FIRSTCARIBBEAN INTERNATIONAL BANK (JAMAICA) LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 2023

(Expressed in Jamaican dollars unless otherwise indicated)

FirstCaribbean International Bank (Jamaica) Limited

Index to the Financial Statements
Year ended 31 October 2023

Building a better working world

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of FirstCaribbean International Bank (Jamaica) Limited

Report on the Audit of the Financial Statements

Opinion
We have audited the financial statements of FirstCaribbean International Bank (Jamaica) Limited (the "Bank") which comprise the statement of financial position as at 31 October 2023, the statements of changes in equity, income, comprehensive income, and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 October 2023, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") and the Jamaican Companies Act.

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

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

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

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To the Shareholders of FirstCaribbean International Bank (Jamaica) Limited (Continued)

Report on the Audit of the Financial Statements (Continued)

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

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

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

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To the Shareholders of FirstCaribbean International Bank (Jamaica) Limited (Continued)

Report on additional matters as required by the Jamaican Companies Act

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

Ernst & Young

Chartered Accountants
Kingston, Jamaica

15 December 2023

FirstCaribbean International Bank (Jamaica) Limited

Statement of Financial Position
As at 31 October 2023
(Expressed in Jamaican dollars unless otherwise indicated)

	Notes	2023 $'000	2022 $'000
ASSETS			
Cash and balances with Central Bank	3	28,387,892	21,620,644
Due from other banks	4	6,502,193	7,144,651
Derivative financial instruments	5	468,768	504,084
Other assets	6	439,985	185,417
Investment securities	7	33,895,901	31,403,241
Loans and advances to customers	8	88,936,322	76,936,499
Property and equipment	9	3,233,779	2,106,359
Deferred tax asset	10	118,266	-
Retirement benefit asset	11	1,032,709	2,530,949
TOTAL ASSETS		163,015,815	142,431,844

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

FirstCaribbean International Bank (Jamaica) Limited

Statement of Financial Position (Continued)
As at 31 October 2023
(Expressed in Jamaican dollars unless otherwise indicated)

	Notes	2023 $'000	2022 $'000
LIABILITIES AND EQUITY			
LIABILITIES			
Customer deposits	12	145,689,879	125,374,084
Derivative financial instruments	5	427,950	504,084
Other liabilities	13	2,687,486	2,097,267
Taxation payable		49,676	177,482
Deferred tax liabilities	10	-	188,326
Retirement benefit obligation	11	78,802	72,234
TOTAL LIABILITIES		148,933,793	128,413,477
EQUITY			
Share capital	14	4,930,258	4,930,258
Reserves	14 - 20	8,611,782	8,368,892
Retained earnings		539,982	719,217
TOTAL EQUITY		14,082,022	14,018,367
TOTAL LIABILITIES AND EQUITY		163,015,815	142,431,844

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

Approved for issue by the Board of Directors on 15 December 2023 and signed on its behalf by:

Lincoln Eatmon

Jean Lowrie-Chin

Nigel Holness

Allison Rattray

FirstCaribbean International Bank (Jamaica) Limited

Statement of Changes in Equity
Year ended 31 October 2023
(Expressed in Jamaican dollars unless otherwise indicated)

	Notes	Share Capital $'000	Reserves $'000	Retained Earnings $'000	Total $'000
Balance at 31 October 2021		4,930,258	7,241,810	505,791	12,677,859
Net income for the year		-	-	663,426	663,426
Other comprehensive income for the year, net of tax	27	-	677,082	-	677,082
Total comprehensive income for the year		-	677,082	663,426	1,340,508
Transfer to statutory reserve fund	17	-	50,000	(50,000)	-
Transfer to retained earnings reserve	18	-	400,000	(400,000)	-
Balance at 31 October 2022		4,930,258	8,368,892	719,217	14,018,367
Net income for the year		-	-	1,125,065	1,125,065
Other comprehensive loss for the year, net of tax	27	-	(1,061,410)	-	(1,061,410)
Total comprehensive income for the year		-	(1,061,410)	1,125,065	63,655
Transfer to statutory reserve fund	17		70,000	(70,000)	-
Transfer to retained earnings reserve	18	-	1,234,300	(1,234,300)	-
Balance at 31 October 2023		4,930,258	8,611,782	539,982	14,082,022

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

FirstCaribbean International Bank (Jamaica) Limited

Statement of Income
Year ended 31 October 2023
(Expressed in Jamaican dollars unless otherwise indicated)

	Notes	2023 $'000	2022 $'000
Interest and similar income		9,791,799	6,781,112
Interest and similar expense		(3,210,683)	(1,108,371)
Net interest income	21	6,581,116	5,672,741
Other operating income	22	3,618,309	3,231,890
Total operating income		10,199,425	8,904,631
Credit loss release / (expense) on financial assets	7, 8	241,032	(122,364)
Net operating income		10,440,457	8,782,267
Operating expenses	23	(8,618,765)	(7,624,425)
Profit before taxation	24	1,821,692	1,157,842
Income tax expense	25	(696,627)	(494,416)
NET PROFIT FOR THE YEAR, ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	26	1,125,065	663,426
BASIC AND DILUTED EARNINGS PER STOCK UNIT	26	$2.12	$1.25

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

FirstCaribbean International Bank (Jamaica) Limited

Statement of Comprehensive Income
Year ended 31 October 2023
(Expressed in Jamaican dollars unless otherwise indicated)

	Notes	2023 $'000	2022 $'000
Net profit for the year		1,125,065	663,426
Other comprehensive loss, net of tax, to be reclassified to net income in subsequent periods:			
Net losses on debt securities at fair value through OCI	27	(16,313)	(51,308)
Other comprehensive income, net of tax, not to be reclassified to net income in subsequent periods:			
Re-measurement (losses)/gains on retirement benefit plans	27	(1,045,097)	728,390
Other comprehensive (loss)/income for the year, net of tax		(1,061,410)	677,082
Comprehensive income for the year, attributable to equity holders of the parent		63,655	1,340,508

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

FirstCaribbean International Bank (Jamaica) Limited

Statement of Cash Flows
Year ended 31 October 2023
(Expressed in Jamaican dollars unless otherwise indicated)

	Notes	2023 $'000	2022 $'000
Cash Flows from Operating Activities			
Profit before taxation		1,821,692	1,157,842
Adjustments to reconcile profit to net cash provided by operating activities:			
Credit loss (release)/expense on financial assets	7, 8	(241,032)	122,364
Loss on disposal of property and equipment		1,544	5,766
Depreciation and amortization, including for right-of-use leased assets	9	719,190	685,890
Interest income	21	(9,791,799)	(6,781,112)
Interest expense, including on lease liabilities	21	3,210,683	1,108,371
Retirement benefit asset	11	(201,999)	(16,819)
Retirement benefit obligations	11	8,114	6,972
Unrealised foreign exchange (gains)/losses		(11,733)	53,768
		(4,485,340)	(3,656,958)
Changes in operating assets and liabilities:			
Loans and advances to customers		(11,178,264)	1,459,278
Customer deposits		18,870,702	(974,636)
Other assets		(294,740)	16,954
Other liabilities		66,312	121,708
Statutory reserves at Bank of Jamaica		(1,992,532)	(832,467)
		986,138	(3,866,121)
Interest received		9,657,828	6,773,798
Interest paid		(2,800,338)	(1,055,203)
Income tax paid		(600,321)	(512,593)
Cash provided by operating activities		7,243,307	1,339,881
Cash Flows from Investing Activities			
Investment securities, net		(2,259,356)	(22,757,306)
Additions to property and equipment	9	(897,997)	(492,281)
Proceeds from disposal of property and equipment		-	65
Net cash used in investing activities		(3,157,353)	(23,249,522)
Cash Flows from Financing Activities			
Repayment of principal portion of lease liability		(344,125)	(327,490)
Net cash used in financing activities		(344,125)	(327,490)
Net increase/(decrease) in cash and cash equivalents		3,741,829	(22,237,131)
Effect of exchange rate changes on cash and cash equivalents		383,592	(475,258)
Cash and cash equivalents at beginning of year		16,793,334	39,505,723
CASH AND CASH EQUIVALENTS AT END OF YEAR	3	20,918,755	16,793,334

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

1. Corporate Information

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

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

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

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

2. Summary of Significant Accounting Policies

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

(a) Basis of preparation

(i) Statement of compliance

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

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

(ii) Basis of measurement

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

(iii) Judgements and estimates

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

FirstCaribbean International Bank (Jamaica) Limited

Notes to the Financial Statements
Year ended 31 October 2023
(Expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

(iii) Judgements and estimates (continued)

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

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

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

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

(b) Changes in accounting policies

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

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

New and amended standards and interpretations

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

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 1 January 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.

FirstCaribbean International Bank (Jamaica) Limited

2. Summary of Significant Accounting Policies (Continued)

(b) Changes in accounting policies (continued)

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

New and amended standards and interpretations (continued)

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 IASB 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 IASB 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 any impact on the Bank's 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 significant impact on the Bank's financial statements.

2. Summary of Significant Accounting Policies (Continued)

(b) Changes in accounting policies (continued)

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

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

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 1 January 2023 and must be applied retrospectively. The amendments are not expected to have a significant impact on the Bank's financial statements.

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

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

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

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

FirstCaribbean International Bank (Jamaica) Limited

2. Summary of Significant Accounting Policies (Continued)

(b) Changes in accounting policies (continued)

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

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

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

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

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

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

The amendments are effective for annual reporting periods beginning on or after 1 January 2023. The Bank is currently assessing the impact of these amendments on the financial statements.

2. Summary of Significant Accounting Policies (Continued)

(b) Changes in accounting policies (continued)

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

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

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

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

The amendments are effective for annual reporting periods beginning on or after 1 January 2024. The 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 1 January 2025. The Bank is currently assessing the impact of these amendments and plans to adopt the new amendment on the required effective date.

FirstCaribbean International Bank (Jamaica) Limited

2. Summary of Significant Accounting Policies (Continued)

(c) Segment reporting

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

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

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

(d) Foreign currency translation

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

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

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

(e) Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

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

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

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

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

FirstCaribbean International Bank (Jamaica) Limited

2. Summary of Significant Accounting Policies (Continued)

(e) Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement (continued)

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

- Differences in timing of cash flows of hedged items and hedging instruments;
- Different interest rate curves applied to discount the hedged items and hedging instruments;
- Derivatives used as hedging instruments having a non-nil fair value at the time of designation; and
- The effect of changes in counterparties' credit risk on the fair values of hedging instruments or hedged items.

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

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

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

(ii) Cash flow hedge
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the statement of income. The Bank has not entered into any cash flow hedge arrangements during the financial year. Amounts accumulated in other comprehensive income are recycled to the statement of income in the periods in which the hedged item will affect profit or loss (for example, when the forecast sale that is hedged takes place). When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in other comprehensive income at that time remains in other comprehensive income and is recognised when the forecast transaction is ultimately recognised in the statement of income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to the statement of income.
Certain derivative instruments do not qualify for hedge accounting or are not so designated, and changes in the fair value of these derivatives are included in net trading income or losses in the statement of income.

