remained AA. The average weighted maturity is 1.4 years.

Derivatives held for ALM purposes

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

*FirstCaribbean Internationl Wealth Management Bank (Barbados) Limited.

For the year ended October 31, 2018
(Expressed in thousands of United States dollars)

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

2018	EC	BDS	CAY	BAH	US	JA	Other	Total
Assets								
Cash and balances with Central Banks	$ 264,253	$ 249,253	$ 4,005	$ 151,031	$ 84,014	$ 108,564	$ 305,731	$ 1,166,851
Due from banks	1,598	8,363	1,125	5,122	509,986	513	392,064	918,771
Derivative financial instruments	-	-	-	-	8,147	-	-	8,147
Other assets	7,473	52,193	7,496	16,539	3,660	12,392	(349)	99,404
Taxation recoverable	21,030	2,130	837	-	(112)	15	-	23,900
Investment securities	38,658	481,367	-	345,269	1,483,189	33,756	2,234	2,384,473
Loans and advances to customers	528,193	600,760	287,757	1,184,066	2,730,059	224,988	348,828	5,904,651
Property and equipment	24,761	59,202	13,252	23,045	24,660	12,791	8,095	165,806
Deferred tax assets	2,622	33,952	-	-	(268)	-	4,446	40,752
Retirement benefit assets	14,893	18,524	(1,765)	16,961	878	12,247	2,546	64,284
Intangible assets	-	218,961	-	-	-	-	-	218,961
Total assets	$ 903,481	$1,724,705	$ 312,707	$1,742,033	$4,844,213	$ 405,266	$1,063,595	$10,996,000
Liabilities								
Derivative financial instruments	$ -	$ -	$ -	$ -	$ 15,669	$ -	$ 321	$ 15,990
Customer deposits	872,644	1,460,487	309,614	1,283,815	4,439,583	317,211	853,176	9,536,530
Other liabilities	(49,826)	73,033	(157,872)	(72,616)	286,799	11,945	78,418	169,881
Taxation payable	(1,041)	1,008	837	-	1,636	326	693	3,459
Deferred tax liabilities	1,616	567	-	-	105	264	844	3,396
Debt securities in issue	-	-	-	-		15,189	75,729	90,918
Retirement benefit obligations	2,360	2,415	708	8,644	7,845	680	390	23,032
Total liabilities	$ 825,753	$ 1,537,510	$ 153,287	$ 1,219,843	$4,751,637	$ 345,615	$1,009,571	$ 9,843,206
Net assets	$ 77,728	$ 187,195	$ 159,420	$ 522,190	$ 92,576	$ 59,651	$ 54,024	$ 1,152,794
Commitments, guarantees and contingent liabilities	$ 67,408	$ 79,768	$ 8,894	$ 54,233	$ 594,167	$ 35,092	$ 44,073	$ 883,635

For the year ended October 31, 2018
(Expressed in thousands of United States dollars)

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

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

Cash flow and fair value interest rate risk

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

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

Liquidity risk

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

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

Process and control

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

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

Risk measurement

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

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

For the year ended October 31, 2018
(Expressed in thousands of United States dollars)

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

2018	0-3 months	3-12 months	1-5 years	Over 5 years	Total
Assets					
Cash and balances with Central Banks	$ 1,166,851	$ -	$ -	$ -	$ 1,166,851
Due from banks	890,915	27,856	-	-	918,771
Derivative financial instruments	88	2,098	2,565	3,396	8,147
Other assets	99,404	-	-	-	99,404
Taxation recoverable	23,900	-	-	-	23,900
Securities	542,381	185,266	1,103,365	553,461	2,384,473
Loans and advances to customers	328,057	313,579	1,658,746	3,604,269	5,904,651
Property and equipment	23,324	2,552	80,743	59,187	165,806
Deferred tax assets	3,298	-	3,198	34,256	40,752
Retirement benefit assets	-	-	-	64,284	64,284
Intangible assets	-	-	-	218,961	218,961
Total assets	$ 3,078,218	$ 531,351	$ 2,848,617	$ 4,537,814	$ 10,996,000
Liabilities					
Derivative financial instruments	$ 1,115	$ 1,593	$ 4,593	$ 8,689	$ 15,990
Customer deposits	8,563,261	910,164	49,313	13,792	9,536,530
Other liabilities	169,881	-	-	-	169,881
Taxation payable	3,133	326	-	-	3,459
Deferred tax liabilities	-	-	577	2,819	3,396
Debt securities in issue	483	-	90,435	-	90,918
Retirement benefit obligations	1,397	-	-	21,635	23,032
Total liabilities	$ 8,739,270	912,083	144,918	46,935	9,843,206
Net assets/(liabilities)	$ (5,661,052)	$ (380,732)	$ 2,703,699	$ 4,490,879	$ 1,152,794
Commitments, guarantees and contingent liabilities	$ 585,084	$ 127,162	$ 15,685	$ 155,704	$ 883,635

For the year ended October 31, 2018
(Expressed in thousands of United States dollars)

