FIRSTCARIBBEAN INTERNATIONAL BANK
(BAHAMAS) LIMITED

Audited Consolidated Financial Statements
Year ended October 31, 2023
with Independent Auditor's Report

FirstCaribbean International Bank (Bahamas) Limited

Audited Consolidated Financial Statements

October 31, 2023

Contents

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Independent Auditor's Report

The Shareholders and Directors
FirstCaribbean International Bank (Bahamas) Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of FirstCaribbean International Bank (Bahamas) Limited and its subsidiaries (the "Bank"), which comprise the consolidated statement of financial position as at October 31, 2023, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Bank as at October 31, 2023, 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 Bank in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

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

The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key Audit Matter	How our Audit Addressed the Key Audit Matter
Expected Credit Loss Allowances	
Related disclosures in the consolidated financial statements are included in Note 2.4, Summary of significant accounting policies–Impairment of financial assets, Note 6, Securities, Note 7, Loans and advances to customers and Note 25, Financial risk management. IFRS 9: Financial Instruments uses an expected credit loss ("ECL") model which requires significant management judgment and incorporation of forward-looking information. IFRS 9 requires the Bank to record an allowance for ECLs for all loans and advances to customers and other financial assets not held at fair value through profit and loss, together with loan commitments and financial guarantee contracts. The Bank estimated a total ECL allowance of $129M as at October 31, 2023. This is a key audit matter as the estimation of ECLs is inherently uncertain and requires the application of judgment and use of subjective assumptions by management. Furthermore, models used to determine credit impairment are complex, and certain inputs used are not fully observable. Management compensates for any model and data deficiencies by applying management's judgmental adjustments overlays to ECL model outputs.	• We obtained an understanding, evaluated the design and tested the operating effectiveness of management's controls over the process for estimation of ECLs. • We evaluated the modelling techniques and methodologies developed by the Bank in order to estimate ECLs and assessed their compliance with the requirements of IFRS 9. • We tested the completeness and accuracy of data input to the models used to determine the ECLs. We assessed the reasonableness of the methodologies and assumptions applied in determining 12 month and lifetime probabilities of default (PD), loss given default (LGD), exposure at default (EAD) and the determination of when a loan has experienced a significant increase in credit risk (SICR). • We involved our internal credit risk specialists to assist us in evaluating the methodology and assumptions used in the significant models that estimate ECL in comparison to the requirements of IFRS, the Bank's own historical data and industry standards. This included an assessment of the thresholds used to determine a SICR and the evaluation of management's judgmental adjustments by evaluating that the amounts recorded were reflective of the credit quality and macroeconomic trends, amongst other factors. • We also assessed the reasonableness of the generation of forward-looking information (FLI) by comparing a sample of management's FLI variables to independently derived forecasts and publicly available information and evaluated the probability weights used in the ECL models. On a sample basis, we recalculated the ECL to test the mathematical accuracy of management's models. • We involved our internal valuation specialists to assess the methodology used and values obtained for third-party appraisals of real estate held as collateral for loans. • We assessed the reasonableness of qualitative adjustments or overlays derived outside the specific model output. • We assessed the adequacy of disclosures in the consolidated financial statements.

Key Audit Matter	How our Audit Addressed the Key Audit Matter
Fair value of investment securities	
Related disclosures in the consolidated financial statements are included in Note 2.4, Summary of significant accounting policies, Debt instruments at FVOCI, Equity instruments at FVOCI, Note 6, Securities and Note 25, Financial risk management. This is a key audit matter due to the complexity of valuation models used to determine fair value. These valuation models can be subjective in nature and involve observable and unobservable data and various assumptions. These include the valuation of financial instruments with higher estimation uncertainty for which observable market prices or market parameters are not available. The use of different valuation techniques and assumptions could result in significantly different estimates of fair value. The associated risk management disclosure is also complex and dependent upon high quality data.	• We obtained an understanding, evaluated the design and tested the operating effectiveness of management's controls over the investment securities valuation process. • We reviewed the market prices applied to the Bank's debt securities by comparing the prices used by management to an independent external source. • We involved internal valuation specialists to assess the reasonableness of the fair value of investment securities which did not have observable market prices by testing a sample of modelling assumptions and significant inputs used in the Bank's valuation methodologies to estimate the fair value. • We assessed the adequacy of the disclosures in the consolidated financial statements.

Other Information Included in the Bank’s 2023 Annual Report

Other information consists of the information included in the Bank’s 2023 Annual Report other than the consolidated financial statements and our auditor’s report thereon. Management is responsible for the other information. The Bank’s 2023 Annual Report is expected to be made available to us after the date of the auditor’s report.

Our opinion on the consolidated financial statements does not cover the other information and we do 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 identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with 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 Board of Directors is responsible for overseeing the Bank’s financial reporting process.

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

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

Ernst & Young Ltd.

February 23, 2024

FIRSTCARIBBEAN INTERNATIONAL BANK (BAHAMAS) LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT OCTOBER 31
(Expressed in thousands of Bahamian dollars)

	Notes	2023 $	2022 $
ASSETS			
Cash and balances with The Central Bank	3	582,692	529,037
Due from banks	4	602,123	432,977
Other assets	5	16,725	16,460
Securities	6	1,045,862	1,317,826
Loans and advances to customers	7	2,026,387	2,035,563
Property and equipment	8	41,794	41,681
Retirement benefit assets	9	44,117	40,656
Total assets		4,359,700	4,414,200
LIABILITIES			
Customer deposits	10	3,618,973	3,748,169
Other liabilities	11	37,949	45,942
Retirement benefit obligations	9	8,468	9,257
Total liabilities		3,665,390	3,803,368
EQUITY			
Issued capital	12	477,230	477,230
Reserves	12	64,845	50,477
Retained earnings		152,235	83,125
Total equity		694,310	610,832
Total liabilities and equity		4,359,700	4,414,200

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

Approved by the Board of Directors on February 16, 2024, and signed on its behalf by:

Director

Director

FIRSTCARIBBEAN INTERNATIONAL BANK (BAHAMAS) LIMITED

CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED OCTOBER 31
(Expressed in thousands of Bahamian dollars, except as noted)

	Notes	2023 $	2022 $
Interest and similar income		213,642	147,319
Interest and similar expense		14,177	7,060
Net interest income	13	199,465	140,259
Operating income	14	61,067	58,591
		260,532	198,850
Operating expenses	15	132,809	112,674
Credit loss expense on financial assets	6,7	5,394	16,026
		138,203	128,700
Net income for the year		122,329	70,150
Basic and diluted earnings per share (expressed in cents per share)	16	101.8	58.4

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

FIRSTCARIBBEAN INTERNATIONAL BANK (BAHAMAS) LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED OCTOBER 31
(Expressed in thousands of Bahamian dollars)

	Notes	2023 $	2022 $
Net income for the year		**122,329**	**70,150**
Other comprehensive income/(loss) to be reclassified to net income or loss in subsequent periods:			
Net gains/(losses) on debt securities at fair value through OCI	18	933	(1,946)
Net other comprehensive income/(loss) to be reclassified to net income or loss in subsequent periods		933	(1,946)
Other comprehensive income/(loss) not to be reclassified to net income or loss in subsequent periods:			
Re-measurement gains/(losses) on retirement benefit plans	9	3,492	(28,479)
Net other comprehensive income/(loss) not to be reclassified to net income or loss in subsequent periods		3,492	(28,479)
Other comprehensive income/(loss) for the year		4,425	(30,425)
Comprehensive income for the year		126,754	39,725

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

FIRSTCARIBBEAN INTERNATIONAL BANK (BAHAMAS) LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED OCTOBER 31
(Expressed in thousands of Bahamian dollars)

	Notes	Issued capital $	Reserves $	Retained earnings $	Total equity $
Balance at October 31, 2021		**477,230**	**76,246**	**60,907**	**614,383**
Net income for the year		-	-	70,150	70,150
Other comprehensive loss for the year		-	(30,425)	-	(30,425)
Total comprehensive income		-	(30,425)	70,150	39,725
Dividends	17	-	-	(43,276)	(43,276)
Transfer to statutory reserve fund - Turks & Caicos Islands	12	-	4,656	(4,656)	-
Balance at October 31, 2022		**477,230**	**50,477**	**83,125**	**610,832**
Net income for the year		-	-	122,329	122,329
Other comprehensive income for the year		-	4,425	-	4,425
Total comprehensive income		-	4,425	122,329	126,754
Dividends	17	-	-	(43,276)	(43,276)
Transfer to statutory reserve fund - Turks & Caicos Islands	12	-	4,812	(4,812)	-
Transfer to statutory loan loss reserve - The Bahamas	12	-	5,131	(5,131)	-
Balance at October 31, 2023		**477,230**	**64,845**	**152,235**	**694,310**

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

FIRSTCARIBBEAN INTERNATIONAL BANK (BAHAMAS) LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED OCTOBER 31
(Expressed in thousands of Bahamian dollars)

	Notes	2023 $	2022 $
Cash flows from operating activities			
Net income for the year		122,329	70,150
Adjustments to reconcile net income to net cash from operating activities			
Credit loss expense on financial assets	6,7	5,394	16,026
Depreciation of property and equipment	8	7,793	7,790
Net gains on disposals and redemption of securities	14	-	(193)
Interest income earned on securities	13	(45,151)	(20,104)
Interest expense incurred on lease liabilities	11,13	171	271
Net cash flows from operating income before changes in operating assets and liabilities		90,536	73,940
Changes in operating assets and liabilities:			
- net decrease/(increase) in due from banks greater than 90 days	4	15,000	(15,000)
- net increase in mandatory reserves with The Central Bank	3	(1,563)	(6,241)
- net decrease in loans and advances to customers		2,922	76,067
- net increase in other assets		(1,278)	(4,253)
- net (decrease)/increase in customer deposits		(129,196)	466,438
- net increase/(decrease) in other liabilities		4,846	(45,908)
Net cash (used in)/from operating activities		(18,733)	545,043
Cash flows from investing activities			
Purchases of property and equipment	8	(7,075)	(6,686)
Purchases of investment securities	6	(6,912,464)	(8,478,574)
Proceeds from disposals and redemption of securities	6	7,185,931	8,075,093
Interest income received on investment securities		45,442	19,555
Net cash from/(used in) investing activities		311,834	(390,612)
Cash flows from financing activities			
Dividends paid		(54,095)	(25,201)
Payment of principal portion of lease liabilities	11	(2,768)	(2,979)
Net cash used in financing activities		(56,863)	(28,180)
Net increase in cash and cash equivalents		236,238	126,251
Cash and cash equivalents, beginning of year		853,818	727,567
Cash and cash equivalents, end of year	3	1,090,056	853,818

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

Note 1 | Corporate Information

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

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

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

These consolidated financial statements have been authorised for issue by the Board of Directors on February 16, 2024. 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

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

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

Statement of compliance

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

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries as at October 31, 2023 (the "reporting date"). The financial statements of the subsidiaries are prepared for the same reporting year as the Bank, using consistent accounting policies, except for FirstCaribbean International Land Holdings (TCI) Limited, which is not audited.

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 26.

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

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

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

All inter-company transactions, balances and unrealised surpluses and deficits on transactions and balances have been eliminated.

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

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

Other disclosures relating to the Bank's exposure to risks and uncertainties include:
- Capital management – Note 12
- Financial risk management and policies – Note 25
- Sensitivity analysis disclosures – Notes 9 & 25

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

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

Impairment losses on financial assets

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

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

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

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

Retirement benefit obligations

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

In determining the appropriate discount rate, management considers the interest rates of government bonds, in the absence of corporate bonds, in currencies consistent with the currencies of the post-employment benefit obligation of the Turks and Caicos and The Bahamas with at least an 'AA' rating or above and a 'B+' rating or above respectively, as set by an internationally acknowledged rating agency, and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation. The mortality rate is based on publicly available mortality tables. Future salary increases and pension increases are based on expected future inflation rates. Further details about pension obligations are given in Note 9.