FirstCaribbean International Bank (Jamaica) Limited

2. Summary of Significant Accounting Policies (Continued)

(e) Derivative financial instruments and hedge accounting (continued)

IBOR Reform Phase 1 and Phase 2

The Bank applied IBOR reform Phase 1 and Phase 2 for the first time in the year ended 31 October 2021. During the period prior to the replacement of Interbank Offered Rates (IBORs) with an alternative risk-free rate (RFR), IBOR reform Phase 1 provides reliefs, which the Bank applies for hedging relationships directly affected by interest rate benchmark reform during the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate (RFR).

IBOR reform Phase 2 provides temporary reliefs that allow the Bank's hedging relationships to continue upon the replacement of an existing interest rate benchmark with a RFR. A hedging relationship is affected if IBOR reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. The reliefs require that for the purpose of determining whether a forecast transaction is highly probable, it is assumed that the IBOR on which the hedged cash flows are based is not altered as a result of IBOR reform.

IBOR reform Phase 1 requires that for hedging relationships affected by IBOR reform, the Bank must assume that for the purpose of assessing expected future hedge effectiveness, the interest rate is not altered as a result of IBOR reform. Also, the Bank is not required to discontinue the hedging relationship if the results of the assessment of retrospective hedge effectiveness fall outside the range of 80% to 125%, although any hedge ineffectiveness must be recognised in profit or loss, as normal.

The reliefs cease to apply once certain conditions are met. These include when the uncertainty arising from IBOR reform is no longer present with respect to the timing and amount of the benchmark-based cash flows of the hedged item, if the hedging relationship is discontinued or once amounts in the cash flow hedge reserve have been released.

(f) Financial instruments: financial assets and liabilities

Date of recognition

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

Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value, except in the case of financial assets and financial liabilities not recorded at FVPL, where transaction costs are added to, or subtracted from, this amount. Trade receivables are measured at the transaction price. When the fair value of financial instruments at initial recognition differs from the transaction price, the Bank accounts for the Day 1 profit or loss, as described below.

FirstCaribbean International Bank (Jamaica) Limited

2. Summary of Significant Accounting Policies (Continued)

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

Day 1 profit or loss

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

Measurement categories of financial assets and liabilities

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

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

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

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

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

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

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

2. Summary of Significant Accounting Policies (Continued)

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

Business model assessment (continued)

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

The SPPI test

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

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

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

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

Derivatives recorded at fair value through profit or loss

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

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract (i.e., the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts expected to have a similar response to changes in market factors.
- It is settled at a future date.

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

2. Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

2. Summary of Significant Accounting Policies (Continued)

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

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

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

- The liabilities (and assets until 1 November 2017 under IAS 39) are part of a group of financial liabilities (or financial assets, or both under IAS 39), which are managed, and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, or

- The liabilities (and assets until 1 November 2017 under IAS 39) containing one or more embedded derivatives, unless they do not significantly modify the cash flows that would otherwise be required by the contract, or it is clear with little or no analysis when a similar instrument is first considered that separation of the embedded derivative(s) is prohibited.

Financial assets and financial liabilities at FVPL are recorded in the statement of financial position at fair value. Changes in fair value are recorded in profit and loss with the exception of movements in fair value of liabilities designated at FVPL due to changes in the Bank's own credit risk. Such changes in fair value are recorded in the Own credit reserve through OCI and do not get recycled to the profit or loss. Interest earned or incurred on instruments designated at FVPL is accrued in interest income or interest expense, respectively, using the EIR, taking into account any discount/ premium and qualifying transaction costs being an integral part of instrument. Interest earned on assets mandatorily required to be measured at FVPL is recorded using contractual interest rate. Dividend income from equity instruments measured at FVPL is recorded in profit or loss as other operating income when the right to the payment has been established.

Financial guarantees, letters of credit and undrawn loan commitments

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

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

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

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

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

FirstCaribbean International Bank (Jamaica) Limited

2. Summary of Significant Accounting Policies (Continued)

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

Financial guarantees, letters of credit and undrawn loan commitments (continued)
The Bank occasionally issues loan commitments at below market interest rates. Such commitments are subsequently measured at the higher of the amount of the ECL allowance and the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

Reclassification of financial assets and liabilities
The Bank does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Bank acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified. The Bank did not reclassify any of its financial assets or liabilities in 2022.

(g) Cash and cash equivalents

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

(h) Offsetting financial instruments

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

(i) Impairment of financial assets

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

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months’ expected credit loss (12mECL) as outlined in Notes 7 and 8. The Bank’s policies for determining if there has been a significant increase in credit risk are set out below.

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

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

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

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2. Summary of Significant Accounting Policies (Continued)

(i) Impairment of financial assets (continued)

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

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

- **Stage 1:** When loans are first recognised, the Bank recognises an allowance based on 12mECLs. Stage 1 loans also include facilities where the credit risk has improved, and the loan has been reclassified from Stage 2.

- **Stage 2:** When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. Stage 2 loans also include facilities, where the credit risk has improved, and the loan has been reclassified from Stage 3.

- **Stage 3:** Loans considered credit-impaired (as outlined in Note 8). The Bank records an allowance for the LTECLs.

- **POCI:** Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit adjusted EIR. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

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

The calculation of ECLs

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

2. Summary of Significant Accounting Policies (Continued)

(i) Impairment of financial assets (continued)

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

- **PD** - The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period if the facility has not been previously derecognised and is still in the portfolio. The concept of PDs is further explained in Note 33.
- **EAD** - The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments. The EAD is further explained in Note 33.
- **LGD** - The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD. The LGD is further explained in Note 33.

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

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

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

The mechanics of the ECL method are summarised below:

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

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

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

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2. Summary of Significant Accounting Policies (Continued)

(i) Impairment of financial assets (continued)

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

- **Loan commitments and letters of credit:** When estimating 12mECL for undrawn loan commitments, the Bank applies the PD and LGD to the undrawn amount, and this amount is discounted at an approximation to the expected EIR on the loan.

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

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

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

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

2. Summary of Significant Accounting Policies (Continued)

(i) Impairment of financial assets (continued)

The ongoing assessment of whether a significant increase in credit risk has occurred for revolving facilities is similar to other lending products. This is based on shifts in the customer's internal credit grade or history of delinquency, as explained in Note 33 but greater emphasis is also given to qualitative factors such as changes in usage.

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

Forward looking information

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

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

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

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material. The use of management overlays requires the application of significant expert judgment that may impact the amount and timing of the ECL allowance being recognized. As such overlays, are continuously reviewed for relevance and accuracy. Detailed information about these inputs and sensitivity analysis are provided in Note 33.

Collateral valuation

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

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

FirstCaribbean International Bank (Jamaica) Limited

2. Summary of Significant Accounting Policies (Continued)

(i) Impairment of financial assets (continued)

Collateral repossessed

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

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

Write-offs

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

Forborne and modified loans

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

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

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2. Summary of Significant Accounting Policies (Continued)

(i) Impairment of financial assets (continued)

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

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

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

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

(j) Derecognition of financial assets and liabilities

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

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

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

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

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2. Summary of Significant Accounting Policies (Continued)

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

Derecognition other than for substantial modification

Financial assets

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

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

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

A transfer only qualifies for derecognition if either:

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

FirstCaribbean International Bank (Jamaica) Limited

2. Summary of Significant Accounting Policies (Continued)

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

Derecognition other than for substantial modification (continued)

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

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

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

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

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

(k) Sale and repurchase agreements and lending of securities

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

FirstCaribbean International Bank (Jamaica) Limited

2. Summary of Significant Accounting Policies (Continued)

(l) Earnings per stock unit

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

(m) Property and equipment

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

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

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

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

The annual rates used are:

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

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

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on disposal of property and equipment are determined by reference to its carrying amount and are taken into account in determining net income.

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

2. Summary of Significant Accounting Policies (Continued)

(n) Leases

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

(i) As lessee

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

Right-of-use assets

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

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

Lease liabilities

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

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

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

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

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Notes to the Financial Statements
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2. Summary of Significant Accounting Policies (Continued)

(n) Leases (continued)

(i) As lessee (continued)

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

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

Estimating the incremental borrowing rate

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

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

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

(ii) As lessor

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

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Notes to the Financial Statements
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2. Summary of Significant Accounting Policies (Continued)

(n) Leases (continued)

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

Amounts due from lessees under finance leases mainly relate to the leasing of vehicles and equipment and are recorded under loans and advances to customers in the statement of financial position at the amount of the net investment in the leases. At the commencement of the lease term, the Bank recognizes finance leases at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. To calculate the present value of the lease payments the interest rate stipulated in the finance lease is used. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Bank's net investment in the lease.

(o) Transactions with jointly controlled entities

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

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

(p) Provisions

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

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

(q) Income and deferred taxes

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

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

2. Summary of Significant Accounting Policies (Continued)

(q) Income and deferred taxes (continued)

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

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

Significant estimates are required in determining the provision for taxes. Where the final tax outcome is different from the amounts that were initially recorded, such differences will affect the income tax and deferred tax provisions in the period in which such determination is made. Uncertainty in tax positions may arise as tax legislation is subject to interpretation. Estimating uncertain tax provisions requires management judgement to be applied in the interpretation of tax laws. This includes significant judgement in the determination of whether it is probable that the Bank's tax filing positions will be sustained relating to certain complex tax positions, when probable, the measurement of such provision when recognised.

(r) Customer loyalty programme

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

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2. Summary of Significant Accounting Policies (Continued)

(s) Retirement benefit obligations

(i) Pension obligations

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

A defined benefit plan is a pension plan that defines an amount of pension benefit to be provided, usually as a function of one or more factors such as age, years of service or compensation. The asset recognised in the statement of financial position in respect of the defined benefit pension plan is the difference between the present value of the defined benefit obligation at the reporting date and the fair value of plan assets, together with adjustments for unrecognised actuarial gains and losses and past service cost. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by the estimated future cash outflows using interest rates of government securities which have terms to maturity approximating the terms of the related liability.

Re-measurements, comprising where applicable actuarial gains and losses, the effect of the asset ceiling, excluding net interest and the return on plan assets (excluding net interest), are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. 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 cost

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Bank recognises the following changes in the net defined benefit obligation as part of staff costs expenses in the statement of income:
- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- Net interest expense or income

A defined contribution plan is a pension plan under which the Bank pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The regular contributions constitute net periodic costs for the year in which they are due and as such are included in staff costs. The Bank's contributions to defined contribution pension plans are charged to the statement of income in the year to which they relate.

(ii) Other post-retirement obligations

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

FirstCaribbean International Bank (Jamaica) Limited

Notes to the Financial Statements
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2. Summary of Significant Accounting Policies (Continued)

(s) Retirement benefit obligations (continued)

(iii) Annual leave and other benefits

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

(t) Recognition of income and expenses

(i) Interest and similar income and expense

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

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

Interest income is recorded using the effective interest rate (EIR) method for all financial instruments measured at amortised cost and financial instruments designated at FVPL. Interest income on interest bearing financial assets measured at FVOCI under IFRS 9, are also recorded by using the EIR method. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

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

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

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

FirstCaribbean International Bank (Jamaica) Limited

2. Summary of Significant Accounting Policies (Continued)

(t) Recognition of income and expenses (continued)

(ii) Fee and commission income

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

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

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

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

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

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

2. Summary of Significant Accounting Policies (Continued)

(u) Fair value measurement

The Bank measures financial instruments, such as, derivatives, and FVOCI debt securities at fair value at each statement of financial position date. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 33. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

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

The principal or the most advantageous market must be accessible to the Bank.