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

For the year ended October 31, 2018
(Expressed in thousands of United States dollars)

Fair values of financial assets and liabilities

Fair value is defined as the price that would be received to sell an asset, or paid to transfer a liability, between market participants in an orderly transaction in the principal market at the measurement date under current market conditions (i.e., the exit price).
The determination of fair value requires judgment and is based on market information, where available and appropriate. Fair value measurements are categorized into three levels within a fair value hierarchy (Level 1, 2 or 3) based on the valuation inputs used in measuring the fair value, as outlined below:

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

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

	Level 1	Level 2	Level 3	Total	Total
	Quoted market price	Valuation technique-observable market input	Valuation technique-non-observable market input	2018	2017
Financial assets					
Cash and balances with Central Banks*	$ 1,166,851	$ -	$ -	$ 1,166,851	$ 1,004,102
Due from banks*	918,771	-	-	918,771	1,929,375
Derivative financial instruments	-	8,147	-	8,147	5,828
Available for sale (AFS) securities	-	-	-	-	2,375,641
Debt securities at FVOCI	-	2,033,382	-	2,033,382	`-
Debt securities at amortised cost	-	20,000	331,091	351,091	-
Loans and advances to customers	-	-	5,879,292	5,879,292	6,333,823
Total Financial assets	$ 2,085,622	$ 2,061,529	$ 6,210,383	$ 10,357,534	$11,648,769
Financial liabilities					
Derivative financial instruments	$ -	$ 15,990	$ -	$ 15,990	$ 25,913
Customer deposits	-	-	9,547,095	9,547,095	10,385,477
Debt securities in issue	-	92,603	-	92,603	214,420
Total Financial liabilities	$ -	$ 108,593	$ 9,547,095	$ 9,655,688	$10,625,810

*Financial assets with carrying values that approximate fair value.

Transfers between levels in the fair value hierarchy are deemed to have occurred at the beginning of the year in which the transfer occurred. Transfers between levels can occur as a result of additional or new information regarding valuation inputs and changes in their observability. In 2018, prior to derecognition, the Government of Barbados debt securities $279 million included in the exchange offer were transfered to level 3. There were no transfers in 2017.

For the year ended October 31, 2018
(Expressed in thousands of United States dollars)

	Carrying value	Fair value	Fair value over/(under) carrying value
2018			
Financial assets			
Cash and balances with Central Banks	$ 1,166,851	$ 1,166,851	$ -
Due from banks	918,771	918,771	-
Derivative financial instruments	8,147	8,147	-
Available for sale (AFS) securities	-	-	-
Debt securities at FVOCI	2,033,382	2,033,382	-
Debt securities at amortised cost	351,091	351,091	-
Loans and advances to customers	5,904,651	5,879,292	(25,359)
Total financials assets	$ 10,382,893	$ 10,357,534	$ (25,359)
Financial liabilities			
Derivative financial instruments	$ 15,990	$ 15,990	$ -
Customer deposits	9,536,530	9,547,095	10,565
Debt securities in issue	90,918	92,603	1,685
Total financial liabilities	$ 9,643,438	$ 9,655,688	$ 12,250
2017			
Financial assets			
Cash and balances with Central Banks	$ 1,004,102	$ 1,004,102	$ -
Due from banks	1,929,375	1,929,375	-
Derivative financial instruments	5,828	5,828	-
Available for sale (AFS) securities	2,375,641	2,375,641	-
Debt securities at FVOCI	-	-	-
Debt securities at amortised cost	-	-	-
Loans and advances to customers	6,358,000	6,333,823	(24,177)
Total financials assets	$ 11,672,946	$ 11,648,769	$ (24,177)
Financial liabilities			
Derivative financial instruments	25,913	25,913	-
Customer deposits	10,371,531	10,385,477	13,946
Debt securities in issue	213,001	214,420	1,419
Total financial liabilities	$ 10,610,445	$ 10,625,810	$ 15,365

For the year ended October 31, 2018
(Expressed in thousands of United States dollars)

Quantitative information about significant non-observable inputs

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

	2018				Range of inputs	
As at October 31,	Amortised cost	Fair value	Valuation technique	Key non-observable inputs	Low	High
Loans and advances to customers	$ 5,904,651	$ 5,871,390	Market proxy or direct broker quote	Market proxy or direct broker quote	5.4 %	18.5 %
Customer Deposits	$ 9,536,530	$ 9,547,388	Market proxy or direct broker quote	Market proxy or direct broker quote	-	3.1 %
Debt instruments at armortised costs	$ 331,092	$ 331,092	Market proxy or direct broker quote	Market proxy or direct broker quote	n/a	n/a
Equity securities	$ 1,043	$ 1,043	n/a	n/a	n/a	n/a

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

Financial instruments recorded at fair value

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

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

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

Fair value of financial instruments not carried at fair value

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

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

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

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

Note 33 Principal subsidiary undertakings

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

All subsidiaries are wholly owned unless otherwise stated.

