

FirstCaribbean International Bank Limited

Condensed Consolidated Financial Statements

For the nine months ended 31 July, 2018 (expressed in thousands of United States dollars)



FirstCaribbean
International Bank

CHIEF EXECUTIVE OFFICER'S REVIEW

The Bank reported net income of \$38.0 million for the third quarter of the fiscal, \$4.6 million or 13.8% higher than the third quarter's net income of \$33.4 million a year ago. Results for the period were affected by several items of note including \$20.0 million (\$8.2 million after-tax) relating to Provision for credit losses due to the impairment classification of Barbados Government Debt exposures and Insurance recoveries of \$1.8 million arising from the impact of hurricanes Irma and Maria in 2017. Excluding these items, the Bank generated \$44.4 million of net income for the period compared with \$33.4 million in the prior year.

For the nine months ended July 31, 2018, the Bank reported net income of \$120.0 million, up by \$15.7 million or 15.1%. The adjusted net income for the year taking into account the items mentioned above is \$124.5 million compared with \$104.3 million for July 31, 2017.

Total revenue was \$435.1 million, up \$33.2 million or 8.3% due to our continued growth in performing loans in addition to the benefit from rising US interest rates. Loans and advances to customers were \$5.9 billion, down \$348 million or 5.6% from prior year due to an early repayment during the quarter of a loan previously made to our major shareholder. Excluding this item, our loan portfolio grew 2.6% or \$152 million year on year.

Operating expenses of \$285.4 million were up \$9.3 million or 3.4% compared with the same period in the prior year primarily as a result of higher salaries and benefits, systems infrastructure costs and depreciation of costs related to prior technology investments.

Credit Loss expense of \$32.6 million was up \$19.5 million or 148.9% compared with the same period in the prior year. In response to the Barbados government's June 1, 2018 announcement of its intention to restructure its public debt, the Bank classified its exposures as impaired as at July 31, 2018 which resulted in increased provisions for credit losses. Given the information currently available, we believe our expected credit loss allowances are reasonable at this time and will continue to closely monitor the situation and work with key stakeholders until the restructuring agreements are concluded. Income tax credit of \$2.9 million for the year versus an income tax expense of \$8.5 million in the prior year due to lower taxable income as a result of increased provisions related to the Barbados government restructuring announcement.

During the last quarter, the Board of Directors approved the change to our dividend payment policy to pay dividends quarterly instead of bi-annually. The Directors have approved a regular, quarterly dividend of one point two five cents (\$0.0125) per share to be paid on September 28, 2018 to shareholders of record as of September 3, 2018.

We paid a bi-annual dividend of two point five cents (\$0.025) per share on July 6th, 2018. We continue to maintain strong capital levels in excess of applicable regulatory requirements and at the end of the quarter Tier 1 and Total Capital ratios were 14.8% and 16.6% respectively.

We continue to deliver on our brand promise to provide personalized, responsive and easy service where we have been named the "Most Innovative Bank in the Caribbean" as well as the "Best Wealth management Provider in The Bahamas" by World Finance magazine.

I would like to thank our shareholders, clients and employees for their loyalty and continuing support.