Taxes

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

Value Added Tax (VAT)
The Bank is required to pay value added tax (VAT) at a rate of 10% on goods and services as prescribed by the Value Added Tax Act of the Commonwealth of The Bahamas. VAT is an indirect tax which is considered a broadly based consumption tax charged on the value added to goods and services. It applies to almost all goods and services that are imported, bought and sold for use or consumption. Conversely, exported goods and services supplied to customers abroad are exempted or zero-rated. The Company is a VAT registrant.

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

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

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

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities
As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022, with earlier adoption permitted. The Bank will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Bank.

Reference to the Conceptual Framework – Amendments to IFRS 3
In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements. The amendments are not expected to have a material impact on the Bank's consolidated financial statements.

Onerous Contracts – Cost of Fulfilling Contract Amendments to IAS 37
In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are not expected to have a material impact on the Bank's consolidated financial statements.

2.4 Summary of significant accounting policies

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

Foreign currency translation

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

Transactions and balances

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

Interest income and expense

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

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

The Bank calculates interest income by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets. When a financial asset becomes credit impaired (as set out in Note 7) and is, therefore, regarded as 'Stage 3', the Bank calculates interest income by applying the effective interest rate to the net amortised cost of the financial asset. If the financial asset cures (as outlined in Note 7) and is no longer credit-impaired, the Bank reverts to calculating interest income on a gross basis.

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

Fee and commission income

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

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

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

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

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

Investment management fees (reported as part of underwriting fees in Note 14) are primarily based on the respective value of the assets under management (AUM) or assets under administration (AUA) and are recognised over the period that the related services are provided. Investment management fees are generally calculated based on point-in-time AUM and AUA balances. Custodial fees are recognised as revenue over the applicable service period, which is generally the contract term.

Customer loyalty programmes

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

Financial instruments: initial recognition

Date of recognition

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

Initial measurement of financial instruments

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

Day 1 profit or loss

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

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

- Amortised cost
- FVOCI
- FVPL

The Bank classifies and measures its trading portfolio at FVPL as explained in the summary of significant accounting policies. The Bank may designate financial instruments at FVPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies.
Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost.

Financial assets and liabilities

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

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

The details of these conditions are outlined below:

Business model assessment

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

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

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

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

The SPPI (solely payments of principal and interest) test

As a second step of its classification process, the Bank assesses the contractual terms of financial instruments to identify whether they meet the SPPI test.
'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

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

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

Debt instruments at FVOCI

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

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

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in other comprehensive income (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 6. Where the Bank holds more than one investment in the same security, they are deemed to be disposed of on a first–in first–out basis. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

Equity instruments at FVOCI

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

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

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

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

- The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis, or

- The liabilities are part of a group of financial liabilities, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, or

- The liabilities contains one or more embedded derivatives, unless they do not significantly modify the cash flows that would otherwise be required by the contract, or it is clear with little or no analysis when a similar instrument is first considered, that separation of the embedded derivative(s) is prohibited.

Financial assets and financial liabilities at FVPL are recorded in the consolidated statement of financial position at fair value. Changes in fair value are recorded in profit and loss with the exception of movements in fair value of liabilities designated at FVPL due to changes in the Bank's own credit risk. Such changes in fair value are recorded in the Own credit reserve through OCI and do not get recycled to the profit or loss. Interest earned or incurred on instruments designated at FVPL is accrued in interest income or interest expense, respectively, using the EIR, taking into account any discount/premium and qualifying transaction costs being an integral part of instrument. Interest earned on assets mandatorily required to be measured at FVPL is recorded using contractual interest rate. 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. There were no financial assets and financial liabilities measured at FVPL as of October 31, 2023 and 2022.

Financial guarantees, letters of credit and undrawn loan commitments

The Bank issues financial guarantees, letters of credit and loan commitments. The Bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation and an ECL allowance.

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

The nominal contractual value of financial guarantees, letters of credit and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded in the consolidated statement of financial position. The nominal values of these instruments together with the corresponding ECLs are disclosed in Note 7.

Reclassification of financial assets and liabilities

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

Derecognition of financial assets and liabilities

Derecognition due to substantial modification of terms and conditions

The Bank derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 2 for ECL measurement purposes, unless the new loan is deemed to be purchased or originated credit impaired (POCI).

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

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

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

Derecognition other than for substantial modification

Financial assets

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

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

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

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

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

A transfer only qualifies for derecognition if either:

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

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

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

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

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

Impairment of financial assets

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

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL) as outlined in Note 7. The Bank's policies for determining if there has been a significant increase in credit risk are set out in Note 25.
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.

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

The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. This is further explained in Note 25. Based on the above process, the Bank groups its loans into Stage 1, Stage 2, Stage 3 and POCI, as described below:

- Stage 1: When loans are first recognised, the Bank recognises an allowance based on 12mECLs. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.
- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. Stage 2 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 3.
- Stage 3: Loans considered credit-impaired (as outlined in Note 7). The Bank records an allowance for the LTECLs.
- POCI: Purchased or originated credit impaired assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted EIR. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses. ECL allowances for POCI assets are reported in Stage 3.

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

The calculation of ECLs

The Bank calculates ECLs based on probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive. The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- PD - The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio. The concept of PDs is further explained in Note 25.
- EAD - The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
- LGD - The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

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

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

- Stage 1: The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Bank calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR.

- Stage 2: When a financial asset has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. The mechanics are similar to those explained above, but PDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

- Stage 3: For financial assets considered credit-impaired, the Bank recognises the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.

- POCI assets: These are financial assets that are credit impaired on initial recognition. The Bank only recognises the cumulative changes in lifetime ECLs since initial recognition, based on probability-weighting scenarios, discounted by the credit adjusted EIR.

- Loan commitments and letters of credit: When estimating 12mECL for undrawn loan commitments, the Bank applies the PD and LGD to the undrawn amount, and this amount is discounted at an approximation to the expected EIR on the loan. For credit cards and revolving facilities that include both a loan and an undrawn commitment, ECLs are calculated and presented together with the loan. For loan commitments and letters of credit, the ECL is recognised within Provisions.

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

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

Debt instruments measured at fair value through OCI

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

Purchased or originated credit impaired financial assets (POCI)

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

Credit cards and other revolving facilities

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

The ongoing assessment of whether a significant increase in credit risk has occurred for revolving facilities is similar to other lending products. This is based on shifts in the customer's internal credit grade or history of delinquency, as explained in Note 25, but greater emphasis is also given to qualitative factors such as changes in usage. The calculation of ECLs, including the estimation of the expected period of exposure and discount rate is made, as explained in Note 25, on a collective basis for corporate and retail products. The collective assessments are made separately for portfolios of facilities with similar credit risk characteristics.

Forward looking information
In its ECL models, the Bank relies on a broad range of forward looking information as economic inputs, such as but not limited to:
- GDP growth or nominal GDP
- Unemployment rate
- Consumer price index and inflation
- Interest rates

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

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

Collateral valuation
To mitigate its credit risks on financial assets, the Bank seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. Collateral, unless repossessed, is not recorded on the Bank's consolidated statement of financial position. However, the fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and re-assessed on a quarterly basis. Details of the impact of the Bank's various credit enhancements are disclosed in Note 7.

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

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

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

Write-offs
Financial assets are written off either partially or in their entirety only when the Bank has judged that there is no realistic prospect of future recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

Forborne and modified loans
The Bank sometimes makes concessions or modifications to the original terms of loans as a response to the borrower's financial difficulties, rather than taking possession or to otherwise enforce collection of collateral. The Bank considers a loan forborne when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties and the Bank would not have agreed to them if the borrower had been financially healthy. Indicators of financial difficulties include defaults on covenants, or significant concerns raised by the Credit Risk Department. Forbearance may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms.

It is the Bank's policy to monitor forborne loans to help ensure that future payments continue to be likely to occur. Derecognition decisions and classification between Stage 2 and Stage 3 are determined on a case-by-case basis. If these procedures identify a loss in relation to a loan, it is disclosed and managed as an impaired Stage 3 forborne asset until it is collected or written off.

When the loan has been renegotiated or modified but not derecognised, the Bank also reassesses whether there has been a significant increase in credit risk, as set out in Note 25. The Bank also considers whether the assets should be classified as Stage 3. Once an asset has been classified as forborne, it will remain forborne for a minimum probation period according to the regulatory rules in The Bahamas and the TCI.

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

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

Details of forborne assets are disclosed in Note 25. If modifications are substantial, the loan is derecognised.

For the regulatory provisioning requirements, refer to Note 12.

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

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

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

The annual rates used are:

- Buildings	2½%
- Leasehold improvements	10% or over the life of the lease
- Equipment, furniture and vehicles	20 – 67%

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

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

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

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

Leases

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

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

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

The right-of-use assets are presented within Note 8 *Property and equipment* and are subject to similar impairment in line with the Bank's impairment policy for non-financial assets.

Lease liabilities

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

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

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

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

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

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

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

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

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

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

Cash and cash equivalents

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

Provisions

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

Retirement benefit obligations

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

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

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

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

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

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

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

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

Other post-retirement obligations
The Bank provides post-retirement healthcare benefits to its retirees. The entitlement to these benefits is usually based on the employee remaining in service up to retirement age and the completion of a minimum service period.

The expected costs of these benefits are accrued over the period of employment, using a methodology similar to that for defined benefit pension plans. These obligations are valued periodically by independent qualified actuaries.

Share capital

Share issue costs

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

Dividends on common shares

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

Earnings per share

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

Fiduciary activities

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

Segment reporting

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

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

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

Fair value measurement

The Bank measures financial instruments, such as derivatives and FVOCI debt securities, at fair value at each consolidated statement of financial position date. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 25. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

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

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

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

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

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

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

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

Comparatives

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

2.5 Standards issued but not yet effective

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

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

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

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

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. The amendments are not expected to have a material impact on the Bank's consolidated financial statements.

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

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 *Making Materiality Judgements* (the PS), in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by (i) replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and (ii) adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023. The amendments are not expected to have a significant impact on the Bank's consolidated financial statements.

Definition of Accounting Estimates – Amendments to IAS 8

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

The amendments are effective for annual reporting periods beginning on or after January 1, 2023. The amendments are not expected to have a significant impact on the Group's consolidated financial statements.

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

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

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

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

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

The amendments are effective for annual reporting periods beginning on or after January 1, 2024. The Bank is currently assessing the impact of these amendments and plans to adopt the new amendment on the required effective date.

Lack of exchangeability – Amendments to IAS 21

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

(Expressed in thousands of Bahamian dollars)

Note 3 Cash and Balances with The Central Bank

	2023 $	2022 $
Cash	50,921	37,315
Deposits with The Central Bank - non-interest bearing	531,771	491,722
Cash and balances with The Central Bank	582,692	529,037
Less: Mandatory reserve deposits with The Central Bank	(69,659)	(68,096)
Included in cash and cash equivalents, as per below	513,033	460,941

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

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

Cash and cash equivalents

	2023 $	2022 $
Cash and balances with The Central Bank, as per above	513,033	460,941
Due from banks, included in cash and cash equivalents *(Note 4)*	577,023	392,877
	1,090,056	853,818

Note 4 Due from Banks

	2023 $	2022 $
Included in cash and cash equivalents *(Note 3)*	577,023	392,877
Greater than 90 days maturity from date of acquisition	25,100	40,100
Due from banks	602,123	432,977

Due from banks comprises deposit placements and include amounts placed with other FirstCaribbean International Bank entities of $431,303 (2022: $210,870) and deposit placements with CIBC entities of $28,907 (2022: $23,692) (Note 20). Placements with other FirstCaribbean International Bank entities include amounts with FirstCaribbean International Bank (Jamaica) Limited totalling $25,100 (2022: $25,100), which are pledged in favour of that bank in support of loans granted to certain of its customers.