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

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

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

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

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

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

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3. Cash and Balances with Central Bank

	2023 $'000	2022 $'000
Cash	4,600,250	2,282,665
Deposits with Central Bank – interest bearing	19,912,883	16,668,074
Deposits with Central Bank – non-interest bearing	3,860,000	2,660,000
	28,373,133	21,610,739
Interest receivable	14,759	9,905
	28,387,892	21,620,644

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

	2023	2022
Jamaica dollar denominated cash reserves	6%	5%
Foreign currency denominated reserves	14%	13%

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

	2023 $'000	2022 $'000
Cash and balances with Central Bank	28,373,133	21,610,739
Less: Mandatory reserve deposits with Central Bank (Note 31)	(13,953,372)	(11,960,838)
	14,419,761	9,649,901
Due from other banks (Note 4)	6,498,994	7,143,433
	20,918,755	16,793,334

4. Due From Other Banks

	2023 $'000	2022 $'000
Placements (Note 3)	6,498,994	7,143,433
Interest receivable	3,199	1,218
	6,502,193	7,144,651

Included in placements are non-interest bearing deposits with the ultimate parent company of $591,512,000 (2022 – $395,659,000) (Note 28).

FirstCaribbean International Bank (Jamaica) Limited

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5. Derivative Financial Instruments

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

	Notional Amount	Fair Values	
		Assets	Liabilities
	US$'000	J$'000	J$'000
As at 31 October 2023			
Interest rate swap	113,083	468,768	427,950
As at 31 October 2022			
Interest rate zero cost collar	77,634	504,084	504,084

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

Interest rate zero cost collar
An interest rate zero cost collar is a contractual agreement between two parties to pay or receive a specified amount calculated from movements in interest rates, above a specified cap or below a specified floor.

6. Other Assets

	2023	2022
	$'000	$'000
Prepayments and deferred items	126,424	121,105
Withholding tax recoverable	-	46,592
Items in transit, net	294,706	-
Other	18,855	17,720
	439,985	185,417

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7. Investment Securities

	2023 $'000	2022 $'000
Debt securities measured at FVOCI		
Government securities	33,889,631	31,385,087
Equity securities – unquoted (see note below)	5,034	5,034
Total securities at FVOCI	33,894,665	31,390,121
Add: Interest receivable	1,236	13,120
Balance at end of period	33,895,901	31,403,241

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

The average effective yield during the year on debt securities was 5.17% (2022 – 3.07%).

The movement in investment securities may be summarised as follows:

	2023 $'000	2022 $'000
Balance at the beginning of the year	31,390,121	8,952,525
Additions	79,571,481	47,729,368
Changes in fair value	3,864	(45,466)
Amortisation of discount on purchases	(8,457)	(153,909)
Disposals/maturities	(77,062,344)	(25,092,397)
Balance at end of the year	33,894,665	31,390,121

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7. Investment Securities (Continued)

Allowance for credit losses on investment securities

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

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

	Stage 1	Stage 2	Stage 3	2022
	Collective provision 12 month ECL non-credit impaired $'000	Collective provision lifetime ECL non-credit impaired $'000	Collective and individual provision lifetime ECL credit impaired $'000	Total $'000
Debt securities measured at FVOCI				
Balance at beginning of period	85,034	20,653	-	105,687
Originations net of repayments and other derecognitions	15,688	-	-	15,688
Net remeasurement	(39,532)	(7,628)	-	(47,160)
Credit loss expense	(23,844)	(7,628)	-	(31,472)
Foreign exchange revaluation	(75)	-	-	(75)
Balance at end of period	61,115	13,025	-	74,140

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8. Loans and Advances to Customers

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

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8. Loans and Advances to Customers (Continued)

	Stage 1	Stage 2	Stage 3	2022
	Collective Provision 12 month ECL non-credit impaired $'000	Collective Provision lifetime ECL non-credit impaired $'000	Collective and individual Provision lifetime ECL credit impaired $'000	Total $'000
Mortgages				
Gross loans	14,060,205	936,448	192,537	15,189,190
ECL allowance	(44,193)	(14,147)	(92,691)	(151,031)
Net mortgages	14,016,012	922,301	99,846	15,038,159
Personal loans				
Gross loans	11,170,814	538,735	901,158	12,610,707
ECL allowance	(256,058)	(48,691)	(657,380)	(962,129)
Net personal loans	10,914,756	490,044	243,778	11,648,578
Business & Government				
Gross loans	46,814,149	4,459,096	492,568	51,765,813
ECL allowance	(865,362)	(205,772)	(229,792)	(1,300,926)
Net business and government loans	45,948,787	4,253,324	262,776	50,464,887
Total net loans	70,879,555	5,665,669	606,400	77,151,624
Add: Interest receivable				404,902
Less: Unearned fee income				(620,027)
				76,936,499

The average interest yield during the year on loans and advances was 8.47% (2022 – 7.28%).

Impaired loans

			2023			2022
	Gross impaired	Stage 3 allowance	Net impaired	Gross impaired	Stage 3 allowance	Net impaired
Residential mortgages	183,530	126,004	57,526	192,537	92,691	99,846
Personal	338,327	203,929	134,398	901,158	657,380	243,778
Business & Government	316,235	95,758	220,477	492,568	229,792	262,776
Total impaired loans	838,092	425,691	412,401	1,586,263	979,863	606,400

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8. Loans and Advances to Customers (Continued)

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

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

As at 31 October 2022	Mortgages $'000	Personal Loans $'000	Business & Government $'000	Total $'000
Less than 30 days	5,000	78,780	75,902	159,682
31 – 60 days	388,749	181,800	67,569	638,118
61- 90 days	350,571	132,714	74,690	557,975
	744,320	393,294	218,161	1,355,775

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

	2023 $'000	2022 $'000
Specific allowance	425,691	979,863
General allowance	862,900	1,434,223
	1,288,591	2,414,086

As at 31 October 2023, loans with principal balances outstanding of $838,092,000 (2022: $1,586,263,000) were in non-performing status. Interest receivable on these loans amounted to $Nil (2022: $Nil). Interest taken to income in respect of these loans amounted to $13,653,000 (2022: $15,164,000).

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8. Loans and Advances to Customers (Continued)

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

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

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8. Loans and Advances to Customers (Continued)

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

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

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8. Loans and Advances to Customers (Continued)

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

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

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8. Loans and Advances to Customers (Continued)

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

	Stage 1	Stage 2	Stage 3	2022
	Collective Provision 12 month ECL non-credit impaired $'000	**Collective Provision lifetime ECL non-credit impaired $'000**	**Collective and individual provision lifetime ECL credit impaired $'000**	**Total $'000**
Mortgages				
Balance at beginning of period	81,076	57,739	129,248	268,063
Originations net of repayments and other derecognitions	7,054	(206)	(12,374)	(5,526)
Changes in model	(24,220)	(6,557)	-	(30,777)
Net remeasurement	(55,526)	1,833	10,397	(43,296)
Transfers:				
- to 12-month ECL	39,790	(39,790)	-	-
- to lifetime ECL performing	(3,475)	3,475	-	-
- to lifetime ECL credit-impaired	(28)	(2,027)	2,055	-
Credit loss	(36,405)	(43,272)	78	(79,599)
Provision for time value interest	-	-	9,982	9,982
Total credit loss expense	(36,405)	(43,272)	10,060	(69,617)
Write-offs	-	-	(36,920)	(36,920)
Interest income on impaired loans	-	-	(9,982)	(9,982)
Foreign exchange revaluation	(478)	(320)	285	(513)
Balance at end of year	44,193	14,147	92,691	151,031
Personal Loans				
Balance at beginning of period	235,017	89,795	509,952	834,764
Originations net of repayments and other derecognitions	37,247	(1,877)	(21,457)	13,913
Changes in model	(95,507)	(10,485)	-	(105,992)
Net remeasurement	47,881	17,535	256,237	321,653
Transfers:				
- to 12-month ECL	45,919	(44,563)	(1,356)	-
- to lifetime ECL performing	(12,301)	12,756	(455)	-
- to lifetime ECL credit-impaired	(491)	(13,909)	14,400	-
Credit loss expense	22,748	(40,543)	247,369	229,574
Provision for time value interest	-	-	21,924	21,924
Total credit loss expense	22,748	(40,543)	269,293	251,498
Write-offs/adjustments	-	-	(150,292)	(150,292)
Recoveries	-	-	44,197	44,197
Interest income on impaired loans	-	-	(23,039)	(23,039)
Foreign exchange revaluation	(1,707)	(561)	7,269	5,001
Balance at end of year	256,058	48,691	657,380	962,129

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8. Loans and Advances to Customers (Continued)

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

	Stage 1	Stage 2	Stage 3	2022
	Collective provision 12 month ECL non-credit impaired $'000	Collective provision lifetime ECL non-credit impaired $'000	Collective and Individual Provision lifetime ECL credit impaired $'000	Total $'000
Business and Government				
Balance at beginning of period	918,547	229,894	204,623	1,353,064
Originations net of repayments and other derecognitions	112,934	33,857	(25,384)	121,407
Changes in model	(33,606)	(7,960)	-	(41,566)
Net remeasurement	(152,174)	(16,330)	47,148	(121,356)
Transfers:				
- to 12-month ECL	37,483	(28,593)	(8,890)	-
- to lifetime ECL performing	(19,333)	21,588	(2,255)	-
- to lifetime ECL credit-impaired	(784)	(27,341)	28,125	-
Credit loss expense	(55,480)	(24,779)	38,744	(41,515)
Provision for time value interest	-	-	13,471	13,471
Total credit loss expense	(55,480)	(24,779)	52,215	(28,044)
Write-offs	-	-	9,101	9,101
Interest income on impaired loans	-	-	(27,520)	(27,520)
Foreign exchange revaluation	2,295	657	(8,627)	(5,675)
Balance at end of year	865,362	205,772	229,792	1,300,926
Total ECL allowance	1,165,613	268,610	979,863	2,414,086

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8. Loans and Advances to Customers (Continued)

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

	Stage 1	Stage 2	Stage 3	2022
	Collective provision 12 month ECL non-credit impaired $'000	Collective provision lifetime ECL non-credit impaired $'000	Collective and individual provision lifetime ECL credit impaired $'000	Total $'000
Total Bank				
Balance at beginning of period	1,234,640	377,428	843,823	2,455,891
Originations net of repayments and other derecognitions	157,235	31,774	(59,215)	129,794
Changes in model	(153,333)	(25,002)	-	(178,335)
Net remeasurement	(159,819)	3,038	313,782	157,001
Transfers:				
- to 12-month ECL	123,192	(112,946)	(10,246)	-
- to lifetime ECL performing	(35,109)	37,819	(2,710)	-
- to lifetime ECL credit-impaired	(1,303)	(43,277)	44,580	-
Credit loss expense	(69,137)	(108,594)	286,191	108,460
Provision for time value interest	-	-	45,377	45,377
Total credit loss expense	(69,137)	(108,594)	331,568	153,837
Write-offs/adjustments	-	-	(178,111)	(178,111)
Recoveries	-	-	44,197	44,197
Interest income on impaired loans	-	-	(60,541)	(60,541)
Foreign exchange revaluation	110	(224)	(1,073)	(1,187)
Balance at end of year	1,165,613	268,610	979,863	2,414,086
Comprises:				
Loans	1,098,803	261,720	979,863	2,340,386
Undrawn credit facilities and other	66,810	6,890	-	73,700
Total ECL allowance	1,165,613	268,610	979,863	2,414,086

