

FirstCaribbean International Bank Limited

Condensed Consolidated Financial Statements

For the nine months ended 31 July, 2019 (expressed in thousands of United States dollars)



FirstCaribbean
International Bank

CHIEF EXECUTIVE OFFICER’S REVIEW

For the quarter ended July 31, 2019, the Bank reported net income of \$48.6 million, an increase of \$10.6 million or 28% from the third quarter’s net income of \$38.0 million in the prior year. On an adjusted basis, net income was \$45.9 million after adjusting for \$2.7 million in items of note relating to the release of credit loss allowances related to hurricanes in 2017. Adjusted net income¹ for the nine months ended July 31, 2019, was \$140.3 million, up \$14.0 million or 11% compared to the same period last year² of \$126.3 million.

The Bank’s continued improved performance was driven by increased revenue due to higher volumes and interest margins as well as lower credit losses primarily as a result of model changes. This was partially offset by increased expenses and taxation.

At the end of the third quarter, Tier 1 and Total Capital ratios were 14.1% and 15.6% respectively, in excess of applicable regulatory requirements. The Board of Directors has approved a regular quarterly dividend of \$0.0125 per share, to be paid on October 18, 2019 to shareholders of record on September 20, 2019.

At the time of reporting, our business in the Bahamas has begun the long process of damage assessment and restoration following the passage of Hurricane Dorian. Our branches in the Abacos Islands and Grand Bahama remain closed while our business in New Providence and Eleuthera has reopened. CIBC FirstCaribbean stands ready to assist its staff and clients in their recovery efforts following the catastrophic hurricane.

Colette Delaney
Chief Executive Officer
September 5, 2019

¹YTD Net Income adjusted for deferred tax assets write-off \$21.9MM, incremental credit provision for Barbados Government USD debt \$4.4MM, 2017 hurricane credit losses provision release (\$8.6MM) and taxation adjustments \$0.4MM.
²YTD PY expenses adjusted for impairment classification of Barbados Government Debt exposure \$19.9MM, hurricane related insurance recoveries (\$3.7MM) and taxation adjustments (\$9.9MM).

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 management 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

	Unaudited Jul 31, 2019	Unaudited Jul 31, 2018	Audited Oct 31, 2018
Assets			
Cash, balances with Central Banks and due from banks	2,291,129	2,409,910	2,085,622
Loans and advances to customers	6,128,717	5,899,345	5,904,651
Securities	2,548,864	2,294,341	2,384,473
Property and equipment	165,656	159,276	165,806
Other assets	169,473	210,629	236,487
Intangible assets	218,961	218,961	218,961
Total assets	11,522,800	11,192,462	10,996,000
Liabilities			
Customer deposits and other borrowed funds	10,089,749	9,618,887	9,536,530
Other liabilities	133,487	193,546	215,758
Debt securities in issue	89,240	175,116	90,918
Total liabilities	10,312,476	9,987,549	9,843,206
Equity attributable to equity holders of the parent			
Issued capital and reserves	980,932	973,488	951,834
Retained earnings	199,365	204,640	173,117
	1,180,297	1,178,128	1,124,951
Non-controlling interests	30,027	26,785	27,843
Total equity	1,210,324	1,204,913	1,152,794
Total liabilities and equity	11,522,800	11,192,462	10,996,000

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

Director
Director

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Parent				
	Issued Capital	Reserves	Retained Earnings	Non- controlling Interests	Total Equity
Balance at October 31, 2017	1,193,149	(189,383)	373,449	29,039	1,406,254
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	(219,661)	204,640	26,785	1,204,913
Balance at October 31, 2018	1,193,149	(241,315)	173,117	27,843	1,152,794
Comprehensive income for the period	-	19,653	118,829	3,737	142,219
Transfer to reserves	-	9,445	(9,445)	-	-
Equity dividends	-	-	(83,136)	-	(83,136)
Dividends of subsidiaries	-	-	-	(1,553)	(1,553)
Balance at July 31, 2019	1,193,149	(212,217)	199,365	30,027	1,210,324

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

CONDENSED CONSOLIDATED STATEMENT OF INCOME

	Unaudited Quarter ended		Unaudited Nine months ended		Audited Year ended
	Jul 31, 2019	Jul 31, 2018	Jul 31, 2019	Jul 31, 2018	Oct 31, 2018
Total revenue	154,665	146,252	459,837	435,084	581,419
Operating expenses	101,987	94,467	299,971	285,428	386,660
Credit loss (reversal)/expense on financial assets	(1,094)	24,076	(601)	32,555	101,770
	100,893	118,543	299,370	317,983	488,430
Income before taxation	53,772	27,709	160,467	117,101	92,989
Income tax expense/(credit)	5,166	(10,241)	38,248	(2,940)	(7,823)
Net income for the period	48,606	37,950	122,219	120,041	100,812
Attributable to:					
Equity holders of the parent	47,464	37,132	118,829	117,051	96,741
Non-controlling interests	1,142	818	3,390	2,990	4,071
	48,606	37,950	122,219	120,041	100,812

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

3.0	2.4	7.5	7.4	6.1
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Note: Results have been converted to USD at an exchange rate of USD1 = BBD2

FirstCaribbean International Bank Limited

Condensed Consolidated Financial Statements

For the nine months ended 31 July, 2019 (expressed in thousands of United States dollars)