The average effective yield on deposit placements during the year was 4.93% (2022: 0.90%).

(Expressed in thousands of Bahamian dollars)

Note 5 Other Assets

	2023 $	2022 $
Clearings and suspense	3,099	5,599
Other accounts receivables *(Note 20)*	11,287	8,608
Prepayments and deferred items	2,339	2,253
	16,725	16,460

Included in other accounts receivables are balances due from the Bank's retirement benefit pension plan amounting to $7,763 (2022: $5,530), which represents amounts paid to pensioners on the plan's behalf.

Note 6 Securities

	Stage 1 $	Stage 2 $	Stage 3 $	2023 Total $
Securities measured at FVOCI:				
Government securities				
- Regional	-	248,670	-	248,670
- Non Regional	586,202	-	-	586,202
Total Government securities	586,202	248,670	-	834,872
Corporate debt securities	141,914	-	-	141,914
Total debt securities	728,116	248,670	-	976,786
Equity securities - unquoted	219	-	-	219
Total securities measured at FVOCI	728,335	248,670	-	977,005
Debt securities at amortised cost:				
Government securities at amortised cost	51,500	-	15,063	66,563
Expected credit loss allowances	(57)	-	(591)	(648)
Total securities at amortised cost	51,443	-	14,472	65,915
Total securities at FVOCI & amortised cost	779,778	248,670	14,472	1,042,920
Add: Interest receivable				2,942
Total				1,045,862

(Expressed in thousands of Bahamian dollars)

	Stage 1 $	Stage 2 $	Stage 3 $	2022 Total $
Securities measured at FVOCI:				
Government securities				
- Regional	-	231,712	-	231,712
- Non Regional	808,769	-	-	808,769
Total Government securities	808,769	231,712	-	1,040,481
Corporate debt securities	205,939	-	-	205,939
Total debt securities	1,014,708	231,712	-	1,246,420
Equity securities - unquoted	219	-	-	219
Total securities measured at FVOCI	1,014,927	231,712	-	1,246,639
Debt securities at amortised cost:				
Government securities at amortised cost	51,346	-	17,677	69,023
Expected credit loss allowances	(102)	-	(967)	(1,069)
Total securities at amortised cost	51,244	-	16,710	67,954
Total securities at FVOCI & amortised cost	1,066,171	231,712	16,710	1,314,593
Add: Interest receivable				3,233
Total				1,317,826

(Expressed in thousands of Bahamian dollars)

Allowance for credit losses on securities

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

				2023
	Stage 1	**Stage 2**	**Stage 3**	
	Collective provision 12 month ECL performing	**Collective provision lifetime ECL performing**	**Collective and individual provision lifetime ECL credit-impaired**	**Total**
	$	**$**	**$**	**$**
Debt securities at FVOCI				
Balance, beginning of year	602	13,105	-	13,707
Originations net of repayments and other derecognitions	244	51	-	295
Net remeasurement	(602)	(133)	-	(735)
Credit loss release	(358)	(82)	-	(440)
Balance, end of year	244	13,023	-	13,267
Debt securities at amortised cost				
Balance, beginning of year	102	-	967	1,069
Net remeasurement	(45)	-	(376)	(421)
Credit loss release	(45)	-	(376)	(421)
Balance, end of year	57	-	591	648

(Expressed in thousands of Bahamian dollars)

				2022
	Stage 1	Stage 2	Stage 3	
	Collective provision 12 month ECL performing	Collective provision lifetime ECL performing	Collective and individual provision lifetime ECL credit-impaired	Total
	$	$	$	$
Debt securities at FVOCI				
Balance, beginning of year	595	9,884	-	10,479
Originations net of repayments and other derecognitions	62	(303)	-	(241)
Net remeasurement	(55)	3,524	-	3,469
Credit loss expense	7	3,221	-	3,228
Balance, end of year	602	13,105	-	13,707
Debt securities at amortised cost				
Balance, beginning of year	-	-	536	536
Originations net of repayments and other derecognitions	99	-	-	99
Net remeasurement	3	-	(459)	(456)
Credit loss expense/(release)	102	-	(459)	(357)
Other	-	-	890	890
Balance, end of year	102	-	967	1,069

The average effective yield during the year on debt securities was 4.13% (2022: 1.90%). The Bank has a regulatory reserve requirement to maintain a percentage of deposit liabilities in cash or in the form of certain government securities. At October 31, 2023, the reserve requirement amounted to $295,233 (2022: $286,407) of which $225,575 (2022: $218,311) is in the form of government securities and $69,659 (2022: $68,096) is included within cash and balances with The Central Bank (Note 3).

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

	2023	2022
	$	$
Balance, beginning of year	1,312,583	915,736
Additions (purchases and changes in fair value)	6,916,268	8,471,940
Disposals (sales and redemptions)	(7,185,931)	(8,075,093)
Balance, end of year	1,042,920	1,312,583

(Expressed in thousands of Bahamian dollars)

Note 7 | Loans and Advances to Customers

	Stage 1 $	Stage 2 $	Stage 3 $	2023 Total $
Residential Mortgages				
Gross loans	769,361	94,116	98,512	961,989
Expected credit loss allowances	(17,635)	(7,189)	(60,496)	(85,320)
Net residential mortgages	751,726	86,927	38,016	876,669
Personal loans				
Gross loans	209,425	8,530	8,856	226,811
Expected credit loss allowances	(5,113)	(654)	(5,819)	(11,586)
Net personal loans	204,312	7,876	3,037	215,225
Business & Government loans				
Gross loans	774,558	172,208	5,581	952,347
Expected credit loss allowances	(9,302)	(5,085)	(3,358)	(17,745)
Net business & government loans	765,256	167,123	2,223	934,602
Total net loans	1,721,294	261,926	43,276	2,026,496
Add: Interest receivable				11,779
Less: Unearned fee income				(11,888)
				2,026,387

	Stage 1 $	Stage 2 $	Stage 3 $	2022 Total $
Residential Mortgages				
Gross loans	773,848	96,222	108,839	978,909
Expected credit loss allowances	(13,626)	(5,657)	(65,485)	(84,768)
Net residential mortgages	760,222	90,565	43,354	894,141
Personal loans				
Gross loans	178,892	12,286	14,633	205,811
Expected credit loss allowances	(5,531)	(1,237)	(11,103)	(17,871)
Net personal loans	173,361	11,049	3,530	187,940
Business & Government loans				
Gross loans	739,659	234,156	8,695	982,510
Expected credit loss allowances	(15,365)	(8,499)	(4,143)	(28,007)
Net business & government loans	724,294	225,657	4,552	954,503
Total net loans	1,657,877	327,271	51,436	2,036,584
Add: Interest receivable				10,896
Less: Unearned fee income				(11,917)
				2,035,563

(Expressed in thousands of Bahamian dollars)

	2023			
	Stage 1 Collective provision 12-month ECL performing	Stage 2 Collective provision lifetime ECL performing	Stage 3 Collective and individual provision lifetime ECL credit-impaired	Total
	$	$	$	$
Residential Mortgages				
Balance, beginning of year	13,626	5,657	65,485	84,768
Originations net of repayments and other derecognitions	1,381	12	(563)	830
Changes in model	1	(36)	(165)	(200)
Net remeasurement	1,407	1,901	8,373	11,681
Transfers				
- to 12-month ECL	2,203	(1,734)	(469)	-
- to lifetime ECL non-credit-impaired	(966)	2,648	(1,682)	-
- to lifetime ECL credit-impaired	(17)	(1,259)	1,276	-
Credit loss expense	4,009	1,532	6,770	12,311
Net write-offs	-	-	(8,953)	(8,953)
Interest income on impaired loans	-	-	(2,806)	(2,806)
Balance, end of year	17,635	7,189	60,496	85,320
Personal loans				
Balance, beginning of year	5,531	1,237	11,103	17,871
Originations net of repayments and other derecognitions	1,316	2	(765)	553
Changes in model	(136)	(10)	(117)	(263)
Net remeasurement	(1,851)	(260)	2,553	442
Transfers				
- to 12-month ECL	429	(382)	(47)	-
- to lifetime ECL non-credit-impaired	(167)	194	(27)	-
- to lifetime ECL credit-impaired	(9)	(127)	136	-
Credit loss (release)/expense	(418)	(583)	1,733	732
Net write-offs	-	-	(6,729)	(6,729)
Interest income on impaired loans	-	-	(288)	(288)
Balance, end of year	5,113	654	5,819	11,586

(Expressed in thousands of Bahamian dollars)

	Stage 1 Collective provision 12-month ECL performing $	Stage 2 Collective provision lifetime ECL performing $	Stage 3 Collective and individual provision lifetime ECL credit-impaired $	2023 Total $
Business & government loans				
Balance, beginning of year	15,365	8,499	4,143	28,007
Originations net of repayments and other derecognitions	1,309	197	(15)	1,491
Changes in model	(444)	(57)	(22)	(523)
Net remeasurement	(7,217)	(3,233)	2,694	(7,756)
Transfers				
- to 12-month ECL	795	(788)	(7)	-
- to lifetime ECL non-credit-impaired	(503)	504	(1)	-
- to lifetime ECL credit-impaired	(3)	(37)	40	-
Credit loss (release)/expense	(6,063)	(3,414)	2,689	(6,788)
Net write-offs	-	-	(3,205)	(3,205)
Interest income on impaired loans	-	-	(269)	(269)
Balance, end of year	9,302	5,085	3,358	17,745
Total Bank				
Balance, beginning of year	34,522	15,393	80,731	130,646
Originations net of repayments and other derecognitions	4,006	211	(1,343)	2,874
Changes in model	(579)	(103)	(304)	(986)
Net remeasurement	(7,661)	(1,592)	13,620	4,367
Transfers				
- to 12-month ECL	3,427	(2,904)	(523)	-
- to lifetime ECL non-credit-impaired	(1,636)	3,346	(1,710)	-
- to lifetime ECL credit-impaired	(29)	(1,423)	1,452	-
Credit loss (release)/expense	(2,472)	(2,465)	11,192	6,255
Net write-offs	-	-	(18,887)	(18,887)
Interest income on impaired loans	-	-	(3,363)	(3,363)
Balance, end of year	32,050	12,928	69,673	114,651
Total ECL allowance comprises:				
- Loans	30,903	12,812	69,673	113,388
- Undrawn credit facilities	1,147	116	-	1,263

(Expressed in thousands of Bahamian dollars)

	Stage 1	Stage 2	Stage 3	2022
	Collective provision 12-month ECL performing $	Collective provision lifetime ECL performing $	Collective and individual provision lifetime ECL credit-impaired $	Total $
Residential Mortgages				
Balance, beginning of year	16,047	13,590	63,870	93,507
Originations net of repayments and other derecognitions	1,127	(287)	(751)	89
Changes in model	(1,062)	(495)	-	(1,557)
Net remeasurement	(8,012)	423	17,015	9,426
Transfers				
- to 12-month ECL	6,847	(6,576)	(271)	-
- to lifetime ECL non-credit-impaired	(1,300)	1,894	(594)	-
- to lifetime ECL credit-impaired	(21)	(2,892)	2,913	-
Credit loss (release)/expense	(2,421)	(7,933)	18,312	7,958
Net write-offs	-	-	(14,218)	(14,218)
Interest income on impaired loans	-	-	(2,479)	(2,479)
Balance, end of year	13,626	5,657	65,485	84,768
Personal loans				
Balance, beginning of year	3,817	1,232	13,925	18,974
Originations net of repayments and other derecognitions	688	(44)	(566)	78
Changes in model	2,083	353	-	2,436
Net remeasurement	(1,296)	(61)	3,739	2,382
Transfers				
- to 12-month ECL	517	(376)	(141)	-
- to lifetime ECL non-credit-impaired	(265)	266	(1)	-
- to lifetime ECL credit-impaired	(13)	(133)	146	-
Credit loss expense	1,714	5	3,177	4,896
Net write-offs	-	-	(5,639)	(5,639)
Interest income on impaired loans	-	-	(360)	(360)
Balance, end of year	5,531	1,237	11,103	17,871