Gary Brown
Chief Executive Officer
August 22, 2018

FORWARD-LOOKING STATEMENT DISCLOSURE

This report may contain forward-looking statements, including statements about our financial condition, results of operations, earnings outlook, asset quality trends and profitability. Forward-looking statements provide management's current expectations or forecasts of future events and, by their nature, are subject to assumptions, risks and uncertainties. Although management believes that the expectations and forecasts reflected in these forward-looking statements are reasonable, actual results could differ materially from those contained in or implied by such forward-looking statements due to a variety of factors including: (1) changes in interest rates; (2) changes in trade, monetary or fiscal policy; (3) changes in general economic conditions, or in the condition of the local economies in which we have significant operations or assets, which could, among other things, materially impact credit quality trends and our ability to generate loans; (4) increased competitive pressure among financial services companies; (5) the inability to successfully execute strategic initiatives designed to grow revenues and/or manage expenses; (6) consummation of significant business combinations or divestitures; (7) operational or risk management failures due to technological or other factors; (8) heightened regulatory practices, requirements or expectations; (9) new legal obligations or restrictions or unfavourable resolution of litigation; (10) adverse capital markets conditions; (11) disruption in the economy and general business climate as a result of terrorist activities or military actions; and (12) changes in accounting or tax practices or requirements. Forward-looking statements are not guarantees of future performance and should not be relied upon as representing management's views as of any subsequent date. We do not assume any obligation to update these forward-looking statements. For further information regarding FirstCaribbean International Bank Limited, please read FirstCaribbean International Bank Limited's financial and other reports that are available on the company's website at www.cibcfib.com

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (USD'000)

	Unaudited Jul 31, 2018	Unaudited Jul 31, 2017	Audited Oct 31, 2017
Assets			
Cash, balances with Central Banks and due from banks	2,409,910	2,602,832	2,933,477
Loans and advances to customers	5,899,345	6,247,812	6,358,000
Investment securities	2,294,341	2,272,103	2,375,641
Property and equipment	159,276	155,291	158,661
Other assets	198,159	191,393	206,429
Intangible assets	218,961	218,961	218,961
Total assets	11,179,992	11,688,392	12,251,169
Liabilities			
Customer deposits and other borrowed funds	9,618,887	9,874,651	10,371,531
Other liabilities	193,546	202,723	224,427
Debt securities in issue	175,116	212,406	213,001
Total liabilities	9,987,549	10,289,780	10,808,959
Equity attributable to equity holders of the parent			
Issued capital and reserves	973,265	960,788	967,014
Retained earnings	192,393	408,984	445,507
	1,165,658	1,369,772	1,412,521
Non-controlling interests	26,785	28,840	29,689
Total equity	1,192,443	1,398,612	1,442,210
Total liabilities and equity	11,179,992	11,688,392	12,251,169

Note: Results have been converted to USD at an exchange rate of USD1 = BBD2

Director

Director

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (USD'000)

	Attributable to equity holders of the Parent				
	Issued Capital	Reserves	Retained Earnings	Non- controlling Interests	Total Equity
Balance at October 31, 2016	1,193,149	(243,062)	397,159	28,147	1,375,393
Comprehensive income for the period	-	(1,239)	101,531	2,421	102,713
Transfer to reserves	-	11,871	(11,871)	-	-
Aquisition of additional interest in subsidiary	-	69	-	-	69
Equity dividends	-	-	(77,835)	-	(77,835)
Dividends of subsidiaries	-	-	-	(1,728)	(1,728)
Balance at July 31, 2017	1,193,149	(232,361)	408,984	28,840	1,398,612
Balance at October 31, 2017	1,193,149	(226,135)	445,507	29,689	1,442,210
Impact of adopting IFRS 9 at Nov 1, 2017 (Note 1)	-	36,529	(84,305)	(650)	(48,426)
Restated balance at November 1, 2017 after adopting IFRS 9	1,193,149	(189,606)	361,202	29,039	1,393,784
Comprehensive income for the period	-	(40,714)	117,051	2,808	79,145
Transfer to reserves	-	10,436	(10,436)	-	-
Equity dividends	-	-	(275,424)	-	(275,424)
Dividends of subsidiaries	-	-	-	(5,062)	(5,062)
Balance at July 31, 2018	1,193,149	(219,884)	192,393	26,785	1,192,443

Note: Results have been converted to USD at an exchange rate of USD1 = BBD2

CONDENSED CONSOLIDATED STATEMENT OF INCOME (USD'000)

