



FirstCaribbean International Bank (Bahamas) Limited
Managing Director's Review Of the Results
For the year ended October 31, 2018

For the fiscal year ending October 31, 2018, the Bank reported net income of \$85 million, an increase of \$8.3 million from 2017.

Total Revenue rose by \$8 million to \$188 million in 2018 due primarily to increased net interest income which was 7% higher than the prior year. This was largely due to earnings from our performing loans and rising US interest rates. Operating income declined \$1 million or 3% from the prior year driven primarily by the effect of a hedge accounting adjustment.

Operating expenses of \$91 million declined slightly from prior year, largely due to continued efforts to prudently manage controllable expenses and insurance recoveries from the impact of Hurricanes Irma and Maria in the Turks & Caicos Islands.

The Bank maintained strong capital levels in excess of applicable regulatory requirements, and at the end of the quarter, both the Tier 1 capital and Total capital ratios were at 25%. At its meeting on December 17, 2018, the Directors approved a final dividend for the year of nine cents (\$0.09) per share to be paid on February 6, 2019 to shareholders of record as of January 31, 2019.

Notwithstanding a challenging economic and operating climate during the 2018 fiscal year, I am encouraged by the strength of our franchise and the commitment of our employees to serving our clients. Our focus as we move forward will continue to be on our relationships with our clients and on providing them with a simplified and modern everyday banking experience.

During the fiscal, the Bank was named "Best Wealth Management Provider in The Bahamas" by World Finance magazine. Additionally, it captured the "Bank of the Year" award in The Bahamas, which is organized by The Banker, a publication owned by The Financial Times. This represents the third consecutive year and eighth time that the Bank has won this prestigious international industry award.

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

Marie Rodland-Allen
Managing Director

Condensed Consolidated Statement of Financial Position
B\$'000

	Unaudited Oct 31, 2018	Audited Oct 31, 2017
Assets		
Cash, balances with The Central Bank and due from banks	576,110	512,736
Other assets	37,083	36,232
Investment securities	782,708	799,966
Loans and advances to customers	2,001,401	2,072,500
Property and equipment	29,578	27,975
Goodwill	72,747	72,747
Total assets	3,499,627	3,522,156
Liabilities		
Customer deposits	2,762,770	2,750,848
Other liabilities	84,289	78,164
Total liabilities	2,847,059	2,829,012
Equity		
Issued capital	477,230	477,230
Reserves	(6,627)	(13,194)
Retained earnings	181,965	229,108
Total equity	652,568	693,144
Total liabilities and equity	3,499,627	3,522,156

Director

Director

Condensed Consolidated Statement of Changes in Equity
B\$'000

	Issued Capital	Reserves	Retained Earnings	Total
Balance at October 31, 2016	477,230	(14,326)	192,112	655,016
Net income for the year	-	-	76,759	76,759
Comprehensive loss for the year	-	(2,567)	-	(2,567)
Total comprehensive income	-	(2,567)	76,759	74,192
Dividends	-	-	(36,064)	(36,064)
Transfer to statutory reserve fund - Turks & Caicos Islands	-	3,699	(3,699)	-
Balance at October 31, 2017	477,230	(13,194)	229,108	693,144
Impact of adopting IFRS9 at Nov 1, 2017	-	10,108	(23,746)	(13,638)
Restated balance at Nov 1, 2017 after adopting IFRS 9	477,230	(3,086)	205,362	679,506
Net income for the year	-	-	85,060	85,060
Comprehensive loss for the year	-	(6,207)	-	(6,207)
Total comprehensive income	-	(6,207)	85,060	78,853
Dividends	-	-	(105,791)	(105,791)
Transfer to statutory reserve fund - Turks & Caicos Islands	-	2,666	(2,666)	-
Balance at October 31, 2018	477,230	(6,627)	181,965	652,568

Condensed Consolidated Statement of Income
B\$'000

	Unaudited Three Months Ended		Unaudited Year Ended	Audited Year Ended
	Oct 31, 2018	Oct 31, 2017	Oct 31, 2018	Oct 31, 2017
Total interest income	41,172	38,157	158,067	149,254
Total interest expense	3,087	2,244	10,031	10,440
Net interest income	38,085	35,913	148,036	138,814
Operating income	11,264	9,404	40,086	41,472
Total revenue	49,349	45,317	188,122	180,286
Operating expenses	23,979	22,963	90,977	91,219
Credit loss expenses on financial assets	2,800	3,258	12,085	12,308
	26,779	26,221	103,062	103,527
Net income for the period	22,570	19,096	85,060	76,759
Weighted average number of common shares outstanding for the period	120,216,204	120,216,204	120,216,204	120,216,204
Net earnings per share (in cents)	18.8	15.9	70.8	63.9

Condensed Consolidated Statement of Comprehensive Income
B\$'000

	Unaudited Three Months Ended		Unaudited Year Ended	Audited Year Ended
	Oct 31, 2018	Oct 31, 2017	Oct 31, 2018	Oct 31, 2017
Net income for the period	22,570	19,096	85,060	76,759
Other comprehensive income/(loss) to be reclassified to net income in subsequent periods				
Net gains/(losses) on available-for-sale investment securities	-	1,166	-	(7)
Net losses on debt securities at fair value through OCI	(439)	-	(4,164)	-
	(439)	1,166	(4,164)	(7)
Other comprehensive loss not to be reclassified to net income in subsequent periods				
Re-measurement losses on retirement benefit plans	(2,043)	(2,560)	(2,043)	(2,560)
Other comprehensive loss for the period	(2,482)	(1,394)	(6,207)	(2,567)
Comprehensive income for the period	20,088	17,702	78,853	74,192