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9. Property and Equipment

	Land $'000	Buildings $'000	Leasehold Improvements $'000	Equipment, Furniture and Vehicles $'000	Right-of-Use-Assets-Buildings $'000	Total $'000
			2023			
Cost						
1 November 2022	55,000	411,560	445,499	3,940,526	1,178,395	6,030,980
Additions	-	45,508	7,399	837,930	7,160	897,997
Disposals/ adjustments	-	-	(7,004)	(62,643)	(2,296)	(71,943)
Modifications	-	-	-	-	950,366	950,366
Transfers	-	11,460	17,890	(29,350)	-	-
31 October 2023	55,0000	468,528	463,784	4,686,463	2,133,625	7,807,400
Accumulated depreciation						
1 November 2022	-	102,443	285,181	2,631,353	905,644	3,924,621
Charge for the year (Note 24)	-	11,083	34,620	326,739	346,748	719,190
Relieved on disposals	-	-	(6,912)	(61,191)	(2,087)	(70,190)
31 October 2023	-	113,526	312,889	2,896,901	1,250,305	4,573,621
Net book value						
31 October 2023	55,000	355,002	150,895	1,789,562	883,320	3,233,779
			2022			
Cost						
1 November 2021	55,000	404,428	427,863	3,646,121	1,062,697	5,596,109
Additions	-	1,125	14,439	476,717	-	492,281
Disposals/ adjustments	-	-	(36,833)	(136,275)	(38,234)	(211,342)
Modifications					153,932	153,932
Transfers	-	6,007	40,030	(46,037)	-	-
31 October 2022	55,000	411,560	445,499	3,940,526	1,178,395	6,030,980
Accumulated depreciation						
1 November 2021	-	92,300	291,042	2,441,945	618,955	3,444,242
Charge for the year (Note 24)	-	10,143	30,707	320,373	324,667	685,890
Relieved on disposals	-	-	(36,568)	(130,965)	(37,978)	(205,511)
31 October 2022	-	102,443	285,181	2,631,353	905,644	3,924,621
Net book value						
31 October 2022	55,000	309,117	160,318	1,309,173	272,751	2,106,359

9. Property and Equipment (Continued)

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

Included in the table above are amounts totaling $14,430,000 (2022 – $14,430,000) representing the revalued amount of land and buildings which has been used as the deemed cost of these assets under the provision of IFRS 1 on transition to IFRS on 1 November 2002. Subsequent additions and other property and equipment are shown at cost. Equipment, furniture, and vehicles include $475,846,000 (2022 - $229,630,000) relating to work-in-progress on which no depreciation has been charged.

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

	2023 $'000	**2022 $'000**
As at 1 November	353,260	528,424
Additions	7,160	-
Terminations	(510)	-
Modification	950,366	153,932
	1,310,276	682,356
Accretion of interest (Note 21)	23,028	16,313
Payments	(367,153)	(343,803)
Revaluation	11,300	(1,606)
As at 31 October	977,451	353,260

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

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

	2023 $'000	**2022 $'000**
Expenses relating to leases of low-value assets not shown above as short-term	39,169	36,562

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

The Bank had total cash outflows for leases of $367,153,000 (2022: $343,803,000) as at 31 October 2023.

FirstCaribbean International Bank (Jamaica) Limited

10. Deferred Income Taxes

Deferred income taxes are calculated on all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes using the statutory tax rate of 33⅓%% (2022 - 33⅓%).

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

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

	2023 $'000	2022 $'000
Balance as at 1 November	(188,326)	258,512
Charge to the statement of income (Note 25)	(224,112)	(108,297)
Credit/(Charge) to other comprehensive income (Note 27)	530,704	(338,541)
Balance as at 31 October	118,266	(188,326)

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

	2023 $'000	2022 $'000
Deferred tax assets:		
Expected credit loss allowances	302,812	502,788
Post-retirement medical and insurance benefits	23,990	24,078
Unearned fees	228,997	206,676
Other provisions	47,272	50,086
	603,071	783,628
Deferred tax liabilities:		
Accelerated tax depreciation	138,894	108,842
Retirement benefit asset	334,605	843,650
Debt securities at FVOCI	11,306	19,462
	484,805	971,954
Net deferred tax asset/(liability)	118,266	(188,326)

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11. Retirement Benefit Asset (Obligation)

Plan Characteristics, funding, and risks

The Bank operates a pension scheme covering all permanent employees. The pension benefit is based on the average of the best five consecutive years' earnings in the last ten years, multiplied by the years of credited service. The assets of the plan are held independently of the Bank's assets in a separate trustee fund. The scheme is valued by independent actuaries annually using the Projected Unit Credit Method. The latest actuarial valuation for IFRS purposes was carried out as at 31 October 2023.

Benefit changes

There were no material changes to the terms of the 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 risks) and health care cost inflation risks arising in the relevant sectors.

Plan Governance

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

Amounts recognized in the statement of financial position:

	2023 $'000	2022 $'000
Defined benefit pension scheme (Note 11(a))	1,032,709	2,530,949
Other post-retirement benefits (Note 11(b))	(78,802)	(72,234)

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11. Retirement Benefit Asset (Obligation) (Continued)

(a) Defined benefit pension scheme

	2023 $'000	2022 $'000
Fair value of plan asset	5,785,268	5,652,776
Present value of funded obligation	(4,752,559)	(3,121,827)
Asset in the statement of financial position	1,032,709	2,530,949

At 31 October 2023, pension plan assets include the Parent's ordinary stock units with a fair value of $46,843,000 (2022 – $37,757,000).

	2023 $'000	2022 $'000
Balance at 1 November	2,530,949	1,543,916
Credit for the year (Note 23)	201,999	16,819
Employer Contribution	(134,407)	(111,729)
Effect on statement of other comprehensive income (Note 27)	(1,565,832)	1,081,943
Balance at 31 October	1,032,709	2,530,949

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

	2023 $'000	2022 $'000
Current service cost	51,338	86,111
Interest cost	346,348	365,740
Interest income	(629,679)	(499,664)
Administration and other non-plan investment management expenses	29,994	30,994
Included in staff costs (Note 23)	(201,999)	(16,819)
Actual return on plan assets	517,103	303,430

FirstCaribbean International Bank (Jamaica) Limited

11. Retirement Benefit Asset (Obligation) (Continued)

(a) Defined benefit pension scheme (continued)

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

	2023 $'000	2022 $'000
Fair value of plan asset at start of year	5,652,776	5,723,321
Actual return on plan asset	517,103	303,430
Employer contributions (including direct benefit payments for unfunded plans)	(134,407)	(111,729)
Benefits paid during year	(220,210)	(231,252)
Administration and other non-plan investment management expenses	(29,994)	(30,994)
Fair value of plan asset at end of year	5,785,268	5,652,776

Changes in the present value of obligation are as follows:

	2023 $'000	2022 $'000
Present value of obligation at start of year	3,121,827	4,179,405
Interest cost	346,348	365,740
Current service cost	51,338	86,111
Benefits paid during year	(220,210)	(231,252)
Actuarial loss/(gain) on plan obligation	1,453,256	(1,278,177)
Present value of obligation at end of year	4,752,559	3,121,827

The Bank expects to contribute $50,000 (2022 - $50,000) to its defined benefit pension plan in the next year.

FirstCaribbean International Bank (Jamaica) Limited

11. Retirement Benefit Asset (Obligation) (Continued)

(a) Defined benefit pension scheme (continued)

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

	2023 $'000	2022 $'000
Actuarial gains/(losses) on defined benefit obligation arising from:		
- Financial assumptions	(1,298,415)	1,768,464
- Experience adjustments	(154,841)	(490,287)
Return on plan assets excluding interest income	(112,576)	(196,234)
Net remeasurement (losses)/gains recognized in OCI	(1,565,832)	1,081,943

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

	2023 $'000	2022 $'000
Active members	2,577,506	1,618,956
Inactive and retired members	2,175,053	1,502,871
	4,752,559	3,121,827

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

	2023	2022
Average duration, in years	14	12

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

	2023 %	2022 %
Quoted equity instruments:		
Local	17	15
International	1	1
Quoted debt instruments:		
Government bonds	21	25
Corporate bonds	14	16
Real estate	28	29
Other assets	19	14
	100	100

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11. Retirement Benefit Asset (Obligation) (Continued)

(a) Defined benefit pension scheme (continued)

The principal actuarial assumptions used were as follows:

	2023	2022
	%	%
Discount rate	11.50%	11.50%
Future salary increases	8.50%	6.50%
Future pension increases	6.38%	3.75%
Existing retiree age	65	65

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

	2023 $'000	2022 $'000	2021 $'000	2020 $'000	2019 $'000
Fair value of plan assets	5,785,268	5,652,776	5,723,321	5,304,505	5,653,567
Present value of obligation	(4,752,559)	(3,121,827)	(4,179,405)	(3,787,853)	(4,118,420)
	1,032,709	2,530,949	1,543,916	1,516,652	1,535,147

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

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

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11. Retirement Benefit Asset (Obligation) (Continued)

(a) Defined benefit pension scheme (continued)

A quantitative sensitivity analysis for significant assumptions as at 31 October 2022 is shown below:

Assumption	Sensitivity level	Impact on net defined benefit pension plans	
		Increase	Decrease
		$'000	$'000
Discount rate	1.00%	359,087	398,444
Future salary increases	0.50%	36,100	59,262
Future pension increases	0.50%	123,982	146,631
Existing retiree age	1 year	79,133	N/A

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

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

	2023	2022
	$'000	$'000
Within the next 12 months	150,929	131,729
Between 1 and 5 years	875,687	748,653
Between 5 and 10 years	1,995,395	1,508,061
Total expected payment	3,022,011	2,388,443

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11. Retirement Benefit Asset (Obligation) (Continued)

(b) Post-retirement medical benefits

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

In addition to the assumptions used for the pension scheme, the main actuarial assumption is a long-term increase in health costs of 6% per year (2022: 6%).