	Unaudited Quarter ended		Unaudited Nine months ended		Audited Year ended
	Jul 31, 2018	Jul 31, 2017	Jul 31, 2018	Jul 31, 2017	Oct 31, 2017
Interest and similar income	120,879	112,627	354,553	328,484	443,673
Interest and similar expense	16,530	15,848	47,706	48,230	64,394
Net interest income	104,349	96,779	306,847	280,254	379,279
Operating income	41,903	40,549	128,237	121,688	168,094
	146,252	137,328	435,084	401,942	547,373
Operating expenses	93,615	93,712	285,398	276,110	372,079
Credit loss expense on financial assets	24,076	6,165	32,555	13,082	24,459
	117,691	99,877	317,953	289,192	396,538
Income before taxation	28,561	37,451	117,131	112,750	150,835
Income tax (credit)/expense	(9,389)	4,094	(2,910)	8,459	9,311
Net income for the period	37,950	33,357	120,041	104,291	141,524
Attributable to:					
Equity holders of the parent	37,132	32,417	117,051	101,531	137,851
Non-controlling interests	818	940	2,990	2,760	3,673
	37,950	33,357	120,041	104,291	141,524

Basic and diluted earnings per share attributable to the equity holders of the parent for the period:					
(expressed in cents per share)	2.4	2.1	7.4	6.4	8.7

Note: Results have been converted to USD at an exchange rate of USD1 = BBD2

FirstCaribbean International Bank Limited

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FirstCaribbean
International Bank

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (USD'000)

	Unaudited Quarter ended		Unaudited Nine months ended		Audited Year ended
	Jul 31, 2018	Jul 31, 2017	Jul 31, 2018	Jul 31, 2017	Oct 31, 2017
Net income for the period	37,950	33,357	120,041	104,291	141,524
Other comprehensive (losses)/income (net of tax) to be reclassified to net income in subsequent periods					
Net (losses)/income on available-for-sale investment securities	(26,605)	5,040	(38,061)	(1,272)	(1,384)
Credit losses on available-for-sale investment securities	3,539	-	2,498	-	-
Net exchange (losses)/income on translation of foreign operations	(5,939)	827	(3,972)	(306)	1,165
	(29,005)	5,867	(39,535)	(1,578)	(219)
Other comprehensive (losses)/income (net of tax) not to be reclassified to net income in subsequent periods:					
Re-measurement (losses)/gains of retirement benefit obligations	-	-	(1,361)	-	5,286
Other comprehensive (losses)/income for the period, net of tax	(29,005)	5,867	(40,896)	(1,578)	5,067
Comprehensive income for the period, net of tax	8,945	39,224	79,145	102,713	146,591
Comprehensive income for the period attributable to:					
Equity holders of the parent	8,143	38,153	76,337	100,292	143,041
Non-controlling interests	802	1,071	2,808	2,421	3,550
	8,945	39,224	79,145	102,713	146,591

Note: Results have been converted to USD at an exchange rate of USD1 = BBD2

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (USD'000)

	Unaudited Nine months ended Jul 31, 2018	Audited Year ended Oct 31, 2017
Net cash (used in)/from operating activities	(237,566)	1,206,080
Net cash from/(used in) investing activities	73,475	(147,259)
Net cash used in financing activities	(323,009)	(73,259)
Net (decrease)/increase in cash and cash equivalents for the period	(487,100)	985,562
Effect of exchange rate changes on cash and cash equivalents	(3,972)	1,165
Cash and cash equivalents, beginning of the period	2,512,595	1,525,868
Cash and cash equivalents, end of the period	2,021,523	2,512,595

Note: Results have been converted to USD at an exchange rate of USD1 = BBD2

CONDENSED CONSOLIDATED SEGMENT INFORMATION (USD'000)