Note 34 Subsequent event

On November 20th, 2018, the Government of Barbados announced a change in the Barbados Corporation tax rate of 30% to a sliding scale of between 5.5% and 1% effective January 1, 2019. The change in corporation tax rate will have a significant effect on the current and deferred tax assets and liabilities of $24,177.

Introduction to the Corporate Governance Statement

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

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

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

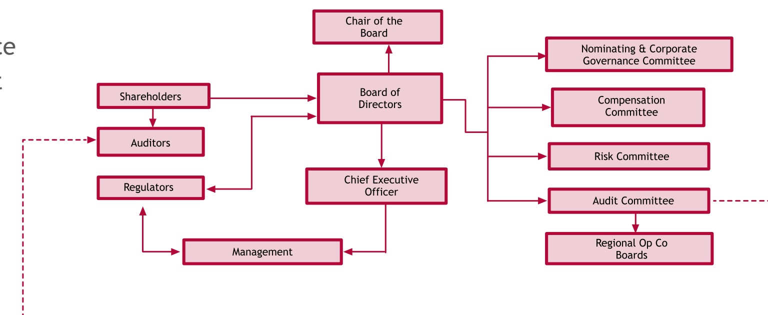
1. Board of Directors Mandate
2. Audit Committee Mandate
3. Compensation Committee Mandate
4. Nominating and Corporate Governance Committee Mandate
5. Risk Committee Mandate
6. Chair of the Board of Directors Mandate
7. Board Committee Chair Mandate
8. Chief Executive Officer Mandate
9. Code of Conduct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

STATEMENT OF CORPORATE GOVERNANCE

This statement of corporate governance practices describes the governance framework that guides CIBC FirstCaribbean's Board and management in fulfilling their obligation to CIBC FirstCaribbean and its stakeholders. It was reviewed and approved by the Nominating & Corporate Governance Committee and the Board in December 2018.

1. Governance Structure

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



2. Board Composition

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

Legal requirements

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

Board size

CIBC FirstCaribbean's by-laws require a minimum of ten directors and a maximum of eighteen directors, and that the majority of the Board's directors reside outside of Canada. The Board is comprised of ten directors, six of whom permanently reside outside of Canada. Four of the Board's directors are independent, as required by the Central Bank of Barbados. Independent director Mrs. G. Diane Stewart resigned from the Board effective October 1, 2018 to take up an appointment as a Judge of the Supreme Court of the Commonwealth of the Bahamas. Mr. _________ was appointed as Ms. Stewart's successor effective December 13, 2018.

3. Board responsibilities

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

Strategic planning

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

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

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

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

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

Board committees
The Board establishes committees and their mandates and is made aware of all material matters considered by the committees.

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

4. Director Independence

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

The Board and its committees also foster independence by:

- Having an independent non-executive Chair of the Board to oversee the operations and deliberations of the Board;
- Having independent directors on each of the Board's committees;
- Reviewing board interlocks;
- Conducting in camera sessions without management;
- Determining whether directors have a material interest in transactions;
- The Audit Committee is chaired by an independent director and has a majority of independent members;
- The Nominating & Corporate Governance Committee nominates independent directors.

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

Board interlocks and outside board membership

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

The Board believes disclosing other public company board memberships and interlocking board membership is important.

The interlocking board memberships among CIBC FirstCaribbean's directors are set out below.

Company	Director
Banks Holdings Limited	Chris de Caires
Caribbean Utilities Company, Ltd.	David Ritch

Conflicts of interest

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

5. Director Nomination Process

Nominating a new director for election

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

Meeting attendance record

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

In June 2018, the Board approved a new committee structure that comprises four committees as opposed to the previous three committees. The new committees are the Audit Committee, the Compensation Committee, the Nominating & Corporate Governance Committee, and the Risk Committee.

During fiscal 2018 the Board met twelve times. The Finance, Risk, Conduct & Review Committee met five times. The Risk Committee met eight times. The Audit & Governance Committee met six times. The Audit Committee met four times. The Change, Operations, Technology & Human Resources Committee met twice, the Compensation Committee met three times, and the Nominating & Corporate Governance Committee met twice.

Board Meetings (January – December 2018)

Board Member	Scheduled Quarterly Meetings	Interim Meetings
David Ritch	4/4	8/8
Gary Brown^	3/3	5/5
Blair Cowan=	4/4	1/8
Chris de Caires	4/4	8/8
Colette Delaney@	4/4	7/8
Robert Frentzel#	1/1	2/2
Lynne Kilpatrick=	3/4	0/8
Brian McDonough=	4/4	1/8
Paula Rajkumarsingh	4/4	8/8
Mark St. Hill•	1/1	5/5
Lincoln Eatmon+	Not a Member	Not a Member