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

Assumption	Sensitivity level	Impact on post-retirement medical benefits	
		Increase $'000	Decrease $'000
Discount rate	1.00%	4,680	5,251
Medical premium inflation	1.00%	5,389	4,867
Existing retiree age	1 year	2,541	N/A

A quantitative sensitivity analysis for significant assumptions as at 31 October 2022 is as shown below:

Assumption	Sensitivity level	Impact on post-retirement medical benefits	
		Increase $'000	Decrease $'000
Discount rate	1.00%	4,485	5,055
Medical premium inflation	1.00%	5,193	4,667
Existing retiree age	1 year	2,235	N/A

	2023 $'000	2022 $'000
Present value of unfunded obligations and liability in the statement of financial position	78,802	72,234

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

(b) Post-retirement medical benefits (continued)

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

	2023 $'000	**2022 $'000**
Within the next 12 months	8,565	7,545
Between 1 and 5 years	39,754	34,997
Between 5 and 10 years	47,460	43,359
Total expected payment	95,779	85,901

	2023 $'000	**2022 $'000**
Obligation at beginning of year	72,234	79,028
Charge for the year (Note 23)	8,114	6,972
Employer contributions	(3,359)	(3,124)
Effect of statement of other comprehensive income (Note 27)	1,813	(10,642)
Obligation at end of year	78,802	72,234

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

	2023 $'000	**2022 $'000**
Interest cost	8,114	6,972
Total included in staff costs (Note 23)	8,114	6,972

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

	2023 $'000	**2022 $'000**
Actuarial gains on defined benefit obligation arising from:		
- Experience adjustments	1,813	(10,642)
Net re-measurement losses (gains) recognized in OCI	1,813	(10,642)

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

(b) Post-retirement medical benefits (continued)

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

	2023 $'000	2022 $'000
Inactive and retired members	78,802	72,234

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

	2023	2022
Average duration, in years	6	7

12. Customer Deposits

	2023 $'000	2022 $'000
Individuals	30,886,149	45,126,102
Business and Government	85,789,160	55,866,624
Banks	28,354,298	24,131,432
	145,029,607	125,124,158
Interest payable	660,272	249,926
	145,689,879	125,374,084

13. Other Liabilities

	2023 $'000	2022 $'000
Accounts payable and accruals	1,145,506	1,083,417
Lease liability (Note 9)	977,451	353,260
Due to related parties	188,298	151,753
Items in transit, net	251,332	445,950
Other taxation payable	124,899	62,887
	2,687,486	2,097,267

During the year, net additions to the severance provisions totaled $nil (2022 - $32,412,000) and payments from the severance provision totaled $5,415,000 (2022 - $93,645,000).

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14. Share Capital and Reserves

	2023 No. of shares (000)	2022 No. of shares (000)
Share Capital		
Authorised -		
Ordinary shares of no par value (1)	300,000	300,000
'A' ordinary shares of no par value (1)	900,000	900,000
	1,200,000	1,200,000

These shares rank pari passu.

	2023 $'000	2022 $'000
Issued and fully paid -		
265,756,730 (2022: 265,756,730) ordinary stock units of no par value	1,396,667	1,396,667
264,000,000 (2022: 264,000,000) 'A' ordinary shares of no par value:	3,533,591	3,533,591
	4,930,258	4,930,258

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14. Share Capital and Reserves (Continued)

Objectives, policies, and procedures

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

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

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

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

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

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

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

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

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14. Share Capital and Reserves (Continued)

Objectives, policies, and procedures (continued)

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

Tier 1 and Total Capital ratios were 15.94% and 15.94%, respectively (2022: 15.44% and 15.44%).

Reserves

	2023 $'000	2022 $'000
Capital reserves (Note 15)	12,833	12,833
Retirement benefit reserve (Note 16)	708,687	1,753,784
Statutory reserve fund (Note 17)	3,326,667	3,256,667
Retained earnings reserve (Note 18)	4,495,463	3,261,163
General reserve (Note 19)	45,522	45,522
Fair value reserves – debt instruments through OCI (Note 20)	22,610	38,923
Total reserves at end of the year	8,611,782	8,368,892

15. Capital Reserves

	2023 $'000	2022 $'000
Comprised:		
Unrealised –		
Surplus on revaluation of premises	5,493	5,493
Realised –		
Profit on sale of property and equipment	7,340	7,340
Balance at end of year	12,833	12,833

16. Retirement Benefit Reserve

	2023 $'000	2022 $'000
Balance at beginning of year	1,753,784	1,025,394
Re-measurement gains on retirement benefit plans during the year (Note 27)	(1,045,097)	728,390
Balance at end of year	708,687	1,753,784

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

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17. Statutory Reserve Fund

	2023 $'000	2022 $'000
Balance at beginning of the year	3,256,667	3,206,667
Transfer from retained earnings	70,000	50,000
Balance at end of the year	3,326,667	3,256,667

The fund is maintained in accordance with the Banking Services Act, 2014. The Bank is required to make transfers of a minimum of 15% of net profit until the amount in the fund is equal to 50% of the paid-up capital of the Bank and thereafter 10% of the net profits until the reserve fund is not less than paid up share capital. The Board of Directors approved the transfer of $113,000,000 (2022: $70,000,000) from retained earnings to the statutory reserve fund effective 31 January 2024. The transfer is based on the net profits for the year ended 31 October 2023.

18. Retained Earnings Reserve

	2023 $'000	2022 $'000
Balance at beginning of the year	3,261,163	2,861,163
Transfer from retained earnings	1,234,300	400,000
Balance at end of the year	4,495,463	3,261,163

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

Transfers to the retained earnings reserve are made at the discretion of the Board; such transfers must be reported to the Bank of Jamaica. During the year, the Board of Directors approved the transfer of $644,300,000 (2022 - $NIL) from retained earnings to the retained earnings reserve effective 30 October 2023. For effective dates after 31 October 2023, the Board of Directors also approved transfers totaling $367,765,000 (2022: $590,000,000) from retained earnings to the retained earnings reserve.

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19. General Reserve

	2023 $'000	2022 $'000
Balance at beginning and end of the year	45,522	45,522

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

20. Fair Value Reserves

Debt instruments at fair value through OCI:

	2023 $'000	2022 $'000
Balance at beginning of year	38,923	90,231
Net losses on debt securities measured at FVOCI during the year (Note 27)	(16,313)	(51,308)
Balance at end of the year	22,610	38,923

21. Net Interest Income

	2023 $'000	2022 $'000
Interest and similar income:		
Cash and balances due from banks	1,091,461	807,308
Investment securities	1,414,534	394,572
Derivative interest	18,484	-
Loans and advances	7,267,320	5,579,232
	9,791,799	6,781,112
Interest and similar expense:		
Customer deposits	(3,187,655)	(1,092,058)
Lease liability (Note 9)	(23,028)	(16,313)
	(3,210,683)	(1,108,371)
Net interest income	6,581,116	5,672,741

22. Other Operating Income

	2023 $'000	2022 $'000
Net fees and commissions	1,045,871	1,010,024
Foreign exchange transactional net gains	2,337,080	2,101,677
Foreign exchange revaluation net gains/ (losses)	11,733	(53,768)
Securities gains	38,857	-
Other operating income	184,768	173,957
	3,618,309	3,231,890

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

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23. Operating Expenses

	2023 $'000	2022 $'000
Staff costs	1,353,999	1,556,466
Depreciation (Note 9)	719,190	685,890
Occupancy costs	202,443	190,157
Other operating expenses	6,343,133	5,191,912
	8,618,765	7,624,425

Analysis of staff costs:

	2023 $'000	2022 $'000
Wages and salaries	1,074,419	1,051,343
Pension costs –		
Defined benefit plan (Note 11)	(201,999)	(16,819)
Defined contribution plan	50,311	46,891
Other post retirement benefits (Note 11)	8,114	6,972
Other share and cash-based benefits (Note 35)	12,853	12,300
Severance	5,415	37,143
Other staff-related costs	404,886	418,636
	1,353,999	1,556,466

Depreciation includes amortisation on right-of-use assets of $346,748,000 (2022: $324,667,000). Other operating expenses include expenses relating to short-term leases of $8,715,000 (2022: $16,590,000) and to leases of low-value assets of $39,169,000 (2022: $36,562,000).

24. Profit Before Taxation

Profit before taxation is stated after charging:

	2023 $'000	2022 $'000
Depreciation (Note 9)	719,190	685,890
Directors' emoluments-		
Fees	11,425	11,413
Management remuneration (Note 28(b))	72,431	79,947
Auditor's remuneration	20,733	19,853

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25. Income Tax Expense

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

	2023 $'000	2022 $'000
Current year income tax	461,144	375,957
Prior year under accrual	9,969	10,048
Tax on income at source	1,402	114
	472,515	386,119
Deferred tax charge (Note 10)	224,112	108,297
	696,627	494,416

Income tax is calculated at the rate of 33⅓% (2022: 33⅓%).

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

	2023 $'000	2022 $'000
Profit before taxation	1,821,692	1,157,842
Tax calculated at 33⅓%	607,231	385,947
Effect of:		
Income not subject to tax	(14,830)	(8,800)
Expenses not deductible for tax	111,286	112,362
Dividend income tax at 15%	(7,651)	(4,313)
Prior year under accrual on corporation tax liability	9,969	10,048
Other charges and allowances	(9,378)	(828)
	696,627	494,416

26. Earnings Per Stock Unit

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

	2023	2022
Net profit for the year ($'000)	1,125,065	663,426
Weighted average number of ordinary stock units in issue ('000)	529,757	529,757
Earnings per stock unit ($)	2.12	1.25

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27. Components of Other Comprehensive Income

	2023 $'000	2022 $'000
Debt instruments at fair value through OCI:		
Losses arising during the year	(24,469)	(76,962)
Less: Deferred tax	8,156	25,654
Other comprehensive losses for the year (Note 20)	(16,313)	(51,308)
Re-measurement on retirement benefit plans:		
(Loss)/Gains arising during the year	(1,567,645)	1,092,585
Less: Deferred tax	522,548	(364,195)
Other comprehensive (losses)/gains for the year (Note 16)	(1,045,097)	728,390
Total other comprehensive (losses)/gains for the year, net of tax	(1,061,410)	677,082

28. Related Party Transactions

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

(a) Transactions and balances with FirstCaribbean entities and their associates

	2023 $'000	2022 $'000
The Parent, FirstCaribbean International Bank Limited:		
Net payable	188,298	151,753
Other expenses for banking and support services	3,762,028	2,905,449
Other FirstCaribbean entities and affiliates:		
Interest income	158,038	27,092
Interest expense	1,700,777	246,146
Deposits by other FirstCaribbean entities	28,439,464	24,171,387
Placements	2,503,153	2,473,311
The ultimate parent, CIBC:		
Interest income	3	2
Customer deposits	41,129	52,891
Placements (Note 4)	591,512	395,659
Loans and advances to customers	101	100

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28. Related Party Transactions (Continued)

(b) Transactions and balances with directors

	2023 $'000	2022 $'000
Loans outstanding	38,417	45,169
Deposits	49,165	57,667
Interest income	2,404	2,343
Interest expense	259	2,851
Directors' fees	11,425	11,413
Post-retirement benefits	5,069	7,071
Management remuneration paid (included below) (Note 24)	72,431	79,947

(c) Key management remuneration paid during the year

	2023 $'000	2022 $'000
Wages and salaries	128,916	139,248
Statutory contributions	13,753	14,948
Post-retirement benefits	10,838	14,311
Long-term incentive benefits	14,375	15,850
	167,882	184,357

29. Commitments

(a) Future rental commitments under operating leases

At 31 October 2023, the Bank held leases on buildings for extended periods. The leases have an average life of between 1 and 5 years. There are no restrictions placed upon the lessee by entering into these contracts. The Bank has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Bank's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised (refer to Note 2). As at 31 October 2023, there are no material extension options not expected to be exercised or termination options expected to be exercised.

The future rental commitments under these leases were as follows:

	2023 $'000	2022 $'000
Not later than 1 year	321,716	176,076
Later than 1 year and less than 5 years	744,928	197,117
	1,066,644	373,193

Commitments related to short-term and low-value leases amounted to $58,377,000 (2022: $31,465,000); of which $54,886,000 (2022: $27,609,000) relate to items later than 1 year and less than 5 years.