(Expressed in thousands of Bahamian dollars)

	Stage 1 Collective provision 12-month ECL performing $	Stage 2 Collective provision lifetime ECL performing $	Stage 3 Collective and individual provision lifetime ECL credit-impaired $	2022 Total $
Business & government loans				
Balance, beginning of year	18,376	8,631	4,846	31,853
Originations net of repayments and other derecognitions	5,433	(863)	(189)	4,381
Changes in model	(3,422)	(812)	-	(4,234)
Net remeasurement	(4,478)	987	3,645	154
Transfers				
- to 12-month ECL	663	(607)	(56)	-
- to lifetime ECL non-credit-impaired	(1,192)	1,197	(5)	-
- to lifetime ECL credit-impaired	(10)	(34)	44	-
Credit loss (release)/expense	(3,006)	(132)	3,439	301
Net write-offs	-	-	(3,740)	(3,740)
Interest income on impaired loans	-	-	(402)	(402)
Other	(5)	-	-	(5)
Balance, end of year	15,365	8,499	4,143	28,007
Total Bank				
Balance, beginning of year	38,240	23,453	82,641	144,334
Originations net of repayments and other derecognitions	7,248	(1,194)	(1,506)	4,548
Changes in model	(2,401)	(954)	-	(3,355)
Net remeasurement	(13,786)	1,349	24,399	11,962
Transfers				
- to 12-month ECL	8,027	(7,559)	(468)	-
- to lifetime ECL non-credit-impaired	(2,757)	3,357	(600)	-
- to lifetime ECL credit-impaired	(44)	(3,059)	3,103	-
Credit loss (release)/expense	(3,713)	(8,060)	24,928	13,155
Net write-offs	-	-	(23,597)	(23,597)
Interest income on impaired loans	-	-	(3,241)	(3,241)
Other	(5)	-	-	(5)
Balance, end of year	34,522	15,393	80,731	130,646
Total ECL allowance comprises:				
- Loans	33,033	15,173	80,731	128,937
- Undrawn credit facilities	1,489	220	-	1,709

(Expressed in thousands of Bahamian dollars)

Impaired Loans

	Gross impaired	Stage 3 allowance	2023 Net impaired	Gross impaired	Stage 3 allowance	2022 Net impaired
	$	$	$	$	$	$
Residential mortgages	98,512	60,496	38,016	108,839	65,485	43,354
Personal loans	8,856	5,819	3,037	14,633	11,103	3,530
Business & government loans	5,581	3,358	2,223	8,695	4,143	4,552
Total impaired loans	112,949	69,673	43,276	132,167	80,731	51,436

The average interest yield during the year on loans and advances was 6.88% (2022: 5.84%). Gross impaired loans as at October 31, 2023 amounted to $112,949 (2022: $132,167) and interest taken to income on those loans during the year amounted to $3,363 (2022: $3,241).

Contractually past due but not impaired loans

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

	Residential Mortgages	Personal Loans	Business & Government Loans	2023 Total
	$	$	$	$
Less than 30 days	26,937	4,284	3,674	34,895
31 - 60 days	37,880	1,702	436	40,018
61 - 89 days	26,554	1,689	190	28,433
	91,371	7,675	4,300	103,346

	Residential Mortgages	Personal Loans	Business & Government Loans	2022 Total
	$	$	$	$
Less than 30 days	29,968	6,079	28,169	64,216
31 - 60 days	36,710	2,194	274	39,178
61 - 89 days	27,583	1,015	2,621	31,219
	94,261	9,288	31,064	134,613

(Expressed in thousands of Bahamian dollars)

Note 8 Property and Equipment

	Land and Buildings $	Equipment, Furniture and Vehicles $	Leasehold Improvements $	Right-of-Use Assets (Buildings) $	2023 Total $
Cost					
Balance, beginning of year	27,521	71,570	19,554	14,555	133,200
Purchases	-	3,969	2,812	294	7,075
Disposals	-	-	-	(800)	(800)
Modifications, net transfers/write-offs	1	1,470	(1,705)	831	597
Balance, end of year	27,522	77,009	20,661	14,880	140,072
Accumulated depreciation					
Balance, beginning of year	11,579	55,432	16,103	8,405	91,519
Depreciation *(Note 15)*	584	4,285	395	2,529	7,793
Disposals	-	-	-	(800)	(800)
Modifications, net transfers/write-offs	-	(206)	(28)	-	(234)
Balance, end of year	12,163	59,511	16,470	10,134	98,278
Net book value, end of year	15,359	17,498	4,191	4,746	41,794

	Land and Buildings $	Equipment, Furniture and Vehicles $	Leasehold Improvements $	Right-of-Use Assets (Buildings) $	2022 Total $
Cost					
Balance, beginning of year	27,142	66,133	18,920	12,094	124,289
Purchases	247	4,091	2,217	131	6,686
Disposals	-	-	-	(41)	(41)
Modifications/net transfers	132	1,346	(1,583)	2,371	2,266
Balance, end of year	27,521	71,570	19,554	14,555	133,200
Accumulated depreciation					
Balance, beginning of year	10,984	51,411	15,676	5,725	83,796
Depreciation *(Note 15)*	595	4,047	427	2,721	7,790
Disposals	-	-	-	(41)	(41)
Modifications	-	(26)	-	-	(26)
Balance, end of year	11,579	55,432	16,103	8,405	91,519
Net book value, end of year	15,942	16,138	3,451	6,150	41,681

Modifications may represent changes to the lease where a new lease is provided with an updated payment amount, an updated payment schedule, lease extensions or lease renewals.

This note also provides information for operating leases where the Bank is a lessee. There are no operating leases where the Bank is a lessor. Included as part of leasehold improvements is an amount for $2,138 (2022: $2,479) relating to systems development costs and work in progress which is incomplete, not yet in operation and on which no depreciation has been charged.

Note 9 Retirement Benefit Assets and Obligations

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

Plan characteristics, funding and risks

The benefits that members receive at retirement under the defined contribution plan depend on their account balances at retirement and the cost of purchasing an annuity. The total expense relating to the contributory plan charged for the year was $20 (2022: $334), which represents contributions to the defined contribution plan by the Bank at rates specified in the rules of the plan. Refer to Note 15.

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

Benefit changes

There were no material changes to the terms of the Bank's defined benefit pension or post-retirement medical benefit plans in 2023 or 2022.

Risks

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

Plan governance

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

(Expressed in thousands of Bahamian dollars)

Amounts recognised on the consolidated statement of financial position

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

	Defined Benefit Pension Plans		Post-Retirement Medical Benefits	
	2023 $	2022 $	2023 $	2022 $
Fair value of the plan assets	143,257	138,463	-	-
Present value of the obligations	(99,600)	(99,133)	(8,008)	(7,931)
Net retirement benefit asset/(obligations)	43,657	39,330	(8,008)	(7,931)

The Retirement Benefit Assets reported on the statement of financial position comprises of the Bahamas Defined Benefit Pension Plan's net asset of $44,117 (2022: $40,656).

The Retirement Benefit Obligations reported on the statement of financial position comprises of the Turks and Caicos Islands (TCI) Defined Benefit Pension Plan's net obligation of $460 (2022: $1,326) and the Post-Retirement Medical Benefits obligation of $8,008 (2022: $7,931).

The pension plan assets include 100,000 (2022: 100,000) ordinary shares in the Bank, with a fair value of $1,450 (2022: $1,600).

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

	2023 $	2022 $
Opening fair value of plan assets	138,463	169,140
Contributions by employer	2	(76)
Benefits paid	(6,148)	(5,294)
Actuarial gains/(losses)	11,101	(25,138)
Plan administration costs	(161)	(169)
Closing fair value of plan assets	143,257	138,463

(Expressed in thousands of Bahamian dollars)

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

	2023 $	2022 $
Opening obligations	(99,133)	(102,813)
Interest costs	(6,105)	(5,912)
Current service costs	(1,677)	(1,918)
Benefits paid	6,148	5,294
Actuarial gains on obligations	1,167	6,216
Closing obligations	(99,600)	(99,133)

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

	2023 $	2022 $
Opening obligations	(7,931)	(8,764)
Interest costs	(483)	(497)
Benefits paid	503	496
Actuarial (losses)/gains on obligations	(97)	834
Closing obligations	(8,008)	(7,931)

The last actuarial valuation was conducted as at November 1, 2022 and revealed a fund surplus of $28,900. The Bank expects to contribute $nil (2022: $nil) to its defined benefit pension plans in the following year as the plans are on a contribution holiday. During the last triennial valuation the Plan Actuary of the Bank recommended a defined benefit contribution holiday for three years. The contribution holiday is expected to last for six years if the existing surplus is to be fully amortised, and this will be re-evaluated in the plans' next triennial valuation.

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

	Defined Benefit Pension Plans		Post-Retirement Medical Benefits	
	2023 $	2022 $	2023 $	2022 $
Current service costs	1,677	1,918	-	-
Interest costs	6,105	5,912	483	497
Interest income on plan assets	(8,679)	(10,391)	-	-
Plan administration costs	161	169	-	-
Total amount included in staff costs *(Note 15)*	(736)	(2,392)	483	497
Actual return on plan assets	(11,101)	25,138	-	-

(Expressed in thousands of Bahamian dollars)

The net re-measurement gains recognised in the consolidated statement of comprehensive income are as follows:

	Defined Benefit Pension Plans		Post-Retirement Medical Benefits	
	2023 $	2022 $	2023 $	2022 $
Actuarial (gains)/losses on defined benefit obligation arising from:				
- Financial assumptions	(2,596)	(8,177)	(132)	(458)
- Experience adjustments	1,429	1,961	229	(376)
Return on plan assets excluding interest income	(2,422)	35,529	-	-
Net re-measurement (gains)/losses recognised in OCI	(3,589)	29,313	97	(834)

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

	Defined Benefit Pension Plans		Post-Retirement Medical Benefits	
	2023 $	2022 $	2023 $	2022 $
Balance, beginning of year	39,330	66,327	(7,931)	(8,764)
Charge for the year *(Note 15)*	736	2,392	(483)	(497)
Contributions by employer	2	(76)	503	496
Effect on statement of other comprehensive income	3,589	(29,313)	(97)	834
Balance, end of year	43,657	39,330	(8,008)	(7,931)

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

	Defined Benefit Pension Plans		Post-Retirement Medical Benefits	
	2023 $	2022 $	2023 $	2022 $
Active members	44,002	45,493	-	-
Inactive and retired members	55,014	53,641	7,963	7,931
	99,016	99,134	7,963	7,931

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

	Defined Benefit Pension Plans		Post-Retirement Medical Benefits	
	2023	**2022**	**2023**	**2022**
Average duration, in years	15	16	12	12

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

	2023		2022	
	$	**%**	**$**	**%**
Quoted equity instruments				
- International	1,283	1	1,579	1
Quoted debt				
- Government bonds	749	1	858	1
Investment Funds				
- U.S. Equity	69,074	48	62,903	45
- International Equity	29,165	20	26,253	19
- Fixed Income	41,881	29	45,357	33
Other assets	1,105	1	1,513	1
	143,257	100%	138,463	100%