Old committee structure

Scheduled quarterly meetings for the period January – June 2018

Board Member	Audit & Governance Committee Meetings	Change, Operations, Technology & Human Resources Committee Meetings	Finance, Risk & Conduct Review Committee Meetings
David Ritch	2/2	2/2	2/2
Gary Brown^	Not a Member	2/2	2/2
Blair Cowan=	2/2	Not a Member	Not a Member
Chris de Caires	2/2	2/2	2/2
Colette Delaney@	2/2	2/2	2/2
Lynne Kilpatrick=	Not a Member	1/2	Not a Member
Brian McDonough=	Not a Member	Not a Member	2/2
Paula Rajkumarsingh	2/2	2/2	2/2
Mark St. Hill•	Not a Member	Not a Member	Not a Member
Lincoln Eatmon+	1/2	Not a Member	Not a Member

Interim meetings called at short notice for the period January – June 2018

Board Member	Audit & Governance Committee Meetings	Finance, Risk & Conduct Review Committee Meetings
David Ritch	4/4	3/3
Gary Brown^	Not a Member	2/3
Blair Cowan =	1/4	Not a Member
Chris de Caires	4/4	2/3
Colette Delaney@	3/4	3/3
Lynne Kilpatrick =	Not a Member	Not a Member
Brian McDonough =	Not a Member	1/3
Paula Rajkumarsingh	4/4	2/3
Mark St. Hill•	Not a Member	Not a Member
Lincoln Eatmon+	4/4	Not a Member

New committee structure

Scheduled quarterly meetings for the period June – December 2018

Board Member	Audit Committee	Compensation Committee	Nominating & Corporate Governance	Risk Committee
David Ritch	2/2	2/2	2/2	2/2
Gary Brown ^	Not a Member	Not a Member	Not a Member	1/1
Blair Cowan=	2/2	Not a Member	Not a Member	2/2
Chris de Caires	2/2	2/2	2/2	2/2
Colette Delaney@	Not a Member	Not a Member	Not a Member	1/1
Robert Frentzel#	1/1	1/1	1/1	1/1
Lynne Kilpatrick=	Not a Member	2/2	2/2	Not a Member
Brian McDonough=	2/2	Not a Member	Not a Member	2/2
Paula Rajkumarsingh	2/2	2/2	2/2	2/2
Mark St. Hill •	Not a Member	Not a Member	Not a Member	Not a Member
Lincoln Eatmon+	2/2	Not a Member	Not a Member	Not a Member

Interim meetings called at short notice for the period June – December 2018

Board Member	Audit Committee	Compensation Committee	Risk Committee
David Ritch	2/2	2/2	6/6
Gary Brown^	Not a Member	Not a Member	3/3
Blair Cowan=	0/2	Not a Member	0/6
Chris de Caires	2/2	2/2	5/6
Colette Delaney@	Not a Member	Not a Member	2/2
Robert Frentzel#	1/1	2/2	2/2
Lynne Kilpatrick=	Not a Member	0/2	
Brian McDonough=	0/2	Not a Member	0/6
Paula Rajkumarsingh	2/2	2/2	6/6
Mark St. Hill •	Not a Member	Not a Member	Not a Member
Lincoln Eatmon+	2/2	Not a Member	Not a Member

@ was not a member of the Risk committee between June 9 and October 3, 2018

^ Resigned from the Board effective October 31, 2018

Joined the Board effective November 1, 2018

• Joined the Board effective September 7, 2018

+ Member of the Audit Committee only

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

Annual meeting

CIBC FirstCaribbean's Annual Meeting was held on March 29, 2018 and was attended by the Board. CIBC FirstCaribbean's Chief Financial Officer and external auditor, Ernst & Young Ltd. ("EY"), were also present as well as other members of CIBC FirstCaribbean's Executive Committee and Senior Executive Team.

6. Director Tenure

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

6. Annual Performance Evaluation of the Board

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

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

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

7. The Chief Executive Officer

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

8. The Chair of the Board

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

9. Board Committees

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

(a) the close of the next annual meeting of shareholders of CIBC FirstCaribbean at which the member's term of office expires;

(b) the death of the member; or

(c) the resignation, disqualification or removal of the member from the committee or from the Board.

The Board may fill a vacancy in the membership of the committee. At the time of the annual appointment of the members of the committee, the Board appoints a chair of the committee.

Audit Committee

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

The members of the Audit Committee are:

Chair:	Paula Rajkumarsingh (independent)
Membership:	Blair Cowan
	Chris de Caires (independent)
	Robert Frentzel (independent)[1]
	Craig Gomez (independent)[2]
	Lincoln Eatmon (independent)
	Brian McDonough
	David Ritch (independent)

Compensation Committee

The Compensation Committee is responsible for assisting the Board in fulfilling its governance and supervisory responsibilities relating to compensation of the Chief Executive Officer, the Chief Financial Officer and other executive officers and senior management. The committee is also responsible for assisting the Board in fulfilling its strategic oversight of the Bank's human capital, including overall employee compensation, the levels and degrees of participation in incentive compensation programs, including bonuses and stock plans, and oversight of management's progress in employee development and relations, and their alignment with the Bank's strategy of consistent, sustainable performance, its risk appetite and risk and control governance framework.[3]

The members of the Compensation Committee are:

Chair:	Lynne Kilpatrick
Membership:	Chris de Caires (independent)
	Robert Frentzel (independent)
	Paula Rajkumarsingh (independent)
	David Ritch (independent)

Nominating & Corporate Governance Committee

The Nominating & Corporate Governance Committee is responsible for assisting the Board in fulfilling its responsibilities relating to identifying individuals qualified to become directors and selecting, or recommending that the Board selects, the candidates for all directorships to be filled by the Board or by the shareholders as well as developing and recommending to the Board a set of corporate governance principles applicable to the Group. The committee is also responsible for otherwise taking a leadership role in shaping the corporate governance of the Group, and the oversight of change initiatives, information technology and security effectiveness, and their alignment with the Bank's strategy of consistent, sustainable performance, as well as control matters. In addition, the committee is the nominating committee for

[1] Mr. Frentzel was appointed a director effective November 1, 2018.
[2] Mr. Gomez was appointed a director effective December 13, 2018.
[3] Although not all the members of the Compensation Committee are independent, no member of the committee is a member of management, as recommended by the Barbados Stock Exchange Inc.

membership in all boards of directors in the Group.

The members of the Nominating & Corporate Governance Committee are:

Chair:	David Ritch (independent)
Membership:	Chris de Caires (independent)
	Robert Frentzel (independent)
	Lynne Kilpatrick
	Paula Rajkumarsingh (independent)

Risk Committee

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

The members of the Risk Committee are:

Chair:	Brian McDonough
Membership:	Blair Cowan
	Chris de Caires (independent)
	Colette Delaney [4]
	Robert Frentzel (independent)
	Craig Gomez (independent)
	Paula Rajkumarsingh (independent)
	David Ritch (independent)

10. Board Access to Independent Advisors and Management

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

11. Director Orientation and Continuing Development

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

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

New director orientation

New directors are presented with an orientation package which includes the Board and committee mandates, the most recent CEO Business Update, current financial and capital plans, the most recent annual report, the Code of Ethics for Directors, a description of the committee and Group structure, information on directors and officer's liability insurance, Board meeting dates, and any other material the Chair of the Board considers appropriate.

[4] Ms. Colette Delaney became a member of the Risk Committee effective November 1, 2018

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

Ongoing director development

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

12. Director Compensation

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

The Board Chair and independent directors are paid a flat annual fee for attending all Board and committee meetings, whether scheduled or not. Neither CIBC FirstCaribbean executives, nor CIBC executives, who are directors, are paid fees. Independent committee chairs and committee members who are not directors[5] are paid fees. The Board Chair, independent directors and independent committee members were paid an aggregate total of US$312,000 for 2018.

13. Approval of the CEO's Service Contract

The Compensation Committee reviews the performance and compensation of the Chief Executive Officer annually.

14. Organization of Management

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

Chief Executive Officer	Gary Brown[6]
Managing Director, Human Resources	Neil Brennan[7]
General Counsel & Group Corporate Secretary	Brian Clarke
Chief Operating Officer	Colette Delaney[8]
Chief Risk Officer	Patrick McKenna
Chief Information Officer and Managing Director, Technology, Operations & Corporate Services	Esan Peters
Managing Director, Retail and Business Banking	Mark St. Hill
Managing Director, Cards & Customer Relationship Management	Trevor Torzsas[9]
Managing Director, Corporate & Investment Banking	Pim van der Burg
Chief Financial Officer	Doug Williamson
Managing Director, Wealth Management	Daniel Wright

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

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

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

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

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

- Asset Liability Committee
- Credit Committee
- Treasury Asset Investment Review Committee
- Strategic Projects Office
- Operational Risk & Control Committee
- Reputation & Legal Risk Committee

Executive compensation

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

It is the mandate of the Compensation Committee to make executive and other pay decisions and recommendations to the Board.

[5] Mr. Lincoln Eatmon, a member of the Audit Committee, is the only committee member who is not a director of FirstCaribbean International Bank Limited. Mr. Eatmon is a member of the board of FirstCaribbean International Bank (Jamaica) Limited.
[6] Mr. Gary Brown retired as Chief Executive Officer and director effective October 31, 2018.
[7] Mr.Neil Brennan was appointed Chief Administrative Officer effective November 9, 2018.
[8] Ms. Colette Delaney was appointed Chief Executive Officer effective November 1, 2018.
[9] Mr. Trevor Torzas left the Bank effective November 30, 2018.

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

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

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

Element	Performance Measures	Description
Annual Cash Incentive Award	• Grant measures: • Financial • Risk • Client • Employee • Strategy execution	• Short term • Focused on: • Profitability • Growth • Adherence to Risk Appetite • Strategy execution • Client and employee satisfaction

Deferred Cash Award	• Grant measures:
	  • Same as cash incentive
	• Vesting measures:
	  • Individual performance over vesting period
		• Long term
		• Deferred cash 3 year incentive award with cliff vesting

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

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

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

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

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

16. External Auditors: Oversight & Fees

The external auditors report to the Audit Committee.