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29. Commitments (Continued)

(b) Other

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

	2023 $'000	2022 $'000
Guarantees and indemnities	1,184,662	1,078,503
Letters of credit	1,290,823	1,179,421
Loan commitments	11,862,344	13,127,646
	14,337,829	15,385,570

30. Contingencies

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

31. Pledged Assets

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

	2023 $'000	2022 $'000
Cash and balances with Central Bank		
Statutory reserves at Bank of Jamaica (Note 3)	13,953,372	11,960,838
Securities – bonds & debentures:		
Pledged as collateral for clearing services	448,082	261,991
	14,041,454	12,222,829

32. Business Segments

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

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

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties. The Bank reviews its transfer pricing methodologies on an ongoing basis to ensure they reflect changing market environments and industry practices.

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

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

The Bank's operations are located solely in Jamaica.

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32. Business Segments (Continued)

	Personal & Business Banking	Corporate & Investment Banking	Administration	Total
	$'000	$'000	$'000	$'000
31 October 2023				
External revenue	2,460,890	3,339,559	780,667	6,581,116
Internal revenue	1,537,717	(368,224)	(1,169,493)	-
Net interest income	3,998,607	2,971,335	(388,826)	6,581,116
Operating income	1,973,528	1,613,206	31,575	3,618,309
Total Revenue	5,972,135	4,584,541	(357,251)	10,199,425
Depreciation	213,588	26,015	479,587	719,190
Non-interest expenses	2,215,879	566,146	5,117,550	7,899,575
Indirect expenses	3,276,024	1,643,097	(4,919,121)	-
Credit loss expense/(release) on financial assets	274,298	(486,727)	(28,603)	(241,032)
Total Expenses	5,979,789	1,748,531	649,413	8,377,733
Income before taxation	(7,654)	2,836,010	(1,006,664)	1,821,692
Income tax credit / (expense)	5,577	(940,370)	238,166	(696,627)
Net (loss) / profit for the year	(2,077)	1,895,640	(768,498)	1,125,065
Segment assets	34,350,936	56,849,359	71,815,520	163,015,815
Segment liabilities	67,868,513	40,009,957	41,055,323	148,933,793
Other segment information				
Interest income	4,486,117	3,968,952	1,336,730	9,791,799
Interest expense	487,510	997,617	1,725,556	3,210,683
Capital expenditure	243,249	31,476	623,272	897,997

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32. Business Segments (Continued)

	Personal & Business Banking	Corporate & Investment Banking	Administration	Total
	$'000	$'000	$'000	$'000
31 October 2022				
External revenue	2,289,789	2,444,861	938,091	5,672,741
Internal revenue	414,374	(553,794)	139,420	-
Net interest income	2,704,163	1,891,067	1,077,511	5,672,741
Operating Income	1,868,118	1,403,062	(39,290)	3,231,890
Total Revenue	4,572,281	3,294,129	1,038,221	8,904,631
Depreciation	171,190	19,965	494,735	685,890
Non-interest expenses	1,997,997	514,845	4,425,693	6,938,535
Indirect expenses	3,042,353	1,638,346	(4,680,699)	-
Credit loss expense/(release) on financial assets	191,483	(37,646)	(31,473)	122,364
Total Expenses	5,403,023	2,135,510	208,256	7,746,789
(Loss)/Income before taxation	(830,742)	1,158,619	829,965	1,157,842
Income tax expense/(credit)	246,348	(392,495)	(348,269)	(494,416)
Net (loss)/profit for the year	(1,077,090)	1,551,114	1,178,234	1,652,258
Segment assets	30,410,672	48,085,926	63,935,246	142,431,844
Segment liabilities	62,565,564	30,061,202	35,786,711	128,413,477
Other segment information				
Interest income	3,044,332	2,395,836	1,340,944	6,781,112
Interest expense	340,169	504,769	263,433	1,108,371
Capital expenditure	148,378	40,025	303,878	492,281

33. Financial Risk Management

(a) Strategy in using financial instruments

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

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

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

(b) Credit risk

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

<u>Process and Control</u>

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

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

33. Financial Risk Management (Continued)

(b) Credit risk (continued)

Credit Risk Limits

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

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

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

Collateral

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

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

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

As at 31 October 2023, 57% (2022: 33%) of stage 3 impaired loans were either fully or partially collateralized.

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33. Financial Risk Management (Continued)

(b) Credit risk (continued)

Exposures by Industry Groups

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

	2023			2022		
	Loans and Advances $'000	Acceptances, Guarantees and Letters of Credit $'000	Total 2023 $'000	Loans and Advances $'000	Acceptances, Guarantees and Letters of Credit $'000	Total 2022 $'000
Agriculture, fishing and mining	1,979,504	68,133	2,047,637	2,513,327	6,641	2,519,968
Construction	13,909,390	-	13,909,390	10,080,168	163,499	10,243,667
Distribution	8,461,335	1,860,912	10,322,247	4,867,174	1,238,325	6,105,499
Electricity, gas and water	17,570,924	238,875	17,809,799	19,871,514	531,314	20,402,828
Financial institutions	4,441,357	516,230	4,957,587	4,173,843	464,500	4,638,343
Government and public entities	1,870,959	-	1,870,959	-	-	-
Manufacturing and production	2,852,549	2,690,973	5,543,522	2,765,604	4,190,227	6,955,831
Personal	29,613,916	5,288,320	34,902,236	26,755,085	6,403,511	33,158,596
Professional and other services	4,194,252	814,632	5,008,884	3,789,071	1,227,664	5,016,735
Tourism and entertainment	425,693	273,703	699,396	482,564	98,751	581,315
Transport, storage and communication	5,048,102	110,566	5,158,668	4,267,360	1,061,138	5,328,498
Total	90,367,981	11,862,344	102,230,325	79,565,710	15,385,570	94,951,280

Derivatives

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

Master Netting Arrangements

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

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33. Financial Risk Management (Continued)

(b) Credit risk (continued)

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

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

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

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

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33. Financial Risk Management (Continued)

(b) Credit risk (continued)

Definition of default and cure

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

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

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

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

The Bank's internal rating and PD estimation process

The Bank's Credit Risk Department operates its internal rating models. The Bank monitors all corporate facilities with a value exceeding US$250,000 which are assigned an ORR of 1 to 9 under the Bank's internal rating system. The models used incorporate both qualitative and quantitative information and, in addition to information specific to the borrower, utilise supplemental external information that could affect the borrower's behaviour. This internal rating system is also mapped to Moody's and Standard and Poor's ratings. Movement in a facility's ORR from origination to the reporting date is what determines the stage assigned to that facility. Staging for facilities that do not have an ORR is based on historical days past due and delinquency.

The Bank calculates 12-month and lifetime PDs on a product by country basis. 12-month PDs are determined using historical default data and then incorporate forward looking information. Lifetime PDs are determined using historical default data and then incorporate forward -looking information. Lifetime PDs are determined by applying a scaling factor to the 12-month PDs forward looking factor. Lifetime PDs are also capped at a 10-year maturity.

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33. Financial Risk Management (Continued)

(b) Credit risk (continued)

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

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

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

Consumer lending and retail mortgages
Consumer lending comprises unsecured personal loans, credit cards and overdrafts. These products along with retail mortgages and some of the less complex small business lending are rated by an automated scorecard tool primarily driven by days past due. Other key inputs into the models are:

- Consumer lending products: use of limits and volatility thereof, GDP growth, unemployment rates, changes in personal income/salary levels based on records of current accounts, personal indebtedness and expected interest repricing
- Retail mortgages: GDP growth, unemployment rates, changes in personal income/salary levels based on records of current accounts, personal indebtedness and expected interest repricing.

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33. Financial Risk Management (Continued)

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

The Bank operates in only the Jamaican geographical market.

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

Credit rating

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

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

	Loans and advances to customers
Grade description	Days past due
Very low (Stage 1)	0
Low (Stage 1)	1 – 29
Medium (Stage 2)	30-601
High (Stage 2)	61-89
Default (Stage 3)	90+

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

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

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

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33. Financial Risk Management (Continued)

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

Credit quality

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

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

2023 **Investment Securities**	**Stage 1** **$'000**	**Stage 2** **$'000**	**Stage 3** **$'000**	**Total** **$'000**
Investment Grade	31,411,340	-	-	31,411,340
Non-Investment Grade	2,478,291	-	-	2,478,291
Not rated	5,034	-	-	5,034
Gross investment securities	33,894,665	-	-	33,894,665

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33. Financial Risk Management (Continued)

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

Credit quality (continued)

2022 **Residential Mortgages**	**Stage 1** **$'000**	**Stage 2** **$'000**	**Stage 3** **$'000**	**Total** **$'000**
Very low	11,536,496	-	-	11536,496
Low	2,523,709	-	-	2,523,709
Medium	-	751,392	-	751,392
High	-	185,056	-	185,056
Default	-	-	192,537	192,537
Gross residential mortgages	14,060,205	936,448	192,537	15,189,190
Personal (including cards)				
Very low	9,912,380	-	-	9,912,380
Low	1,258,434	-	-	1,258,434
Medium	-	379,601	-	379,601
High	-	159,134	-	159,134
Default	-	-	901,158	901,158
Gross personal	11,170,814	538,735	901,158	12,610,707
Business and Government				
Investment Grade	4,708,190	151,500	-	4,859,690
Non-Investment Grade	38,118,469	4,045,264	-	42,163,733
Default	-	-	492,568	492,568
Not rated	3,987,490	262,332	-	4,249,822
Gross business and government	46,814,149	4,459,096	492,568	51,765,813
Total gross amount of loans	72,045,168	5,934,279	1,586,263	79,565,710

2022 **Investment Securities**	**Stage 1** **$'000**	**Stage 2** **$'000**	**Stage 3** **$'000**	**Total** **$'000**
Investment Grade	26,424,832	-	-	26,424,832
Non-Investment Grade	4,194,819	765,436	-	4,960,255
Not rated	5,034	-	-	5,034
Gross investment securities	30,624,685	765,436	-	31,390,121

For the Bank's Business & Government loans, it employs risk ratings in managing its credit portfolio. Business borrowers with elevated default risk are monitored on the Bank's Early Warning List. Early Warning List characteristics include borrowers exhibiting a significant decline in revenue, income, or cash flow or where the Bank has doubts as to the continuing viability of the business. Early Warning List customers are often, but not always, also delinquent. As of October 31, 2022, Early Warning List customers in the medium to high-risk category amounted to $1,185,549,000 (2022: $1,203,250,000).