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

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

	Defined Benefit Pension Plans	
	2023	**2022**
Discount rate (TCI, Bahamas)	6.0%, 6.6%	5.2%, 6.5%
Expected return on plan assets (TCI, Bahamas)	6.0%, 6.6%	5.2%, 6.5%
Future salary increases	4.0%	4.0%
Future pension increases	2.5%	2.5%

(Expressed in thousands of Bahamian dollars)

	Post-Retirement Medical Benefit	
	2023	**2022**
Discount rate (TCI, Bahamas)	6.0%, 6.6%	5.2%, 6.5%
Premium escalation rate	6.0%	6.0%
Existing retiree age	55 - 65	55 - 65

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

Assumption	Sensitivity level	Impact on net defined benefit pension plans		Impact on Post-retirement medical benefits	
		Increase	Decrease	Increase	Decrease
		$	$	$	$
Discount rate	1.0%	86,408	114,658	7,216	8,851
Future salary increases	0.5%	100,760	97,362	n/a	n/a
Future pension increases	0.5%	103,069	95,308	n/a	n/a
Premium escalation rate	1.0%	n/a	n/a	8,823	7,225
Existing retiree age	1 year	101,632	n/a	8,325	n/a

- n/a – not applicable

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

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

	2023 $	2022 $
Within the next 12 months	3,594	3,454
Between 1 and 5 years	17,209	16,273
Between 5 and 10 years	31,496	29,193
Total expected payments	52,299	48,920

(Expressed in thousands of Bahamian dollars)

Note 10 Customer Deposits

	Payable on Demand $	Payable after Notice $	Payable at a Fixed Date $	2023 Total $	2022 Total $
Individuals	389,734	505,445	312,463	1,207,642	1,189,936
Business and governments	1,883,138	13,503	372,222	2,268,863	2,356,843
Banks	11,381	-	126,620	138,001	197,878
	2,284,253	518,948	811,305	3,614,506	3,744,657
Add: Interest payable	190	44	4,233	4,467	3,512
	2,284,443	518,992	815,538	3,618,973	3,748,169

These customer deposits are measured at amortised cost. Included in deposits from banks and interest payable are deposits from other Parent Group entities of $138,080 (2022: $197,990) (Note 20).

The average effective rate of interest on deposits during the year was 0.38% (2022: 0.19%).

Note 11 Other Liabilities

	2023 $	2022 $
Accounts payable and accruals, including clearings	26,616	22,029
Lease liabilities	5,012	6,487
Amounts due to related parties *(Note 20)*	6,321	17,426
	37,949	45,942

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

(Expressed in thousands of Bahamian dollars)

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

	2023 $	2022 $
Balance, beginning of year	6,487	6,701
Additions	294	131
Modifications	828	2,363
Accretion of interest	171	271
Payments	(2,768)	(2,979)
Balance, end of year	5,012	6,487

The maturity analysis of lease liabilities is disclosed in Note 25 and the future rental commitments (undiscounted) under these leases in Note 22.

Total expenditure related to leases which are not recognised on the statement of financial position due to the recognition exemption per the IFRS 16 practical expedients are outlined below:

	2023 $	2022 $
Expenses relating to short-term leases included in administrative expenses	94	3
Expenses relating to leases of low-value assets not shown above as short-term	448	532
Expenses relating to variable lease payments not included in lease liability payments	15	16
	557	551

The Bank had total cash outflows for leases of $2.8 million as at October 31, 2023 (2022: $3.0 million). The Bank also had non-cash additions to right-of-use assets and lease liabilities of $0.3 million (2022: $0.1 million).

(Expressed in thousands of Bahamian dollars)

Note 12 Issued Capital and Reserves

	2023 $	2022 $
Issued capital, beginning and end of year	477,230	477,230
Reserves		
Statutory reserve fund – Turks and Caicos Islands	72,637	67,825
Statutory loan loss reserve – The Bahamas	5,131	-
Revaluation reserve – debt securities measured at FVOCI	10,047	9,114
Retirement benefit reserve	40,596	37,104
Reverse acquisition reserve	(63,566)	(63,566)
Total reserves	64,845	50,477
Total issued capital and reserves	542,075	527,707

The Bank's authorised capital is $20 million, comprising 150 million ordinary shares with a par value of $0.10 each and 50 million preference shares also having a par value of $0.10 each. All issued ordinary shares are fully paid. No preference shares were issued in 2023 and 2022. At October 31, 2023 and 2022, the issued share capital was as follows:

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

Capital

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

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

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

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

(Expressed in thousands of Bahamian dollars)

BIS standards require that banks maintain minimum Tier 1 and Total Capital ratios of 6% and 8%, respectively. The Central Bank has established that Domestic Systemically Important Banks (DSIBs) maintain the following:

- Minimum Common Equity Tier 1 (CET1) ratio of 8%;
- Additional CET1 Capital Buffer of 5%;
- Systemic Risk Buffer (CET1 Capital) of 4%; and
- Total Capital Requirement ratio of 17%

During the year, the Bank has complied in full with all of its regulatory capital requirements.

Regulatory capital

Regulatory capital consists of total CET1 Capital net of regulatory adjustments. CET1 Capital is comprised of common stock, share premium, accumulated other comprehensive income, general or statutory reserves, and retained earnings, less goodwill and other intangibles, defined benefit pension fund assets (and liabilities), and significant investments in the equity of financial subsidiaries, among other deductions.

In 2023, Tier 1 and Total Capital ratios were 29% and 29%, respectively (2022: 26% and 26%, respectively).

The movements in reserves were as follows:

Statutory reserve fund – Turks and Caicos Islands

	2023 $	2022 $
Balance, beginning of year	67,825	63,169
Transfers from retained earnings	4,812	4,656
Balance, end of year	72,637	67,825

In accordance with the TCI Banking (Amendment) Ordinance 2002 and the regulations of the Turks and Caicos Islands Financial Services Commission, the Bank is required to maintain a statutory reserve fund of not less than the amount of its assigned capital of $24 million. Where the required reserve is less than the assigned capital, the Bank is required to annually transfer 25% of the net profits earned from its TCI operations to this fund. Although the statutory reserve exceeds the assigned capital, it has been the Bank's practice to make this transfer based on net profits of the preceding fiscal year with the remaining net profits being retained by the Bank. During the year, the Bank transferred $4,812 (2022: $4,656) from retained earnings to the statutory reserve fund.

Statutory loan loss reserve – The Bahamas

	2023 $	2022 $
Balance, beginning of year	-	-
Transfers from retained earnings	5,131	-
Balance, end of year	5,131	-

Effective December 2022, Banking Regulations of The Central Bank of The Bahamas require Supervised Financial Institutions (SFIs) with non-performing loans in excess of five years to have a provision for these loans at 100%. To the extent that the provision under the Bank’s accounting policy is less than 100%, a statutory loan loss reserve is established and the required additional amount is to be appropriated from retained earnings, in accordance with IFRS. For the year ended October 31, 2023, a reserve of $5,131 was required.

(Expressed in thousands of Bahamian dollars)

Statutory loan loss reserve – Turks and Caicos Islands

The Financial Services Commission issued a revised Guideline on Credit Risk Assessment, Classification and Provisioning, effective January 1, 2023. Banks are required to calculate specific provisions, for exposures designated as stage 2 and 3, under both the regulatory and accounting standards, and book the higher of the two calculations as specific provisions.

For the year ended October 31, 2023, no statutory loan loss reserve was required.

Revaluation reserve – debt securities measured at FVOCI

	2023 $	2022 $
Balance, beginning of year	9,114	11,060
Net gains/(losses) on debt securities measured at FVOCI (Note 18)	933	(1,946)
Balance, end of year	10,047	9,114

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

Retirement benefit reserve

	2023 $	2022 $
Balance, beginning of year	37,104	65,583
Re-measurement gains/(losses) on retirement benefit plans *(Note 9)*	3,492	(28,479)
Balance, end of year	40,596	37,104

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

Reverse acquisition reserve

	2023 $	2022 $
Balance, beginning and end of year	(63,566)	(63,566)

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

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

(Expressed in thousands of Bahamian dollars)

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

Note 13 Net Interest Income

	2023 $	2022 $
Interest and similar income		
Cash and due from banks	24,442	3,931
Securities	45,151	20,104
Loans and advances to customers	144,049	123,284
	213,642	147,319
Interest and similar expense		
Banks and customers	14,006	6,789
Lease liabilities	171	271
	14,177	7,060
Net interest income	199,465	140,259

(Expressed in thousands of Bahamian dollars)

Note 14 Operating Income

	2023 $	2022 $
Fee and commission income	43,016	41,582
Foreign exchange commissions	17,250	15,642
Net foreign exchange revaluation losses	(15)	(37)
Net gains on disposal and redemption of securities *(Note 18)*	-	193
Net trading gains	38	38
Other operating income	778	1,173
	61,067	58,591

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

Net trading gains have arisen from failed hedges.

Analysis of fee and commission income:

	2023 $	2022 $
Underwriting	361	319
Deposit services	12,398	12,424
Credit services	630	2,377
Card services	20,973	18,806
Funds transfer	7,718	6,902
Other	936	754
	43,016	41,582

(Expressed in thousands of Bahamian dollars)

Note 15 Operating Expenses

	2023 $	2022 $
Staff costs	22,236	22,589
Business licence	13,004	9,204
Occupancy and maintenance	6,430	5,675
Depreciation *(Note 8)*	7,793	7,790
Other operating expenses	83,346	67,416
	132,809	112,674

Analysis of staff costs:

	2023 $	2022 $
Wages and salaries	18,463	19,450
Net pension (income)/cost:		
- defined benefit sections of the plan *(Note 9)*	(736)	(2,392)
- defined contribution section of the plan *(Note 9)*	20	334
Post-retirement medical benefits charge *(Note 9)*	483	497
Employee share purchase plan *(Note 19)*	119	125
Severance	318	463
Insurance and risk benefits	1,968	2,307
Other staff related costs	1,601	1,805
	22,236	22,589

Analysis of other operating expenses:

	2023 $	2022 $
Group service charges (Note 20)	61,293	48,641
Professional fees	1,281	1,338
Communications	2,255	2,080
Business development	321	133
Advertising and marketing	72	109
Consumer related expenses	1,343	1,170
Non-credit losses	1,023	680
Postage, courier and stationery	2,068	1,520
General insurances	779	765
Outside services	4,098	3,790
Other	8,813	7,190
	83,346	67,416

(Expressed in thousands of Bahamian dollars)

Note 16 Earnings per Share

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

Basic earnings per share

	2023 $	2022 $
Net income attributable to shareholders	122,329	70,150
Weighted average number of common shares in issue *(Note 12)*	120,216,204	120,216,204
Basic earnings per share (expressed in cents per share)	101.8	58.4

There are no potentially dilutive instruments.

Note 17 Dividends

During the year the Bank received approval to recognise and pay regular dividends of $0.36 per share (2022: $0.36 per share).

Note 18 Components of Other Comprehensive Income

	2023 $	2022 $
Debt securities at fair value through other comprehensive income:		
Net gains/(losses) arising during the year	933	(1,753)
Reclassification to the statement of income *(Note 14)*	-	(193)
Other comprehensive income/(loss) for the year *(Note 12)*	933	(1,946)

Note 19 Other Employee Benefits

Employee share purchase plan

Under the Bank's Employee Share Purchase Plan, qualifying employees can choose each year to have up to 10% of their eligible earnings withheld to purchase common shares in the Parent. The Bank matches 50% of the employee's contribution amount, up to a maximum contribution of 6% of eligible earnings, depending upon length of service and job level. The Bank's contributions vest after employees have two years of continuous participation in the plan, and all subsequent contributions vest immediately. All contributions are paid into a trust and used by the plan trustees to purchase common shares in the open market. The Bank's contributions are expensed as incurred and totalled $119 in 2023 (2022: $125) (Note 15).