	Unaudited Jul 31, 2018				
	RBB	CIB	WM	Admin	Total
External revenue	113,374	132,028	(7,958)	69,403	306,847
Internal revenue	13,662	968	40,484	(55,114)	-
Net interest income	127,036	132,996	32,526	14,289	306,847
Operating income	57,977	34,985	34,859	416	128,237
	185,012	167,981	67,385	14,705	435,084
Depreciation	6,743	799	561	9,925	18,028
Operating expenses	71,910	19,099	25,006	151,354	267,370
Indirect expenses	80,213	56,663	22,837	(159,713)	-
Credit loss expense on financial assets	8,003	14,358	259	9,935	32,555
Income before taxation	18,143	77,062	18,721	3,205	117,131
Income tax expense	(4,595)	7,531	(437)	(5,409)	(2,910)
Net income for the period	22,738	69,531	19,158	8,614	120,041
Total assets and liabilities by segment are as follows:					
Segment assets	2,545,225	3,433,173	85,608	5,115,986	11,179,992
Segment liabilities	3,718,368	3,332,319	2,645,051	291,811	9,987,549

CONDENSED CONSOLIDATED SEGMENT INFORMATION *Continued* (USD'000)

	Unaudited Jul 31, 2017				
	RBB	CIB	WM	Admin	Total
External revenue	107,171	124,334	(5,987)	54,736	280,254
Internal revenue	12,603	5,840	29,229	(47,673)	-
Net interest income	119,774	130,174	23,243	7,063	280,254
Operating income	50,771	34,729	33,282	2,906	121,688
	170,545	164,903	56,525	9,969	401,942
Depreciation	6,070	584	622	8,637	15,913
Operating expenses	66,662	19,707	22,884	150,944	260,197
Indirect expenses	69,642	66,986	22,952	(159,580)	-
Credit loss expense on financial assets	9,189	3,753	140	-	13,082
Income before taxation	18,982	73,873	9,927	9,968	112,750
Income tax expense	397	8,529	(429)	(38)	8,459
Net income for the period	18,585	65,344	10,356	10,006	104,291
Total assets and liabilities by segment are as follows:					
Segment assets	2,496,181	3,335,865	58,431	5,797,915	11,688,392
Segment liabilities	3,576,027	3,309,529	3,086,967	317,257	10,289,780

	Audited Oct 31, 2017				
	RBB	CIB	WM	Admin	Total
External revenue	145,541	166,565	(8,640)	75,813	379,279
Internal revenue	16,043	6,694	42,206	(64,943)	-
Net interest income	161,584	173,259	33,566	10,870	379,279
Operating income	66,360	46,037	46,699	8,998	168,094
	227,944	219,296	80,265	19,868	547,373
Depreciation	8,882	790	830	12,475	22,977
Operating expenses	90,266	26,684	30,848	201,304	349,102
Indirect expenses	92,280	88,169	29,832	(210,281)	-
Credit loss expense on financial assets	18,772	5,556	131	-	24,459
Income before taxation	17,744	98,097	18,624	16,370	150,835
Income tax expense	433	9,304	(469)	43	9,311
Net income for the year	17,311	88,793	19,093	16,327	141,524
Total assets and liabilities by segment are as follows:					
Segment assets	2,522,237	3,391,375	59,122	6,278,435	12,251,169
Segment liabilities	3,554,978	3,254,272	3,649,710	349,999	10,808,959

Notes:

1. The Group'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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation and summary of significant accounting policies

The accompanying unaudited condensed consolidated financial statements of FirstCaribbean International Bank Limited (the Group) should be read in conjunction with the IFRS consolidated financial statements and notes thereto for the year ended October 31, 2017, included in the Group's Annual Report 2017. For a description of the Group'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.

Current period changes in accounting policies

The Group 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 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. During the quarter, management made further refinements and tax impact adjustments to the IFRS 9 ECL Allowance Model which amounted to US\$10 million net of taxes. This resulted in changes to the Opening transitioning adjustment and is reflected in the "Impact of adopting IFRS 9 at Nov 1, 2017" in the Consolidated Statement of Changes in Equity.

Dividends

During the last quarter, the Board of Directors approved the change to our dividend payment policy to pay dividends quarterly instead of bi-annually. The Directors have approved a regular, quarterly dividend of one point two five United States cents (\$0.0125) per share to be paid on September 28, 2018 to shareholders of record as of September 3, 2018.