Fees billed for professional services rendered by EY across its regional footprint for the consolidated financial statements years ended October 31, 2018 and October 31, 2017, are set out as follows:

Unaudited, $000's	2018	2017
Audit Fees [1]	$2,966	$2,928
Audit related fees [2]	$ 234	$ 109
Tax fees [3]	$ 195	$ 191
Total	$3,395	$3,228

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

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

(3) For tax compliance services.

17. Engagement of Non-Audit Services by External Auditors

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

18. Oversight of the Internal Audit function by the Audit Committee

Internal Audit function

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

Organizational framework

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

At least annually, the Audit Committee will:

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

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

Chief Auditor

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

At least annually, the committee will review succession plans for the Chief Auditor.

Organization placement

Internal Audit is led by the Chief Auditor, who in turn reports directly to the Chief Auditor of CIBC, and to the chair of the Audit Committee on a dotted line basis. The Chief Auditor also reports administratively to the Chief Executive Officer.

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

Professional standards and independence

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

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

Resources and skill set

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

Independence

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

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

Periodic review

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

Audit plan

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

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

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

19. Risk and Control Governance Framework

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

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

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

There are seven (7) components to the COSO Framework. These are defined as follows:

1. Principles, Vision, Mission, Values – "Tone from the Top" – the Board of Directors and Executive Committee of the Bank have overall responsibility for the Bank including determining, approving and overseeing the Bank's strategic objectives, risk strategy, governance structure and corporate values. This shapes the Risk and Control Governance Framework of the Bank.

2. Risk Appetite – this defines the level of risk the Bank is prepared to accept in pursuit of the Bank's mission, vision, strategic objectives and corporate values.

3. Risk and Control related Policies, Limits, Standards and Guidelines – these set the boundaries for positive actions and behaviors of CIBC FirstCaribbean employees and contingent workers.

4. Management Objectives – the Bank's risk and control systems are designed to ensure the achievement of following four categories of objectives:

    i) *Strategic objectives* - High level goals which are aligned with the achievement of the Bank's mission and vision;

    ii) *Effective Operations* - The operations of CIBC FirstCaribbean are effective in meeting its strategic objectives;

    iii) *Reliable Reporting* - The financial reports provided to shareholders and other external stakeholders are accurate and reliable in all material respects; and

    iv) *Regulatory Compliance* - The conduct and actions of CIBC FirstCaribbean's Board of Directors, executives, employees and contingent workers comply with all applicable laws and regulations.

5. Risk Identification and Control Management Activities – this is the control management process of the Bank, which has six elements:

    i) *Risk Assessment and Response* - determine the likelihood of occurrence of and impact of risks undertaken to achieve business objectives and what would be our desired response, that is, avoid, transfer, accept or mitigate;

    ii) *Documentation and Maintenance* - risk scenarios and related key controls must be documented for CIBC FirstCaribbean's Risk & Control Self-Assessment and updated as changes occur;

iii) *Monitoring and Testing* – a robust monitoring and testing methodology must be designed and implemented to confirm risks are within acceptable thresholds and key controls are designed and operating effectively;

iv) *Assessment* – management must complete steps to determine whether or not their risks are within acceptable thresholds and the system of internal control is working effectively or if there are deficiencies that need to be identified;

v) *Risk/Deficiency Management* - Once a new risk or deficiency has been identified, the severity of the issue must be determined, action plans to remediate should be documented and executed to ensure the issue is addressed; and

vi) *Assertion* – Accountable Officers and Senior Executive Team Members complete quarterly assertions on the state of controls and deficiencies within their respective lines of businesses.

6. Reporting – the appropriate management information must be communicated to the Board and the Senior Executive Team in a timely, complete, understandable and accurate manner so that they are equipped to make informed decisions.