(Expressed in thousands of Bahamian dollars)

Note 20 Related Party Transactions and Balances

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

A number of banking transactions are entered into with related parties in the normal course of business. Included in Other liabilities is a dividend payable to the Bank's Parent of $nil (2022: $10,819). The key related party balances and transactions included in the Bank's financial statements are disclosed below.

	Directors and key management personnel		Parent Group		Ultimate Parent	
	2023 $	2022 $	2023 $	2022 $	2023 $	2022 $
Asset balances:						
Due from banks	-	-	431,303	210,870	28,907	23,692
Other assets	-	-	27	25	-	-
Loans and advances to customers	4,766	4,699	-	-	-	-
Liability balances:						
Customer deposits	2,212	1,974	138,080	197,990	-	-
Other liabilities	-	-	6,321	17,426	-	-
Revenue transactions:						
Interest income	176	179	17,598	1,419	757	644
Other income from derivative relationship	-	-	-	-	-	-
Expense transactions:						
Interest expense	11	9	6,139	2,094	-	-
Other expenses*	-	-	61,380	48,647	-	-

* Expenses incurred in relation to banking and support services.

	2023 $	2022 $
Key management compensation		
Salaries and short-term benefits	2,337	2,190

Directors' remuneration
A listing of the members of the Board of Directors is included within the Bank's Annual Report. In 2023, total remuneration for the non-executive directors was $105 (2022: $105). The executive director's remuneration is included under key management compensation.

(Expressed in thousands of Bahamian dollars)

Note 21 Commitments, Guarantees and Contingent Liabilities

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

	2023 $	2022 $
Letters of credit	15,230	12,747
Undrawn loan commitments	210,840	228,434
Guarantees and indemnities	20,163	16,206
Total *(Note 25)*	246,233	257,387

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

The Bank currently has a US$1 million line of credit with CIBC at Base Rate (Canada) Advance + 200bps per annum if 50% or less utilisation, or Base Rate (Canada) Advance + 250bps per annum if greater than 50% utilisation. The facility is renewable annually and expires on March 29, 2024. As of October 31, 2023, no advances were made from the facility and all balances are undrawn.

Note 22 Future Rental Commitments under Operating Leases

As at October 31, the Bank held leases on buildings for extended periods. The leases have an average life of between 1 and 10 years. There are no restrictions placed upon the lessee by entering into these contracts. The Bank has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Bank's business needs. Management exercises significant judgment in determining whether these extension and termination options are reasonably certain to be exercised (refer to Note 2.2). As at October 31, 2023 and 2022, there are no material extension options expected not to be exercised or termination options expected to be exercised. The future rental commitments (undiscounted) under these leases were as follows:

	2023 $	2022 $
Not later than 1 year	2,483	2,428
Later than 1 year and less than 5 years	2,709	4,486
	5,192	6,914

As at October 31, 2023 and 2022, there are no leases to which the Bank is committed that have not yet commenced.

Note 23 Fiduciary Activities

The Bank provides custody and trustee discretionary investment management services to third parties. Those assets that are held in a fiduciary capacity are not included in these consolidated financial statements. At the reporting date, the Bank had investment assets under administration and management on behalf of third parties amounting to $254,364 (2022: $208,711).

Note 24 Business Segments

The Bank's operations are organised into four segments: Personal & Business Banking, Corporate & Investment Banking and Wealth Management, which are supported by the functional units within the Administration segment.

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

Corporate & Investment Banking ("CIB")
Corporate & Investment Banking includes Corporate & International Corporate Banking, Investment Banking, Forex & Derivative Sales and the Merchant Services business. The segment provides a full range of corporate and commercial banking services to large and mid-sized corporate businesses, governments, financial institutions, international trading companies and private wealth vehicles throughout the Caribbean. International Corporate Banking is a specialised business that services non-domestic, international corporate and institutional clients (such as Offshore Mutual Funds, Hedge Funds, Captives and IBCs) with core banking, international payments & cash management, lending, standby letters of credits and investment management products. Investment Banking provides debt, equity, capital markets and corporate finance products and services to large corporations, financial institutions and governments. Clients are also provided with foreign exchange, derivative and other risk mitigating products through the Forex & Derivative Sales Group.

Wealth Management ("WM")
Wealth Management comprises Private Wealth Management and Investment Management businesses. Dedicated wealth management relationship managers provide traditional core banking, complex credit, investment advice, discretionary portfolio management, trust services and wealth planning to high and ultra-high net worth clients.

Administration (“Admin”)
The Administration segment includes Finance, Human Resources, Risk, Technology, Innovation & Infrastructure, 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 Admin segment retains earnings or losses on excess capital and the offset to capital charges are allocated to the business segments.

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

PBB, CIB and WM are charged or credited by Treasury with a market-based cost of funds on assets, liabilities and capital, respectively. The offset of these charges or credits is reported in the Treasury function within the Admin segment.

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

Comparative numbers reported have been adjusted to reflect the following business segment reorganisations effective November 1, 2022:

- Customer Call Centres previously reported under PBB have been aligned to Technology, Innovation & Infrastructure under Admin
- International Corporate Banking previously reported under WM has been aligned to CIB

(Expressed in thousands of Bahamian dollars)

2023 Segment Reporting

	PBB $	CIB $	WM $	Admin $	2023 $
External revenue	68,887	66,945	2,069	61,564	199,465
Internal revenue	8,570	35,290	489	(44,349)	-
Net interest income	77,457	102,235	2,558	17,215	199,465
Operating income	33,378	27,562	1,606	(1,479)	61,067
	110,835	129,797	4,164	15,736	260,532
Depreciation	1,619	7	57	6,110	7,793
Operating expenses	23,564	7,221	1,052	93,179	125,016
Indirect expenses	44,900	45,901	5,445	(96,246)	-
Credit loss expense/(release) on financial assets	15,237	(8,913)	(70)	(860)	5,394
Net income for the year	**25,515**	**85,581**	**(2,320)**	**13,553**	**122,329**

Total assets and liabilities by segment are as follows:

	PBB $	CIB $	WM $	Admin $	2023 $
Segment assets	1,085,521	991,497	36,355	2,246,327	4,359,700
Segment liabilities	1,442,982	2,083,588	73,400	65,420	3,665,390

(Expressed in thousands of Bahamian dollars)

2022 Segment Reporting

	PBB $	CIB $	WM $	Admin $	2022 $
External revenue	65,615	52,338	1,195	21,111	140,259
Internal revenue	4,704	17,488	462	(22,654)	-
Net interest income	70,319	69,826	1,657	(1,543)	140,259
Operating income	30,520	27,821	1,619	(1,369)	58,591
	100,839	97,647	3,276	(2,912)	198,850
Depreciation	1,687	10	57	6,036	7,790
Operating expenses	23,156	8,125	1,120	72,483	104,884
Indirect expenses	35,234	39,008	3,955	(78,197)	-
Credit loss expense/(release) on financial assets	16,174	(3,375)	355	2,872	16,026
Net income for the year	**24,588**	**53,879**	**(2,211)**	**(6,106)**	**70,150**

Total assets and liabilities by segment are as follows:

	PBB $	CIB $	WM $	Admin $	2022 $
Segment assets	1,075,483	1,017,047	34,672	2,286,998	4,414,200
Segment liabilities	1,425,273	2,237,761	76,999	63,335	3,803,368

Note 25 Financial Risk Management

A. Introduction

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

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

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

B. Credit risk

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

Process and control

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

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

Credit risk limits

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

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

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

(Expressed in thousands of Bahamian dollars)

Collateral

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

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

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

As at October 31, 2023, 91% (2022: 81%) of stage 3 impaired loans were either fully or partially collateralised.

Geographic distribution

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

	Drawn $	Undrawn $	Gross Maximum Exposure 2023 $	Drawn $	Undrawn $	Gross Maximum Exposure 2022 $
Bahamas	1,866,374	162,579	2,028,953	1,884,891	187,031	2,071,922
Turks & Caicos Islands	274,773	48,261	323,034	282,339	41,403	323,742
	2,141,147	210,840	2,351,987	2,167,230	228,434	2,395,664

(Expressed in thousands of Bahamian dollars)

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

	Drawn $	Undrawn $	Gross Maximum Exposure 2023 $	Drawn $	Undrawn $	Gross Maximum Exposure 2022 $
Agriculture	23	18	41	23	13	36
Construction	38,733	11,207	49,940	35,281	3,827	39,108
Distribution	108,488	31,356	139,844	68,904	18,536	87,440
Education	-	60	60	329	60	389
Electricity, Gas & Water Supply	-	3,959	3,959	-	-	-
Energy & Mining	1,780	-	1,780	55,000	-	55,000
Fishing	217	60	277	278	60	338
Governments	212,982	10,572	223,554	246,547	506	247,053
Health & social work	15,519	-	15,519	13,770	-	13,770
Hotels & restaurants	176,781	9,469	186,250	160,516	7,324	167,840
Individuals & individual trusts	1,153,707	105,715	1,259,422	1,147,924	107,545	1,255,469
Manufacturing	28,082	2,401	30,483	28,623	1,449	30,072
Miscellaneous	17,650	16,046	33,696	265,319	77,628	342,947
Other financial corporations	111,212	3,131	114,343	27,568	1,201	28,769
Other services	153,704	4,898	158,602	-	-	-
Real estate, renting & other business activities	54,240	138	54,378	41,772	-	41,772
Transport, storage & communication	68,029	11,810	79,839	75,376	10,285	85,661
	2,141,147	210,840	2,351,987	2,167,230	228,434	2,395,664

Credit-related instruments

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

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

(Expressed in thousands of Bahamian dollars)

Maximum exposure to credit risk

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

	Gross maximum exposure	
	2023	**2022**
	$	**$**
Balances with The Central Bank	531,771	491,722
Due from banks	602,123	432,977
Securities		
– Equity securities - unquoted	219	219
– Government debt securities	900,787	1,108,435
– Other debt securities	141,914	205,939
– Interest receivable	2,942	3,233
Loans and advances to customers		
– Mortgages	961,989	978,909
– Personal loans	226,811	205,811
– Business & Government loans	952,347	982,510
– Interest receivable	11,779	10,896
Other assets	14,386	14,207
Total	**4,347,068**	**4,434,858**
Commitments, guarantees and contingent liabilities (Note 21)	246,233	257,387
Total credit risk exposure	**4,593,301**	**4,692,245**

(Expressed in thousands of Bahamian dollars)

Geographical concentration

The following tables reflect additional geographical concentration information:

2023	Total assets $	Total liabilities $	Commitments, guarantees and contingent liabilities $	Total revenues $	Capital expenditure* $	Non-current assets** $
Bahamas	3,668,026	3,135,283	193,554	171,631	4,280	31,090
Turks & Caicos Islands	1,381,764	1,220,197	52,679	88,901	2,795	10,704
	5,049,790	4,355,480	246,233	260,532	7,075	41,794
Eliminations	(690,090)	(690,090)	-	-	-	-
	4,359,700	3,665,390	246,233	260,532	7,075	41,794

2022	Total assets $	Total liabilities $	Commitments, guarantees and contingent liabilities $	Total revenues $	Capital expenditure* $	Non-current assets** $
Bahamas	4,035,786	3,534,215	212,239	158,527	3,341	32,217
Turks & Caicos Islands	1,414,275	1,305,014	45,148	40,323	3,345	9,464
	5,450,061	4,839,229	257,387	198,850	6,686	41,681
Eliminations	(1,035,861)	(1,035,861)	-	-	-	-
	4,414,200	3,803,368	257,387	198,850	6,686	41,681

* Capital expenditure is shown by geographical area in which the property and equipment are located.
** Non-current assets relate only to property and equipment.