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

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33. Financial Risk Management (Continued)

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

Credit quality (continued)

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

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

2023	**Stage 1 $'000**	**Stage 2 $'000**	**Stage 3 $'000**	**Total $'000**
Debt securities at FVOCI:				
Government securities				
- GOJ	2,478,291	-	-	2,478,291
- International	31,411,340	-	-	31,411,340
Total debt securities	33,889,631	-	-	33,889,631
Equity securities – unquoted	5,034	-	-	5,034
Total debt securities at FVOCI	33,894,665	-	-	33,894,665
Add: Interest receivable				1,236
Total				33,895,901

2022	**Stage 1 $'000**	**Stage 2 $'000**	**Stage 3 $'000**	**Total $'000**
Debt securities at FVOCI:				
Government securities				
- GOJ	4,194,819	765,436	-	4,960,255
- International	26,424,832	-	-	26,424,832
Total debt securities	30,619,651	765,436	-	31,385,087
Equity securities – unquoted	5,034	-	-	5,034
Total debt securities at FVOCI	30,624,685	765,436	-	31,390,121
Add: Interest receivable				13,120
Total				31,403,241

Model adjustments

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

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33. Financial Risk Management (Continued)

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

Modified financial assets

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

During the year ended 31 October 2023, loans classified as stage 2 with an amortised cost of $1,334,000 (2022: $410,822,000) and loans classified as stage 3 with an amortised cost of $Nil (2022: $ NIL), in each case before the time of modification, were modified through the granting of a financial concession in response to the borrower having experienced financial difficulties. The gross carrying amount of previously modified stage 2 or stage 3 loans that have returned to stage 1 during the year ended 31 October 2023 was $371,104,000 (2022: $598,072,000). Loans expected to be restructured amounted to $Nil (2022: $457,972,000), have exited the moratorium and have been restructured as of 31 October 2023.

Impact on regulatory capital

Annually, the base Capital Plan is assessed under a central stress scenario with ranges (mild & severe) as part of stress testing. The results of the stress tests are taken into consideration when setting the annual capital targets and may, by extension, have an effect on the quantum or timing of planned capital initiatives. The following key assumptions are adversely varied under each recession scenario (mild & severe) to arrive at Capital Plan results:

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

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

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

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

33. Financial Risk Management (Continued)

(e) Market risk

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

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

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

Risk Measurement:
The Bank has four main measures of market risk:

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

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

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33. Financial Risk Management (Continued)

(e) Market risk (continued)

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

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

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

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

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

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

FirstCaribbean International Bank (Jamaica) Limited

33. Financial Risk Management (Continued)

(e) Market risk (continued)

Summary of Key Market Risks

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

The largest interest rate risk, 1 Month Stress, is derived from multiple historical and hypothetical market scenarios, including the US Fed Tightening 94 and Brexit-leave/Brexit-Remain. The following section highlights these key risks as well as some of the lesser ones that arise from the Bank's ongoing banking operations.

Foreign Exchange Risk

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

The following table highlights the currencies that the Bank had significant exposures to at 31 October 2022. It also highlights the metrics used by the Bank to measure, monitor and control that risk.

Foreign exchange exposure and risk

31 October 2023:

Currency	Position Long (Short) vs USD $'000	4% Deval $'000	1% Reval $'000	Average Position $'000
Jamaican dollar	(15,314)	613	(153)	(9,170)

31 October 2022:

Currency	Position Long (Short) vs USD $'000	6% Deval $'000	2% Reval $'000	Average Position $'000
Jamaican dollar	(5,673)	227	(57)	(285)

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

The Bank will occasionally trade non-USD/JMD currencies, but these are quickly hedged. There were no material balances at either 2023 or 2022 fiscal year end.

33. Financial Risk Management (Continued)

(e) Market risk (continued)

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. In March 2021, the ICE Benchmark Administrator (IBA) announced the dates for the cessation or loss of representativeness of various LIBOR rates and that most USD LIBOR tenors will cease after 30 June 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 Bank has established a project to manage the transition for any of its contracts that could be affected. The project is sponsored by the Group Managing Director Corporate & Investment Banking and is being led by senior representatives from functions across the Bank including the client facing teams, Legal, Finance, Operations and Technology. The project provides monthly progress updates to the Managing Board and bi-annually to the Audit Committee. During 2023, the Bank has successfully completed the transition of its IBOR exposure to RFRs, transitioning interest rate benchmarks to the Secured Overnight Financing Rate “SOFR”.

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

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33. Financial Risk Management (Continued)

(e) Market risk (continued)

The following table presents the approximate notional amounts of our derivatives and the gross outstanding balances of our non-derivative financial assets and financial liabilities that are indexed to USD LIBOR as at 31 October 2023 with a maturity date beyond 30 June 2023 which are expected to be affected by IBOR reform.

2023 — **Notional / gross outstanding amounts (1)(2) USD LIBOR**

	Maturing after 30 June 2023 (3) $'000
Non-derivative financial assets	-
Securities	-
Loans	152
	152

2022 — **Notional / gross outstanding amounts (1)(2) USD LIBOR**

	Maturing after 31 December 2022 and before 30 June 2023 (3) $'000	Maturing after 30 June 2023 (3) $'000
Non-derivative financial assets	-	-
Securities	-	-
Loans	750	73,139
	750	73,139

(1) No material hold positions are noted in any other currency denominated LIBOR products.

(2) No cross-currency swaps are held.

(3) On 5 March 2021, the announcement made by the FCA and IBA resulted in the revision of the final cessation date of most USD LIBOR tenors after 30 June 2023 from 31 December 2022. Undrawn loan commitments which can potentially be drawn in USD LIBOR with a maturity date beyond 30 June 2023 are approximately $NIL.

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33. Financial Risk Management (Continued)

(e) Market risk (continued)

Foreign Exchange Risk (Continued)

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

Concentrations of assets, liabilities, and credit commitments:

	2023							
	EC	**BDS**	**CAY**	**BAH**	**US**	**JA**	**Other**	**Total**
As at 31 October 2023	**J$'000**	**J$'000**	**J$'000**	**J$'000**	**J$'000**	**J$'000**	**J$'000**	**J$'000**
Assets								
Cash resources	-	384	3,511	-	11,193,067	16,860,785	330,145	28,387,892
Due from banks	21,413	8,453	14,782	14,122	4,678,987	69,094	1,695,342	6,502,193
Derivative financial instruments	-	-	-	-	468,768	-	-	468,768
Other assets	-	-	-	-	8,136	431,773	76	439,985
Investment securities	-	-	-	-	31,411,319	2,484,582	-	33,895,901
Loans and advances to customers	-	-	-	-	34,792,464	54,143,858	-	88,936,322
Property and equipment	-	-	-	-	776,864	2,456,915		3,233,779
Deferred tax assets	-	-	-	-	-	118,266	-	118,266
Retirement benefit asset	-	-	-	-	-	1,032,709	-	1,032,709
Total assets	21,413	8,837	18,293	14,122	83,329,605	77,597,982	2,025,563	163,015,815
Liabilities								
Customer deposits	-	-	-	-	77,876,076	65,959,251	1,854,552	145,689,879
Derivative financial instruments	-	-	-	-	427,950	-	-	427,950
Other liabilities	1,784	1,767	739	310	1,901,559	761,107	20,220	2,687,486
Taxation payable	-	-	-	-	-	49,676	-	49,676
Retirement benefit obligation	-	-	-	-	-	78,802	-	78,802
Total liabilities	1,784	1,767	739	310	80,205,585	66,848,836	1,874,772	148,933,793
Net assets	19,629	7,070	17,554	13,812	3,124,020	10,749,146	150,791	14,082,022
Credit commitments	-	-	-	-	3,607,504	10,595,230	135,095	14,337,829

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33. Financial Risk Management (Continued)

(e) Market risk (continued)

Foreign Exchange Risk (Continued)

	2022							
	EC	**BDS**	**CAY**	**BAH**	**US**	**JA**	**Other**	**Total**
As at 31 October 2022	**J$'000**	**J$'000**	**J$'000**	**J$'000**	**J$'000**	**J$'000**	**J$'000**	**J$'000**
Assets								
Cash resources	-	-	537	-	10,089,446	11,244,141	286,520	21,620,644
Due from banks	8,334	34,963	5,366	13,620	4,460,766	893,762	1,727,840	7,144,651
Derivative financial instruments	-	-	-	-	504,084	-	-	504,084
Other assets	-	-	-	-	15,605	169,812	-	185,417
Investment securities	-	-	-	-	26,424,782	4,978,459	-	31,403,241
Loans and advances to customers	-	-	-	-	32,482,661	44,453,838	-	76,936,499
Property and equipment	-	-	-	-	157,915	1,948,444	-	2,106,359
Retirement benefit asset	-	-	-	-	-	2,530,949	-	2,530,949
Total assets	8,334	34,963	5,903	13,620	74,135,259	66,219,405	2,014,360	142,431,844
Liabilities								
Customer deposits	-	-	-	-	69,333,672	54,111,466	1,928,946	125,374,084
Derivative financial instruments	-	-	-	-	504,084	-	-	504,084
Other liabilities	1,809	1,744	715	296	1,296,992	779,713	15,998	2,097,267
Taxation payable	-	-	-	-	-	177,482	-	177,482
Deferred tax liabilities	-	-	-	-	-	188,326	-	188,326
Retirement benefit obligation	-	-	-	-	-	72,234	-	72,234
Total liabilities	1,809	1,744	715	296	71,134,748	55,329,221	1,944,944	128,413,477
Net assets	6,525	33,219	5,188	13,324	3,000,511	10,890,184	69,416	14,018,367
Credit commitments	-	-	-	-	3,222,175	11,715,593	447,802	15,385,570

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33. Financial Risk Management (Continued)

(e) Market risk (continued)

Foreign Exchange Risk (Continued)
Analysis was conducted to determine the sensitivity to reasonable possible movements of selected currencies against the Jamaican dollar to which the Bank had significant exposure at 31 October 2022 in respect of its assets and liabilities holding all other variables constant. The results revealed that as of 31 October 2023, if the Jamaican dollar had depreciated by 4% (2022 - 4%) against foreign currencies, profit before tax for the year would have been $169,623,000 higher (2022 - $164,959,000 higher) and shareholders' equity would have been $172,130,000 higher (2022 - $167,472,000 higher). Similarly, if the Jamaican dollar had revalued by 1% (2022 - 1%) against foreign currencies, profit before tax for the year would have been $42,406,000 lower (2022 - $41,240,000 lower) and shareholders' equity would have been $43,032,000 lower (2022 - $41,868,000 lower).