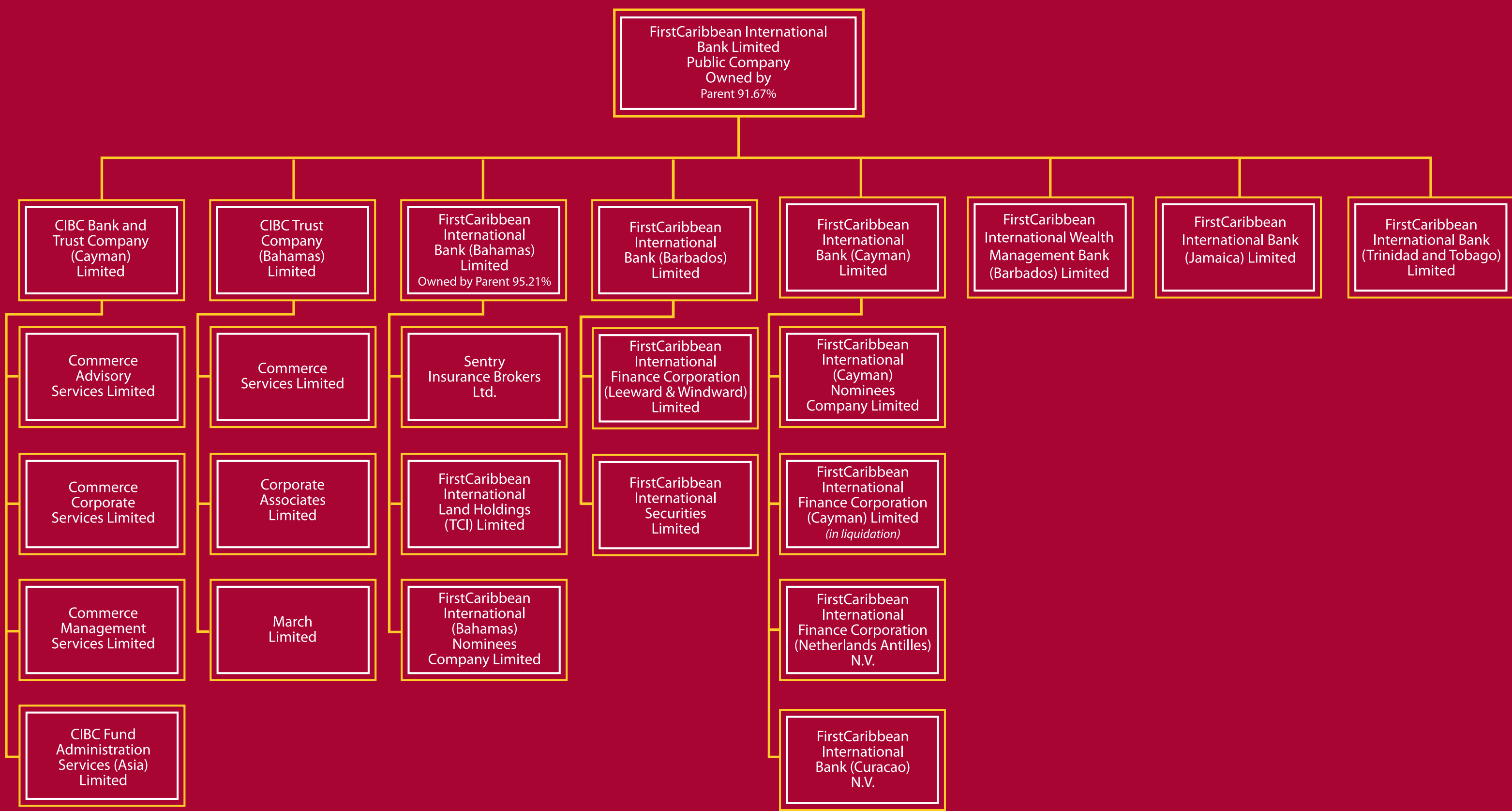
7. Stress Testing - CIBC FirstCaribbean performs stress tests and scenario analyses in order to gain a better understanding of the significant risks the Bank potentially faces under extreme conditions and to provide important input into the determination of related regulatory and economic capital requirements. Stress testing refers to shifting the values of individual parameters that affect our financial position and determining the effect on the business.

20. Insider Trading

CIBC FirstCaribbean's policy on insider trading, employees of CIBC FirstCaribbean described as insiders and their trading activity can be found at www.cibcfcib.com.

CIBC FirstCaribbean is in compliance with the Insider Trading Guidelines issued by the Barbados Stock Exchange Inc., which can be found at www.bse.com.bb.

OWNERSHIP STRUCTURE



CIBC FirstCaribbean International Bank

MAIN BRANCHES AND CENTRES

Head Office
P.O. Box 503
Warrens, St. Michael
Barbados
Tel: (246) 367-2300

Anguilla
P.O. Box 140
The Valley
Tel: (264) 497-2301

Antigua
P.O. Box 225
High & Market Street
St. John's
Tel: (268) 480-5000

Aruba
Tanki Flip 14 A + B
Oranjestad
Tel: (297) 522-5600

The Bahamas
P.O. Box N -8350
Shirley Street, Nassau
Tel: (242) 322-8455

Barbados
P.O. Box 503
Broad Street
St. Michael
Bridgetown
Tel: (246) 367-2300

British Virgin Islands
P.O. Box 70
Road Town
Tortola, VG1110
Tel: (284) 852-9900

Cayman Islands
P.O. Box 68
Grand Cayman KY
1-1102
25 Main Street
George Town
Grand Cayman
Tel: (345) 949-7300

Curaçao
P.O. Box 3144
De Ruyterkade 61
Willemstad
Curaçao
Tel: (+5999) 433-8000

Dominica
P.O. Box 4
Old Street, Roseau
Tel: (767) 255-7900

Grenada
P.O. Box 37
Church Street
St. George's
Tel: (473) 440-3232

Jamaica
P.O. Box 403
23-27 Knutsford Blvd
Kingston 5
Tel: (876) 929-9310

St. Kitts
P.O. Box 42
Bank Street, Basseterre
Tel: (869) 465-2449

St. Lucia
P.O. Box 335
Bridge Street, Castries
Tel: (758) 456-1000

Sint Maarten
Philipsburg Branch
Emmaplein 1,
Philipsburg
Tel: 721-542-3511
Fax: 721-542-4531