FirstCaribbean
International Bank

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Quarter ended		Unaudited Nine months ended		Audited Year ended
	Jul 31, 2019	Jul 31, 2018	Jul 31, 2019	Jul 31, 2018	Oct 31, 2018
Net income for the period	48,606	37,950	122,219	120,041	100,812
Other comprehensive income/(loss) (net of tax) to be reclassified to net income in subsequent periods					
Net income/(loss) on debt instruments at fair value through OCI	8,699	(23,066)	27,274	(35,563)	(39,108)
Net exchange (loss)/income on translation of foreign operations	(1,257)	(5,939)	(4,968)	(3,972)	146
	7,442	(29,005)	22,306	(39,535)	(38,962)
Other comprehensive loss (net of tax) not to be reclassified to net income in subsequent periods:					
Re-measurement loss of retirement benefit obligations	-	-	(2,306)	(1,361)	(15,363)
Other comprehensive income/(loss) for the period, net of tax	7,442	(29,005)	20,000	(40,896)	(54,325)
Comprehensive income for the period, net of tax	56,048	8,945	142,219	79,145	46,487
Comprehensive income for the period attributable to:					
Equity holders of the parent	54,777	8,143	138,482	76,337	42,621
Non-controlling interests	1,271	802	3,737	2,808	3,866
	56,048	8,945	142,219	79,145	46,487

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited Nine months ended Jul 31, 2019	Audited Year ended Oct 31, 2018
Net cash from/(used in) operating activities	381,625	(401,122)
Net cash (used in)/from investing activities	(92,116)	1,158
Net cash used in financing activities	(89,621)	(428,700)
Net increase/(decrease) in cash and cash equivalents for the period	199,888	(828,664)
Effect of exchange rate changes on cash and cash equivalents	(4,968)	146
Cash and cash equivalents, beginning of the period	1,684,077	2,512,595
Cash and cash equivalents, end of the period	1,878,997	1,684,077

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

CONDENSED CONSOLIDATED SEGMENT INFORMATION

	Unaudited Jul 31, 2019				
	RBB	CIB	WM	Admin	Total
Nine months ended					
External revenue	116,701	137,701	(6,742)	70,651	318,311
Internal revenue	16,474	8,953	45,735	(71,162)	-
Net interest income	133,175	146,654	38,993	(511)	318,311
Operating income	55,630	46,451	35,910	3,535	141,526
Total revenue	188,805	193,105	74,903	3,024	459,837
Depreciation	5,977	1,713	320	11,930	19,940
Operating expenses	77,988	24,828	24,113	153,102	280,031
Indirect expenses	69,415	66,737	28,347	(164,499)	-
Credit loss reversal on financial assets	(7,064)	3,771	(18)	2,710	(601)
Income before taxation	42,489	96,056	22,141	(219)	160,467
Income tax expense	(483)	11,988	(39)	26,782	38,248
Net income for the period	42,972	84,068	22,180	(27,001)	122,219
Balance as at					
Total assets and liabilities by segment are as follows:					
Segment assets	1,366,799	5,306,605	2,388,372	2,461,024	11,522,800
Segment liabilities	3,819,413	3,638,131	2,732,911	122,021	10,312,476

CONDENSED CONSOLIDATED SEGMENT INFORMATION *Continued*

	Unaudited Jul 31, 2018				
	RBB	CIB	WM	Admin	Total
Nine months ended					
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	47,417	45,545	34,859	416	128,237
Total revenue	174,453	178,541	67,385	14,705	435,084
Depreciation	5,361	2,185	561	9,921	18,028
Operating expenses	73,712	23,889	25,007	144,792	267,400
Indirect expenses	67,976	63,950	22,837	(154,763)	-
Credit loss expense on financial assets	8,003	14,358	259	9,935	32,555
Income before taxation	19,401	74,159	18,721	4,820	117,101
Income tax credit	(3,665)	6,316	(437)	(5,154)	(2,940)
Net income for the period	23,066	67,843	19,158	9,974	120,041
Balance as at					
Total assets and liabilities by segment are as follows:					
Segment assets	1,823,617	4,926,509	2,203,359	2,238,977	11,192,462
Segment liabilities	3,719,318	3,333,661	2,645,051	289,519	9,987,549

	Audited Oct 31, 2018				
	RBB	CIB	WM	Admin	Total
Year ended					
External revenue	151,985	179,488	(10,360)	88,830	409,943
Internal revenue	19,360	855	53,673	(73,888)	-
Net interest income	171,345	180,343	43,313	14,942	409,943
Operating income	77,619	45,459	48,871	(473)	171,476
Total revenue	248,964	225,802	92,184	14,469	581,419
Depreciation	9,098	1,054	749	14,030	24,931
Operating expenses	95,486	25,408	33,837	206,998	361,729
Indirect expenses	109,651	76,912	30,615	(217,178)	-
Credit loss expense on financial assets	16,295	29,123	433	55,919	101,770
Income before taxation	18,434	93,305	26,550	(45,300)	92,989
Income tax credit	(5,668)	8,267	(681)	(9,741)	(7,823)
Net income for the year	24,102	85,038	27,231	(35,559)	100,812
Balance as at					
Total assets and liabilities by segment are as follows:					
Segment assets	2,580,702	3,395,765	90,376	4,929,157	10,996,000
Segment liabilities	3,673,849	3,406,377	2,526,599	236,381	9,843,206

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). Treasury activities within the Administration segment includes the impact of charges or credits with a market-based cost of funds on the SBU assets and liabilities respectively. Capital is attributed to the SBUs in a manner that is intended to measure and align economic value with the underlying benefits and risks associated with SBU activities. Earnings on unattributed capital remain in Administration. Management reviews the transfer pricing methodologies on an ongoing basis to ensure they reflect changing market environments and industry practices.

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, 2018, included in the Group's Annual Report 2018. 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.

Dividends

During the quarter, a dividend of one point two five United States cents (\$0.0125) per share and a special dividend of one point five nine United States cents (\$0.0159) per share, was paid on July 5, 2019. The Board of Directors has approved the 2019 third quarter dividend of one point two five United States cents (\$0.0125) per share to be paid October 18, 2019 to shareholders of record as of September 20, 2019.