The Bank operates in two main geographical areas between which its exposure to credit risk is concentrated. Geographic sector risk concentrations within the customer loan portfolio were as follows:

	2023 $	2023 %	2022 $	2022 %
Bahamas	1,759,677	87	1,763,466	87
Turks & Caicos Islands	266,710	13	272,097	13
	2,026,387	100	2,035,563	100

Impairment assessment

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

Definition of default and cure

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

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

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

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

The Bank's internal rating and PD estimation process

The Parent Group's Credit Risk Department operates the Bank's internal rating models. The Bank monitors all corporate facilities with a value exceeding $250,000 which are assigned an ORR of 1 to 9 under the Bank's internal rating system. The models used incorporate both qualitative and quantitative information and, in addition to information specific to the borrower, utilises supplemental external information that could affect the borrower's behaviour. This internal rating system is also mapped to Moody's and Standard and Poor's ratings. Movement in a facility's ORR from origination to the reporting date is what determines the stage assigned to that facility. Staging for facilities that do not have an ORR is based on historical days past due and delinquency. The Bank calculates 12-month and lifetime PDs on a product by country basis. 12-month PDs are determined using historical default data and then incorporate forward looking information. Lifetime PDs are determined by applying a scaling factor to the 12-month PDs' forward looking factor. Lifetime PDs are also capped at a 10-year maturity.

Treasury, trading and interbank relationships

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

Corporate and small business lending

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

- Historical financial information together with forecasts and budgets prepared by the client. This financial information includes realised and expected results, solvency ratios, liquidity ratios and any other relevant ratios to measure the client's financial performance. Some of these indicators are captured in covenants with

the clients and are, therefore, measured with greater attention.
- Any publicly available information on the clients from external parties. This includes external rating grades issued by rating agencies, independent analyst reports, publicly traded bond or press releases and articles.
- Any macro-economic or geopolitical information, e.g., GDP growth relevant for the specific industry and geographical segments where the client operates.
- Any other objectively supportable information on the quality and abilities of the client's management relevant for the company's performance.

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

Consumer lending and retail mortgages

Consumer lending comprises unsecured personal loans, credit cards and overdrafts. These products along with retail mortgages and some of the less complex small business lending are rated by an automated scorecard tool primarily driven by days past due. Other key inputs into the models are:
- Consumer lending products: use of limits and volatility thereof, GDP growth, unemployment rates, changes in personal income/salary levels based on records of current accounts, personal indebtedness and expected interest repricing.
- Retail mortgages: GDP growth, unemployment rates, changes in personal income/salary levels based on records of current accounts, personal indebtedness and expected interest repricing

Credit quality

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

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

	Loans and advances to customers
Grade description	**Days past due**
Very low (Stage 1)	0
Low (Stage 1)	1 – 29
Medium (Stage 2)	30 - 60[1]
High (Stage 2)	61 - 89
Default (Stage 3)	90+

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

(Expressed in thousands of Bahamian dollars)

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

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

The table below shows the credit quality by class of asset for gross loans and advances to customers, based on the risk rating, systems, trends and the methodology to support performing credits, along with significant increases in credit risk. Amounts provided are before allowance for credit losses, and after credit risk mitigation, valuation adjustments related to the financial guarantors and collateral on agreements.

	Stage 1 $	Stage 2 $	Stage 3 $	2023 Total $
Residential mortgages				
- Very low	675,392	-	-	675,392
- Low	93,969	-	-	93,969
- Medium	-	69,532	-	69,532
- High	-	24,584	-	24,584
- Default	-	-	98,512	98,512
Gross residential mortgages	769,361	94,116	98,512	961,989
Personal loans				
- Very low	196,323	-	-	196,323
- Low	13,102	-	-	13,102
- Medium	-	5,737	-	5,737
- High	-	2,793	-	2,793
- Default	-	-	8,856	8,856
Gross personal loans	209,425	8,530	8,856	226,811
Business & Government loans				
- Investment grade	90,270	-	-	90,270
- Non-Investment grade	656,846	170,525	-	827,371
- Default	-	-	5,581	5,581
- Not rated	27,442	1,683	-	29,125
Gross business & government loans	774,558	172,208	5,581	952,347
Total gross amount of loans	1,753,344	274,854	112,949	2,141,147

(Expressed in thousands of Bahamian dollars)

	Stage 1 $	Stage 2 $	Stage 3 $	2022 Total $
Residential mortgages				
- Very low	673,047	-	-	673,047
- Low	100,801	-	-	100,801
- Medium	-	71,133	-	71,133
- High	-	25,089	-	25,089
- Default	-	-	108,839	108,839
Gross residential mortgages	773,848	96,222	108,839	978,909
Personal loans				
- Very low	165,447	-	-	165,447
- Low	13,445	-	-	13,445
- Medium	-	9,857	-	9,857
- High	-	2,429	-	2,429
- Default	-	-	14,633	14,633
Gross personal loans	178,892	12,286	14,633	205,811
Business & Government loans				
- Investment grade	115,901	1,859	-	117,760
- Non-Investment grade	591,131	229,957	-	821,088
- Default	-	-	8,695	8,695
- Not rated	32,627	2,340	-	34,967
Gross business & government loans	739,659	234,156	8,695	982,510
Total gross amount of loans	1,692,399	342,664	132,167	2,167,230

For Business & Government loans, the Bank employs risk ratings in managing the credit portfolio. Business borrowers with elevated default risk are monitored on our Early Warning List. Early Warning List characteristics include borrowers exhibiting a significant decline in revenue, income, or cash flow or where we have doubts as to the continuing viability of the business. Early Warning List customers are often, but not always, also delinquent. As of October 31, 2023, Early Warning List customers in the medium to high risk category amounted to $15,074 (2022: $31,768).

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

(Expressed in thousands of Bahamian dollars)

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

Securities	Stage 1 $	Stage 2 $	Stage 3 $	2023 Total $
Investment grade	779,559	-	-	779,559
Non-Investment grade	-	248,670	-	248,670
Default	-	-	14,472	14,472
Not rated	219	-	-	219
Gross securities	779,778	248,670	14,472	1,042,920

Securities	Stage 1 $	Stage 2 $	Stage 3 $	2022 Total $
Investment grade	1,065,952	-	-	1,065,952
Non-Investment grade	-	231,712	-	231,712
Default	-	-	16,710	16,710
Not rated	219	-	-	219
Gross securities	1,066,171	231,712	16,710	1,314,593

Model adjustments

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

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

During the year ended October 31, 2023, loans classified as stage 2 or stage 3 with an amortised cost of $4 million (2022: $10 million) were either modified through the granting of a financial concession in response to the borrower having experienced financial difficulties or were subject to the client relief programs in response to COVID-19, in each case before the time modification, or deferred. In addition, the gross carrying amount of previously modified or deferred stage 2 or stage 3 loans that have returned to stage 1 during the year ended October 31, 2023 was $19 million (2022: $19 million).

Impact on regulatory capital

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

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

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

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

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

C. Market risk

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

Policies and standards

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

Process and control

Market risk measures are monitored with differing degrees of frequency, dependent upon the nature of the risk. FX positions are measured daily, whereas others such as stress tests are performed on a monthly basis. Detailed market risk compliance reports are produced and circulated to senior management on a monthly basis and a summary version supplied to the Board quarterly.

Risk measurement

The Bank has four main measures of market risk:

- Value at Risk (VaR) - wherever feasible VaR enables the meaningful comparison of the risks in different asset classes;
- Outright position, used predominantly for FX;
- Sensitivity to a 1 basis point move in a curve, used for both interest rate and credit spread risks; and
- Stress scenarios based upon a combination of theoretical situations and historical events.

VaR

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

Position

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

Sensitivity

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

Stress testing & scenario analysis

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

The Parent Group uses the following approaches:

- For the hard currency testing, position sensitivities are subjected to a suite of measures that the Ultimate Parent has developed. The stress testing measures the effect on the hard currency portfolio values over a wide range of extreme moves in market prices. The stress testing methodology assumes no actions are taken or are able to be taken during the event to mitigate the risk, reflecting the decreased liquidity that frequently accompanies market shocks. The scenario analysis approach for Parent Group's hard currency exposures simulates an impact on earnings of extreme market events up to a period of one month. Scenarios are developed using actual historical data during periods of market disruption, or are based upon hypothetical occurrence of economic or political events or natural disasters and are designed by economists, business leaders and risk managers.

- The regional currency stress tests are designed on a similar but smaller scale. For interest rate stresses, Market Risk in conjunction with Treasury considers the market data over approximately the last 10 years and identifies the greatest curve or data point moves over both sixty and single days. These are then applied to the existing positions/sensitivities of the Parent Group. This is performed and reported on a monthly basis as they do not tend to change rapidly.

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

Summary of key market risks

Of the market risks arising from the various currencies, yield curves and spreads throughout the regional and broader international markets, the risk considered by management to be the most significant for the Bank is the low probability, high impact of a peg breaking between the USD and BSD, impacting the structural long position of the Bank. The following section highlights this key risk as well as some of the lesser ones that arise from the Bank's ongoing banking operations.

(Expressed in thousands of Bahamian 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. The local currency is pegged to the USD and hence the Value at Risk (VaR) measure is not appropriate, and that is why more emphasis is put on the overall position limit and related stress tests. The Board has set limits on positions by currency. These positions are monitored on a daily basis and the Forex & Derivatives Sales team is solely responsible for the hedging of the Bank's exposure.

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

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

	2023			2022		
Currency	Position Long/(Short) vs BSD $	Stressed Loss $	Average Position* $	Position Long/(Short) vs BSD $	Stressed Loss $	Average Position* $
US dollars	3,070	921	(2,334)	891	267	(27)

* Averages are taken over a twelve-month period

Interest rate risk

Interest rate risk results from differences in the maturities or re-pricing dates of assets, both on and off the consolidated statement of financial position. The Bank utilises a combination of high level Board limits to monitor risk as well as the more granular Chief Risk Officer's limits. The key interest risk measures are shown in the table below highlighting the currency where the Bank has the most significant interest rate exposures.

	2023		2022	
	Currency $	60 day Stressed Loss $	Currency $	60 day Stressed Loss $
Bahamian dollar	(16,161)	1,212	(9,959)	747

IBOR reform

Interest rate benchmarks including the London Interbank Offered Rate (LIBOR) and other similar benchmarks, are being reformed and replaced by new risk-free rates that are largely based on traded markets. The United Kingdom's Financial Conduct Authority (FCA) originally announced in July 2017 that it would not compel banks to submit LIBOR rates after December 2021. In March 2021, the FCA and the ICE Benchmark Administrator (IBA) announced the dates for the cessation or loss of representativeness of various LIBOR rates including that certain non-USD LIBORs will cease on December 31, 2021 and that most USD LIBOR tenors will cease on June 30, 2023. As IBORs are widely referenced by large volumes of derivative, loan and cash products, the transition presents a number of risks to the Bank, and the industry as a whole. The Bank has established a comprehensive enterprise-wide program to manage and coordinate all aspects of the transition, including the identification and mitigation of these risks.

Following the decision by global regulators to phase out IBORs and replace them with alternative reference rates, the Parent Group established a project to manage the transition for any of its contracts that could be affected. The project was sponsored by the Managing Director Corporate & Investment Banking and was led by senior representatives from functions across the Group including the client facing teams, Legal, Finance, Operations and Technology. The project provided monthly progress updates to the Managing Board and bi-annually to the Audit Committee. During 2023, the Parent Group successfully completed the transition of its IBOR exposure to RFRs, transitioning the LIBOR interest rate benchmarks to the Secured Overnight Financing Rate "SOFR".