(f) Liquidity risk

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

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

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

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

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

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

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33. Financial Risk Management (Continued)

(f) Liquidity risk (continued)

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

	1 to 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Total
	$'000	$'000	$'000	$'000	$'000
As at 31 October 2023					
Assets					
Cash and balances with Central Bank	28,387,892	-	-	-	28,387,892
Due from other banks	6,502,193	-	-	-	6,502,193
Derivative financial instruments	-	-	468,768	-	468,768
Other assets	439,985	-	-	-	439,985
Investment securities	32,131,289	631,425	1,128,153	5,034	33,895,901
Loans and advances to customers	6,709,390	5,229,902	21,635,834	55,361,196	88,936,322
Property and equipment	71,793	183,089	1,965,077	1,013,820	3,233,779
Deferred tax assets	-	-	118,266	-	118,266
Retirement benefit asset	-	-	-	1,032,709	1,032,709
Total assets	74,242,542	6,044,416	25,316,098	57,412,759	163,015,815
Liabilities					
Customer deposits	129,185,912	14,856,232	1,630,954	16,781	145,689,879
Derivative financial instruments	-	-	427,950	-	427,950
Other liabilities	1,620,842	321,716	744,928	-	2,687,486
Taxation payable	49,676	-	-	-	49,676
Retirement benefit obligation	-	-	-	78,802	78,802
Total liabilities	130,856,430	15,177,948	2,803,832	95,583	148,933,793
Net (liabilities)/assets	(56,613,888)	(9,133,532)	22,512,266	57,317,176	14,082,022
Commitments, guarantees and contingent liabilities	10,338,713	885,503	2,338,762	774,851	14,337,829

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33. Financial Risk Management (Continued)

(f) Liquidity risk (continued)

	1 to 3 Months $'000	3 to 12 Months $'000	1 to 5 Years $'000	Over 5 Years $'000	Total $'000
As at 31 October 2022					
Assets					
Cash and balances with Central Bank	21,620,644	-	-	-	21,620,644
Due from other banks	7,144,651	-	-	-	7,144,651
Derivative financial instruments	-	-	504,084	-	504,084
Other assets	185,417	-	-	-	185,417
Investment securities	28,449,755	2,475,842	472,610	5,034	31,403,241
Loans and advances to customers	5,800,382	2,779,155	25,791,157	42,565,805	76,936,499
Property and equipment	40,172	86,906	1,183,755	795,526	2,106,359
Retirement benefit asset	-	-	-	2,530,949	2,530,949
Total assets	63,241,021	5,341,903	27,951,606	45,897,314	142,431,844
Liabilities					
Customer deposits	115,565,721	9,715,987	75,558	16,818	125,374,084
Derivative financial instruments	-	-	504,084	-	504,084
Other liabilities	1,724,074	176,076	197,117	-	2,097,267
Taxation payable	64,552	112,930	-	-	177,482
Deferred tax liabilities	-	-	188,326	-	188,326
Retirement benefit obligation	-	-	-	72,234	72,234
Total liabilities	117,354,347	10,004,993	965,085	89,052	128,413,477
Net (liabilities)/assets	(54,113,326)	(4,663,090)	26,986,521	45,808,262	14,018,367
Commitments, guarantees and contingent liabilities	10,032,470	2,658,405	1,476,853	1,217,842	15,385,570

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33. Financial Risk Management (Continued)

(g) Interest rate risk

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

As at 31 October 2023 there are no market risk limits against the VaR.

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

31 October 2023

Currency	Post Structural DV01 $'000	Increase 50 basis points $'000	Decrease 25 basis points $'000	60-day Stressed Loss $'000
Jamaican dollar	6,607	(330)	165	8,696

31 October 2022

Currency	Post Structural DV01 $'000	Increase 300 basis points $'000	Decrease 50 basis points $'000	60-day Stressed Loss $'000
Jamaican dollar	2,748	(550)	137	14,485

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

USD Interest Rate Exposure

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

31 October 2023

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

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33. Financial Risk Management (Continued)

(g) Interest rate risk (continued)

USD Interest Rate Exposure (continued)

31 October 2022

Currency	Post Structural DV01 $'000	Increase 100 basis points $'000	Decrease 100 basis points $'000	60-Day Stressed Loss $'000
USD	23,580	(4,716)	1,179	3,830

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

Credit Spread Risk

Credit spread exists as the benchmark curve and the reference asset curves either converge or diverge. The Bank has two portfolios that have a material amount of credit spread risk. The risk is measured using an estimated CSDV01 and stress scenarios. The results of these are reported daily to senior management. There are no credit spread risks for the Bank in 2023 and 2022 as there are no non-sovereign bonds booked in the Bank.

Derivatives held for ALM purposes

Where derivatives are held as hedges against either sizeable loans from core businesses or to reduce interest risk exposure to USD denominated local bond issues and if the transactions meet the regulatory criteria, then the Bank applies hedge accounting. Derivative hedges that do not qualify for hedge accounting treatment are considered to be economic hedges and are recorded at market value on the Statement of Financial Position with changes in the fair value reflected through the profit or loss. It should be noted that these are only interest rate risk hedges and other risks such as credit spread on the underlying still exist and are measured separately.

(h) Cash flow and fair value interest rate risk

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

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

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33. Financial Risk Management (Continued)

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

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

	Immediately Rate Sensitive[1]	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Non Rate Sensitive[2&3]	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
As at 31 October 2023							
Assets							
Cash and balances with Central Bank	-	19,927,642	-	-	-	8,460,250	28,387,892
Due from other banks	538,520	3,485,362	-	-	-	2,478,311	6,502,193
Derivative financial instruments	-	468,768	-	-	-	-	468,768
Other assets	-	-	-	-	-	439,985	439,985
Investment securities	-	32,176,555	1,714,312	-	-	5,034	33,895,901
Loans and advances to customers	2,848,469	5,831,170	4,312,683	14,568,385	61,375,615	-	88,936,322
Property and equipment	-	-	-	-	-	3,233,779	3,233,779
Deferred tax assets	-	-	-	-	-	118,266	118,266
Retirement benefit asset	-	-	-	-	-	1,032,709	1,032,709
Total assets	3,386,989	61,889,497	6,026,995	14,568,385	61,375,615	15,768,334	163,015,815
Liabilities							
Customer deposits	92,846,796	36,050,015	15,144,556	1,640,794	7,718	-	145,689,879
Derivative financial instruments	-	427,950	-	-	-	-	427,950
Other liabilities	-	-	-	-	-	2,687,486	2,687,486
Taxation payable	-	-	-	-	-	49,676	49,676
Retirement benefit obligation	-	-	-	-	-	78,802	78,802
Total liabilities	92,846,796	36,477,965	15,144,556	1,640,794	7,718	2,815,964	148,933,793
Total interest rate Sensitivity gap	(89,459,807)	25,411,532	(9,117,561)	12,927,591	61,367,897	12,952,370	14,082,022
Cumulative gap	(89,459,807)	(64,048,275)	(73,165,836)	(60,238,245)	1,129,652	14,082,022	-

(1) This represents those financial instruments whose interest rates change concurrently with a change in the underlying interest rate basis, for example base rate loans.
(2) This includes financial instruments such as equity investments.
(3) This includes non-financial instruments.

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33. Financial Risk Management (Continued)

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

	Immediately Rate Sensitive(1)	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Non Rate Sensitive(2&3)	Total
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
As at 31 October 2022							
Assets							
Cash and balances with Central Bank	-	16,677,978	-	-	-	4,942,666	21,620,644
Due from other banks	512,348	4,265,646	-	-	-	2,366,657	7,144,651
Derivative financial instruments	-	504,084	-	-	-	-	504,084
Other assets	-	-	-	-	-	185,417	185,417
Investment securities	-	28,495,060	2,903,147	-	-	5,034	31,403,241
Loans and advances to customers	2,579,413	5,542,741	2,665,592	15,839,673	50,309,080	-	76,936,499
Property and equipment	-	-	-	-	-	2,106,359	2,106,359
Retirement benefit asset	-	-	-	-	-	2,530,949	2,530,949
Total assets	3,091,761	55,485,509	5,568,739	15,839,673	50,309,080	12,137,082	142,431,844
Liabilities	86,192,885	29,372,835	9,715,842	87,539	4,983	-	125,374,084
Customer deposits	-	504,084	-	-	-	-	504,084
Derivative financial instruments	-	-	-	-	-	2,097,267	2,097,267
Other liabilities	-	-	-	-	-	177,482	177,482
Taxation payable	-	-	-	-	-	188,326	188,326
Retirement benefit obligation		-	-	-	-	72,234	72,234
Total liabilities	86,192,885	29,876,919	9,715,842	87,539	4,983	2,535,309	128,413,477
Total interest rate sensitivity gap	(83,101,124)	25,608,590	(4,147,103)	15,752,134	50,304,097	9,601,773	14,018,367
Cumulative gap	(83,101,124)	(57,492,534)	(61,639,637)	(45,887,503)	4,416,594	14,018,367	-

(1) This represents those financial instruments whose interest rates change concurrently with a change in the underlying interest rate basis, for example base rate loans.
(2) This includes financial instruments such as equity investments.
(3) This includes non-financial instruments.

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33. Financial Risk Management (Continued)

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

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

	2023					
	Immediately Rate Sensitive	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Total
	%	%	%	%	%	%
Cash and balances with Central Bank	-	3.53	-	-	-	3.53
Due from other banks	-	5.16	-	-	-	5.16
Securities[(1)]	-	1.01	3.23	-	-	1.13
Loans to customers [(2)]	38.03	6.36	8.69	8.33	7.73	8.76
Customer deposits[(3)]	0.05	5.99	6.62	4.31	1.65	2.25

	2022					
	Immediately Rate Sensitive	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Total
	%	%	%	%	%	%
Cash and balances with Central Bank	-	2.89	-	-	-	2.89
Due from other banks	-	3.70	-	-	-	3.70
Securities[(1)]	-	1.20	3.87	-	-	1.44
Loans to customers [(2)]	39.62	7.50	7.28	8.08	7.14	8.45
Customer deposits[(3)]	0.05	3.24	4.44	2.96	5.25	1.14

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

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

(3) Yields are based on contractual interest rates.

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33. Financial Risk Management (Continued)

(i) Fair value of financial instruments

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

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

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

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

31 October 2023	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Financial assets				
Derivative financial instrument	-	468,768	-	468,768
Securities:				
Government debt securities		33,890,867	-	33,890,867
Unquoted equities	-	-	5,034	5,034
Total financial assets	-	34,359,635	5,034	34,364,669
Financial liabilities				
Derivative financial instrument	-	427,950	-	427,950

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33. Financial Risk Management (Continued)

(i) Fair value of financial instruments (continued)

31 October 2022	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets				
Derivative financial instrument	-	504,084	-	504,084
Securities:				
Government debt securities	-	31,398,207	-	31,398,207
Unquoted equities	-	-	5,034	5,034
Total financial assets	-	31,902,291	5,034	31,907,325
Financial liabilities				
Derivative financial instrument	-	504,084	-	504,084

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

Financial instruments recorded at fair value

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

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

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

Fair value of financial instruments not carried at fair value

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

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

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

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33. Financial Risk Management (Continued)

(i) Fair value of financial instruments (continued)

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

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

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

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

	Carrying value 2023 $'000	Fair value 2023 $'000	Carrying value 2022 $'000	Fair value 2022 $'000
Loans and advances to customers (1)	88,936,322	88,463,344	76,936,499	76,715,225
Customer deposits (1)	145,689,879	145,209,612	125,374,084	125,193,106

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

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

Quantitative information about significant non-observable inputs

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

			Range of inputs			
			2023		2022	
As at 31 October	**Valuation technique**	**Key non-observable inputs**	**Low**	**High**	**Low**	**High**
Loans and advances to	Market proxy or direct broker quote	Market proxy or direct broker quote	0%	22%	0%	24%
Customer deposits	Market proxy or direct broker quote	Market proxy or direct broker quote	0%	10%	0%	10%

34. Critical Accounting Judgements and Estimates in Applying Accounting Policies

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Impairment losses on financial assets

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

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

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

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

(b) Retirement benefit obligation

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

(c) Property and equipment

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

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

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

(d) Income taxes

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

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

(e) Fair value of financial instruments

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

35. Employee Share Purchase Plan

Under the employee share purchase plan, qualifying employees can choose each year to have up to 6% of their eligible earnings withheld to purchase common shares in the Parent. The Bank matches 50% of the employee contribution amount, up to a maximum contribution of 6% of eligible earnings, depending upon length of service and job level. The Bank’s contributions vest after employees have two years of continuous participation in the plan. All contributions are paid into a trust and used by the plan trustees to purchase common shares in the open market. The Bank’s contributions are expensed as incurred and totalled \$12,853,000 (2022 - \$12,300,000) (Note 23).