Nevis
P.O. Box 502
Charlestown
Tel: (869) 469-5309

Trinidad & Tobago
CIBC FirstCaribbean Bank
Financial Centre
74 Long Circular Road
Maraval, Trinidad, W.I.
Tel: (868) 628-4685

Turks and Caicos Islands
P.O. Box 236
62 Salt Mills Plaza
Grace Bay Branch
Providenciales
Turks & Caicos Islands
Tel: (649) 941-4558

St. Vincent
P.O. Box 604
Halifax Street,
Kingstown
Tel: (784) 456-1706

CORPORATE BANKING CENTRES

Corporate Banking Centre
P.O. Box N -7125
Shirley Street
Nassau, The Bahamas
Tel: (242) 322-8455

Finance Corporation
P.O. Box N -8350
Shirley Street
Nassau, The Bahamas
Tel: (242) 322-7466

Corporate Banking Centre
P.O. Box 503
Rendezvous
Christ Church, Barbados
Tel: (246) 467-8768

Corporate Banking Centre
23-27 Knutsford Blvd
Kingston 5, Jamaica
Tel: (876) 929-9310

CIBC FirstCaribbean Bank Financial Centre
Corporate & Investment
Banking Units
Ground Floor
74 Long Circular Road
Maraval, Trinidad, W.I.
Tel: (868) 628-4685

Finance Corporation
P.O. Box 335
Castries St. Lucia
Tel: (758) 456-1110

Corporate Banking Centre
P.O. Box 28
Old Parham Road
St John's, Antigua
Tel: (268) 480-5000

Corporate Banking Centre St. Kitts
P.O. Box 42
The Circus, Basseterre
Tel: (869) 465-2449

WEALTH MANAGEMENT CENTRES

International Corporate Banking Centre & Platinum Banking Centre
P.O. Box N -8350
Shirley Street
Nassau, The Bahamas
Tel: (242) 302-6000

International Corporate Banking Centre
P.O. Box 180
Ground Floor
Head Office
Warrens, St. Michael
Barbados
Tel: (246) 367-2012

Platinum Banking Centre
23-27 Knutsford Blvd
Kingston 5, Jamaica
Tel: (876) 929-9310

Platinum Banking Centre
Liguanea
129 1/2 Old Hope Road
Kingston 6
Tel: (876) 656-9240

Platinum Banking Centre
Montego Bay
59 St. James Street,
Montego Bay
Tel: (876) 952-0801
or 952-4045/6

Platinum Banking Centre
De Ruyterkade 61
P.O. Box 3144
Willemstad, Curaçao
Netherlands Antilles
Tel: (+5999) 433-8000

MAIN BRANCHES AND CENTRES

CIBC FirstCaribbean Bank Financial Centre Platinum Banking Centre
1st Floor
74 Long Circular Road
Maraval, Trinidad, W.I.
Platinum Banking Centre
Verbiage

Wealth Management Centre
1st Floor
Corporate & Investment
Banking Units: Ground Floor.
Chaguanas Sun Plaza
Off Munroe Road Flyover
Charlieville

Private Wealth Management & International Corporate Banking Centre
P.O. Box 68
Grand Cayman KY
1-1102
25 Main Street
GeorgeTown
Grand Cayman
Cayman Islands
Tel: (345) 949-7300

International Corporate Banking Centre
P.O. Box 70
Road Town, Tortola
British Virgin Islands
Tel: (284) 494-2171

International Corporate Banking & Platinum Banking Centre
P.O. Box 236
62 Salt Mills Plaza
Grace Bay Branch
Providenciales
Turks & Caicos Islands
Tel: (649) 941-4558

Platinum Banking Centre
P.O. Box 335
Rodney Bay
Gros Islet

Private Wealth & International Corporate Banking
P.O. Box 3144
De Ruyterkade 61
Willemstad
Curaçao
Tel: (+5999) 433-8000

OTHER SUBSIDIARIES

Trust & Merchant Bank Asset Management & Securities Trading
3rd Floor Broad Street,
Bridgetown, St. Michael
Barbados
Tel: (246) 467-8838

Securities
P.O. Box 162
Kingston 10
23-27 Knutsford Blvd
Kingston 5, Jamaica
Tel: (876) 929-4606

Investment Banking
74 Long Circular Road
Maraval, Trinidad
Tel: (868) 628-4685

CIBC Bank and Trust Company (Cayman) Limited
CIBC Financial Centre
11 Dr. Roy's Drive
P.O. Box 694
Grand Cayman KYI-1107
Cayman Islands

CIBC Trust Company (Bahamas) Limited
Goodman's Bay
Corporate Centre
West Bay Street
P.O. Box N. 3933
Nassau, Bahamas
Tel: (242) 356-1800

Private Wealth Management
Goodman's Bay
Corporate Centre
West Bay Street
P.O. Box N. 3933
Nassau, Bahamas
Tel: (242) 356-1800

NOTES


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

FirstCaribbean International Bank