Condensed Consolidated Statement of Cash Flows
B\$'000

	Unaudited Year Ended Oct 31, 2018	Audited Year Ended Oct 31, 2017
Net cash from operating activities	194,956	253,336
Net cash from/(used in) investing activities	26,190	(104,148)
Net cash used in financing activities	(105,791)	(36,064)
Net increase in cash and cash equivalents	115,355	113,124
Cash and cash equivalents, beginning of the period	378,837	265,713
Cash and cash equivalents, end of the period	494,192	378,837

Notes to the Condensed Consolidated Financial Statements
October 31, 2018

1. Basis of preparation and summary of significant accounting policies

The accompanying unaudited condensed consolidated financial statements of FirstCaribbean International Bank (Bahamas) Limited (the Bank) should be read in conjunction with the International Financial Reporting Standards (IFRS) consolidated financial statements and notes thereto for the year ended October 31, 2018, included in the Bank's Annual Report to be issued on or before 28 February 2019. For a description of the Bank's significant accounting policies, see Note 2 of the aforementioned consolidated financial statements.

Basis of presentation

Certain financial information, which is normally included in annual financial statements prepared in accordance with IFRS, but not required for interim reporting purposes, has been condensed or omitted. Reclassifications may be made to the prior period's financial statements to conform to the current period's presentation. These unaudited condensed consolidated financial statements reflect, in the opinion of management, all adjustments that are necessary for a fair presentation of the unaudited condensed consolidated financial statements for the interim periods presented.

The results of operations for interim periods are not necessarily indicative of results for the entire year.

In preparing these unaudited condensed consolidated financial statements, management is required to make estimates and assumptions which affect amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

The consolidated interim financial statements include the accounts of the following wholly owned subsidiaries:

- Sentry Insurance Brokers Ltd.
- FirstCaribbean International (Bahamas) Nominees Company Limited
- FirstCaribbean International Land Holdings (TCL) Limited

Current period changes in accounting policies

The Bank adopted IFRS 9 "Financial Instruments" (IFRS 9) in place of IAS 39 "Financial Instruments: Recognition and Measurement" (IAS 39) in the first quarter of 2018 in keeping with its ultimate parent CIBC, who early adopted to comply with OSFI's advisory that requires that domestic systemically important banks (D-SIBs) adopt IFRS 9 for their annual periods beginning on November 1, 2017, one year earlier than required by the IASB. IFRS 9 was applied on a retrospective basis. As permitted, the prior period comparative consolidated financial statements, which are reported under IAS 39, were not restated and are therefore not comparable to the information presented for 2018. The adoption of IFRS 9 in the first quarter of 2018 resulted in changes in accounting policy in two principal areas, classification and measurement and impairment. We have elected, as a policy choice permitted under IFRS 9, to continue to apply the hedge accounting requirements of IAS 39.

Dividends

At its meetings held on September 13, 2018, the Directors approved a regular, quarterly dividend of nine (\$0.09) per share, amounting to \$10,820, which was paid on December 10, 2018. Additionally, at the Board of Director's meeting held on December 17, 2018, a final dividend of nine cents (\$0.09) per share was declared, payable on February 6, 2019 to shareholders of record as of the close of business on January 31, 2019. The consolidated financial statements for the year ended October 31, 2018 do not reflect these resolutions, which will be accounted for in equity as distributions of retained earnings in the consolidated financial statements for the year ending October 31, 2019.

Condensed Consolidated Segment Information
B\$'000

	Unaudited Year Ended October 31, 2018				
	RBB	CIB	WM	Admin	Total
External revenue	69,490	51,701	(1,204)	28,049	148,036
Internal revenue	(10,575)	5,483	11,992	(6,900)	-
Net interest income	58,915	57,184	10,788	21,149	148,036
Operating income	30,027	10,324	3,674	(3,939)	40,086
	88,942	67,508	14,462	17,210	188,122
Depreciation	1,574	2	70	2,916	4,562
Operating expenses	23,561	3,105	2,174	57,575	86,415
Indirect expenses	23,804	24,457	11,710	(59,971)	-
Credit loss expense on financial assets	8,120	1,202	110	2,653	12,085
Net income for the period	31,883	38,742	398	14,037	85,060

**Total assets and liabilities by
segment are as follows:**

Segment assets	1,098,521	920,592	17,052	1,463,462	3,499,627
Segment liabilities	1,102,747	995,582	591,436	157,294	2,847,059

**Audited
Year Ended
October 31, 2017**

	RBB	CIB	WM	Admin	Total
External revenue	67,349	48,519	(1,051)	23,997	138,814
Internal revenue	(12,544)	7,410	9,309	(4,175)	-
Net interest income	54,805	55,929	8,258	19,822	138,814
Operating income	26,797	11,635	3,167	(127)	41,472
	81,602	67,564	11,425	19,695	180,286
Depreciation	1,644	2	70	2,816	4,532
Operating expenses	25,844	2,949	1,708	56,186	86,687
Indirect expenses	20,330	27,955	10,970	(59,255)	-
Credit loss expense on financial assets	9,557	2,712	39	-	12,308
Net income for the year	24,227	33,946	(1,362)	19,948	76,759

**Total assets and liabilities by
segment are as follows:**

Segment assets	1,101,286	991,983	11,262	1,417,625	3,522,156
Segment liabilities	1,064,222	1,025,726	581,447	157,617	2,829,012

Notes:

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