(Expressed in thousands of Bahamian dollars)

IBOR reform exposes the Bank to various risks, which the project is managing and monitoring closely. These risks include but are not limited to the following:

- Market risk as new basis risks emerge due to the IBOR reform
- Conduct risk arising from discussions with clients and market counterparties due to the amendments required to existing contracts necessary to effect IBOR reform
- Legal risk arising as contracts are revised based on final amended terms
- Financial risk to the Bank and its clients that markets are disrupted due to IBOR reform giving rise to financial losses
- Pricing risk from the potential lack of market information if liquidity in IBORs reduces and RFRs are illiquid and unobservable
- Operational risk arising from changes to the Bank's IT systems and processes (current or newly introduced), also the risk of payments being disrupted if an IBOR ceases to be available
- Accounting risk if the Bank's hedging relationships fail and from unrepresentative income statement volatility as financial instruments transition to RFRs

The following table presents the gross outstanding balances of the Bank's non-derivative financial assets that are indexed to USD LIBOR as at October 31, 2023 with a maturity date beyond June 30, 2023, which are expected to be affected by IBOR reform.

2023

	Gross Outstanding Amounts USD LIBOR[1]
	Maturing after June 30, 2023 $
Non-derivative financial assets	
Loans	24,175
	24,175

2022

	Gross Outstanding Amounts USD LIBOR[1]	
	Maturing after December 31, 2021 and before June 30, 2023 $	**Maturing after June 30, 2023 $**
Non-derivative financial assets		
Securities	25,000	-
Loans	28,395	243,268
	53,395	**243,268**

[1] No material hold positions are noted in any other currency denominated LIBOR products

Credit spread risk

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

(Expressed in thousands of Bahamian dollars)

	2023			2022		
	Notional $	Credit Spread DV01 $	Stress Loss $	Notional $	Credit Spread DV01 $	Stress Loss $
Regional hard currency bond portfolio	91,026	50	10,327	93,690	53	10,962
Non-regional hard currency bond portfolio	122,000	11	2,194	185,000	13	2,686
Total	213,026	61	12,521	278,690	66	13,648

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

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

	BAH $	US $	Other $	2023 Total $
Assets				
Cash and balances with The Central Bank	559,533	22,927	232	582,692
Due from banks	-	470,241	131,882	602,123
Other assets	15,190	1,535	-	16,725
Securities	251,911	793,951	-	1,045,862
Loans and advances to customers	1,319,857	706,530	-	2,026,387
Property and equipment	30,885	10,828	81	41,794
Retirement benefit assets	44,117	-	-	44,117
Total assets	2,221,493	2,006,012	132,195	4,359,700
Liabilities				
Customer deposits	1,761,074	1,724,907	132,992	3,618,973
Other liabilities	32,825	5,124	-	37,949
Retirement benefit obligations	6,950	1,518	-	8,468
Total liabilities	1,800,849	1,731,549	132,992	3,665,390
Net assets/(liabilities)	420,644	274,463	(797)	694,310
Commitments, guarantees and contingent liabilities *(Note 21)*	168,839	77,266	128	246,233

(Expressed in thousands of Bahamian dollars)

	BAH $	US $	Other $	2022 Total $
Assets				
Cash and balances with The Central Bank	519,078	9,309	650	529,037
Due from banks	-	352,127	80,850	432,977
Other assets	16,001	459	-	16,460
Securities	233,510	1,084,316	-	1,317,826
Loans and advances to customers	1,285,743	749,820	-	2,035,563
Property and equipment	31,994	9,606	81	41,681
Retirement benefit assets	40,656	-	-	40,656
Total assets	2,126,982	2,205,637	81,581	4,414,200
Liabilities				
Customer deposits	1,726,423	1,939,138	82,608	3,748,169
Other liabilities	44,870	1,072	-	45,942
Retirement benefit obligations	6,849	2,408	-	9,257
Total liabilities	1,778,142	1,942,618	82,608	3,803,368
Net assets/(liabilities)	348,840	263,019	(1,027)	610,832
Commitments, guarantees and contingent liabilities *(Note 21)*	155,392	101,876	119	257,387

D. Cash flow and fair value interest rate risk

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

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

E. Liquidity risk

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

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

Process and control

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

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

Risk measurement

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

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

(Expressed in thousands of Bahamian dollars)

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

	0-3 months $	3-12 months $	1-5 years $	Over 5 years $	2023 Total $
Assets					
Cash and balances with The Central Bank	582,692	-	-	-	582,692
Due from banks	577,023	25,100	-	-	602,123
Other assets	15,475	-	-	1,250	16,725
Securities	578,993	162,192	145,216	159,461	1,045,862
Loans and advances to customers	129,438	49,168	646,927	1,200,854	2,026,387
Property and equipment	3,741	2,129	12,493	23,431	41,794
Retirement benefit assets	-	-	-	44,117	44,117
Total assets	1,887,362	238,589	804,636	1,429,113	4,359,700
Liabilities					
Customer deposits	3,283,856	291,567	43,209	341	3,618,973
Other liabilities	33,560	1,742	2,647	-	37,949
Retirement benefit obligations	-	-	-	8,468	8,468
Total liabilities	3,317,416	293,309	45,856	8,809	3,665,390
Net assets/(liabilities)	(1,430,054)	(54,720)	758,780	1,420,304	694,310
Commitments, guarantees and contingent liabilities *(Note 21)*	131,377	42,109	2,550	70,197	246,233

The Bank on an ongoing basis performs stress tests and scenario analysis to evaluate the impact of stresses on its liquidity position. This testing is conducted under a liquidity horizon scenario which factors an immediate downgrade in the Ultimate Parent's credit rating and/or a material deterioration to market perception of CIBC FirstCaribbean's credit profile and market-wide stress over a period of one year.

This aims to model potential liquidity requirements and liquid assets marketability during a confidence crisis that might be triggered in the markets specifically with respect to the Bank's ability to meet its obligations as they arise. Based on these stress test scenarios performed, the Bank is sufficiently liquid to meet its obligation as of October 31, 2023.

(Expressed in thousands of Bahamian dollars)

	0-3 months $	3-12 months $	1-5 years $	Over 5 years $	2022 Total $
Assets					
Cash and balances with The Central Bank	529,037	-	-	-	529,037
Due from banks	432,977	-	-	-	432,977
Other assets	15,210	-	-	1,250	16,460
Securities	871,454	100,894	150,266	195,212	1,317,826
Loans and advances to customers	170,583	65,056	605,997	1,193,927	2,035,563
Property and equipment	3,551	1,909	15,744	20,477	41,681
Retirement benefit assets	-	-	-	40,656	40,656
Total assets	2,022,812	167,859	772,007	1,451,522	4,414,200
Liabilities					
Customer deposits	3,365,635	360,503	19,866	2,165	3,748,169
Other liabilities	40,047	1,577	4,318	-	45,942
Retirement benefit obligations	-	-	-	9,257	9,257
Total liabilities	3,405,682	362,080	24,184	11,422	3,803,368
Net assets/(liabilities)	(1,382,870)	(194,221)	747,823	1,440,100	610,832
Commitments, guarantees and contingent liabilities *(Note 21)*	139,610	64,138	10,677	42,962	257,387

F. Fair value of financial assets and liabilities

Fair value is defined as the price that would be received to sell an asset, or paid to transfer a liability, between market participants in an orderly transaction in the principal market (or most advantageous market) at the measurement date under current market conditions (i.e., the exit price). The determination of fair value requires judgment and is based on market information, where available and appropriate. Fair value measurements are categorised into three levels within a fair value hierarchy (Level 1, 2 or 3) based on the valuation inputs used in measuring the fair value, as outlined below:

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

- Level 2 - Quoted prices for identical assets or liabilities in markets that are inactive or observable market quotes for similar instruments, or use of valuation technique where all significant inputs are observable. Inactive markets may be characterised by a significant decline in the volume and level of observed trading activity or through large or erratic bid/offer spreads. In instances where traded markets do not exist or are not considered sufficiently active, we measure fair value using valuation models.

- Level 3 - Non-observable or indicative prices or use of valuation technique where one or more significant inputs are non-observable.

(Expressed in thousands of Bahamian dollars)

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

	Level 1	Level 2	Level 3	Total	Total
	Quoted market price	Valuation technique-observable market input	Valuation technique-non-observable market input	2023 $	2022 $
Financial Assets					
Cash and balances with The Central Bank*	582,692	-	-	582,692	529,037
Due from banks*	602,123	-	-	602,123	432,977
Debt securities at FVOCI	-	979,037	219	979,256	1,249,176
Debt securities at amortised cost	-	58,461	-	58,461	49,347
Loans and advances to customers	-	-	2,012,988	2,012,988	2,028,203
Total financial assets	**1,184,815**	**1,037,498**	**2,013,207**	**4,235,520**	**4,288,740**
Financial Liabilities					
Customer deposits	-	-	3,611,023	3,611,023	3,745,362
Total financial liabilities	**-**	**-**	**3,611,023**	**3,611,023**	**3,745,362**

*Financial assets with carrying values that approximate fair value.

Transfers between levels in the fair value hierarchy are deemed to have occurred at the beginning of the year in which the transfer occurred. Transfers between levels can occur as a result of additional or new information regarding valuation inputs and changes in their observability. There were no transfers in 2023 or 2022.

(Expressed in thousands of Bahamian dollars)

	Carrying value	Fair value	Fair value over/(under) carrying value
2023	$	$	$
Financial assets			
Cash and balances with The Central Bank	582,692	582,692	-
Due from banks	602,123	602,123	-
Debt securities at FVOCI	979,256	979,256	-
Debt securities at amortised cost	66,606	58,461	(8,145)
Loans and advances to customers	2,026,387	2,012,988	(13,399)
Total financial assets	4,257,064	4,235,520	(21,544)
Financial liabilities			
Customer deposits	3,618,973	3,611,023	(7,950)
Total financial liabilities	3,618,973	3,611,023	(7,950)
2022			
Financial assets			
Cash and balances with The Central Bank	529,037	529,037	-
Due from banks	432,977	432,977	-
Debt securities at FVOCI	1,249,176	1,249,176	-
Debt securities at amortised cost	68,650	49,347	(19,303)
Loans and advances to customers	2,035,563	2,028,203	(7,360)
Total financial assets	4,315,403	4,288,740	(26,663)
Financial liabilities			
Customer deposits	3,748,169	3,745,362	(2,807)
Total financial liabilities	3,748,169	3,745,362	(2,807)

(Expressed in thousands of Bahamian dollars)

Quantitative information about significant non-observable inputs

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

	As at October 31, 2023				Range of inputs	
	Amortised cost $	Fair Value $	Valuation technique	Key non-observable inputs	Low	High
Loans and advances to customers	2,026,387	2,012,988	Market proxy	Market proxy	3.50%	19.00%
Customer deposits	3,618,973	3,611,023	Market proxy	Market proxy	0.05%	0.97%
Equity securities	219	219	n/a	n/a	n/a	n/a

	As at October 31, 2022				Range of inputs	
	Amortised cost $	Fair Value $	Valuation technique	Key non-observable inputs	Low	High
Loans and advances to customers	2,035,563	2,028,203	Market proxy	Market proxy	3.50%	19.00%
Customer deposits	3,748,169	3,745,362	Market proxy	Market proxy	0.02%	0.08%
Equity securities	219	219	n/a	n/a	n/a	n/a

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

Financial instruments recorded at fair value

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

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

Fair value of financial instruments not carried at fair value

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

- *Debt securities at amortised cost*
  The Bank estimates and builds its own credit spread from market-observable data to estimate the fair values of these instruments.

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

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

Financial assets and liabilities with carrying values that approximate fair value

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

Note 26 Principal Subsidiary Undertakings

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

All subsidiaries are wholly owned.