



FirstCaribbean International Bank (Bahamas) Limited
Managing Director’s Review Of the Results
For the year ended October 31, 2017

Fiscal 2017 saw FirstCaribbean International Bank (Bahamas) Limited capture the “Bank of the Year” award for The Bahamas, for the second consecutive year and seventh time. This prestigious international industry award is organized by The Banker, a publication owned by The Financial Times.

The fiscal year proved to be another rapidly changing and challenging year, however, against the backdrop of a subdued economic outlook and low interest rates, the Bank was able to build on its momentum and end the year in a strong position. We reported net income of \$76.8 million for fiscal 2017, up \$6.2 million or 9% compared to the prior year.

The Bank’s earnings were driven by solid performing loan growth across all three of our business segments, resulting in a 3% increase over the prior year. Total revenue rose to \$180.3 million from \$173.2 million, with net interest income up \$3.7 million, or 3% higher than the prior year, largely due to interest earnings from our loan portfolio. Additionally, operating income was \$3.3 million or 9% higher than last year. Operating expenses of \$91.2 million remained in line with the prior year’s expenses. We continue to adapt to operating conditions with increased investment in technology to simplify the client experience and improve our competitive positioning; while at the same time managing our controllable expenses to gain efficiencies. Loan loss impairment expense of \$12.3 million was up \$0.9 million or 8% compared with the same period in the prior year. This increase reflects, in part, the impact of hurricane related credit provision. The Bank continues to place significant emphasis on maintaining the credit quality of its loan portfolio.

The success of a well-executed client focused strategy contributed to our overall financial performance as all three of our strategic business segments delivered solid performances. In addition, we maintained a strong capital level well in excess of applicable regulatory requirements. The Bank is focused on delivering sustained earnings to create long-term value for its shareholders.

At its meeting on December 14, 2017, the Directors approved a final dividend for the year of seventeen cents (\$0.17) per share, bringing the total dividend to thirty-two cents (\$0.32) per share for the year, an increase of \$0.02 per share or 7% over 2016. The dividend will be paid on February 1, 2018 to the shareholders of record on January 26, 2018.

We again wish to thank our employees, clients and shareholders for their loyalty and continuing support during the year.

Marie Rodland-Allen
Managing Director

Condensed Consolidated Statement of Financial Position
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	Unaudited Oct 31, 2017	Audited Oct 31, 2016
Assets		
Cash, balances with The Central Bank and due from banks	512,736	407,943
Other assets	13,622	5,279
Investment securities	799,966	678,072
Loans and advances to customers	2,072,500	2,008,325
Property and equipment	27,975	28,414
Retirement benefit assets	22,610	28,154
Goodwill	72,747	72,747
Total assets	3,522,156	3,228,934
Liabilities		
Customer deposits	2,750,848	2,491,947
Other liabilities	78,164	81,971
Total liabilities	2,829,012	2,573,918
Equity		
Issued capital	477,230	477,230
Reserves	(13,194)	(14,326)
Retained earnings	229,108	192,112
Total equity	693,144	655,016
Total liabilities and equity	3,522,156	3,228,934

Director

Director

Condensed Consolidated Statement of Changes in Equity
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	Issued Capital	Reserves	Retained Earnings	Total
Balance at October 31, 2015	477,230	(30,602)	161,201	607,829
Net income for the year	-	-	70,573	70,573
Other comprehensive income for the year	-	12,678	-	12,678
Total comprehensive income	-	12,678	70,573	83,251
Dividends	-	-	(36,064)	(36,064)
Transfer to Statutory Reserve Fund - TCI	-	3,598	(3,598)	-
Balance at October 31, 2016	477,230	(14,326)	192,112	655,016
Balance at October 31, 2016	477,230	(14,326)	192,112	655,016
Net income for the year	-	-	76,759	76,759
Other comprehensive income 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 - TCI	-	3,699	(3,699)	-
Balance at October 31, 2017	477,230	(13,194)	229,108	693,144

Condensed Consolidated Statement of Income
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	Unaudited Three Months Ended		Unaudited Year Ended	Audited Year Ended
	Oct 31, 2017	Oct 31, 2016	Oct 31, 2017	Oct 31, 2016
Total interest income	38,157	37,602	149,254	146,708
Total interest expense	2,244	3,002	10,440	11,633
Net interest income	35,913	34,600	138,814	135,075
Other operating income	9,404	9,024	41,472	38,157
Total revenue	45,317	43,624	180,286	173,232
Operating expenses	22,963	24,044	91,219	91,213
Loan loss impairment	3,258	5,514	12,308	11,446
	26,221	29,558	103,527	102,659
Net income for the period	19,096	14,066	76,759	70,573
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)	15.9	11.7	63.9	58.7

Condensed Consolidated Statement of Comprehensive Income
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	Unaudited Three Months Ended		Unaudited Year Ended	Audited Year Ended
	Oct 31, 2017	Oct 31, 2016	Oct 31, 2017	Oct 31, 2016
Net income for the period	19,096	14,066	76,759	70,573
Other comprehensive income/(loss)				
Net (loss)/gain on available-for-sale investment securities	1,166	1,330	(7)	1,678
Re-measurement (loss)/gain of retirement benefit obligations	(2,560)	11,003	(2,560)	11,000
Other comprehensive (loss)/income for the period	(1,394)	12,333	(2,567)	12,678
Total comprehensive income for the period	17,702	26,399	74,192	83,251

Condensed Consolidated Statement of Cash Flows
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	Unaudited Year Ended Oct 31, 2017	Audited Year Ended Oct 31, 2016
Net cash from/(used in) operating activities	253,336	(171,772)
Net cash (used in)/from investing activities	(104,148)	118,773
Net cash used in financing activities	(36,064)	(36,064)
Net increase/(decrease) in cash and cash equivalents	113,124	(89,063)
Cash and cash equivalents, beginning of the year	265,713	354,776
Cash and cash equivalents, end of the year	378,837	265,713

Notes to the Condensed Consolidated Financial Statements
October 31, 2017

1. 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, 2017, included in the Bank’s Annual Report to be issued on or before 28 February 2018. 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 (TCI) Limited

Dividends

At the Board of Director’s meeting held on December 14, 2017, a final dividend of seventeen cents per share was declared, amounting to \$20.4 million. The consolidated financial statements for the year ended October 31, 2017 do not reflect this resolution, which will be accounted for in equity as a distribution of retained earnings in the year ending October 31, 2018.

Condensed Consolidated Segment Information
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	Unaudited Year Ended October 31, 2017				
	RBB	CIB	WM	Admin	Total
External revenues	67,349	48,519	(1,051)	23,997	138,814
Revenues from other segments	(12,544)	7,410	9,309	(4,175)	-
Net Interest Income	54,805	55,929	8,258	19,822	138,814
Other income	26,797	11,635	3,167	(127)	41,472
Total Revenues	81,602	67,564	11,425	19,695	180,286
Operating Expenses	27,488	2,951	1,778	59,002	91,219
Loan loss expense	9,557	2,712	39	-	12,308
Indirect expenses	20,330	27,955	10,970	(59,255)	-
Net Income/(Loss)	24,227	33,946	(1,362)	19,948	76,759
Segment assets	1,101,286	991,983	11,262	1,344,878	3,449,409
Unallocated assets					72,747
Total assets					3,522,156
Segment liabilities	1,064,222	1,025,726	581,447	157,617	2,829,012
Total liabilities					2,829,012

	Audited Year Ended October 31, 2016				
	RBB	CIB	WM	Admin	Total
External revenues	70,675	42,768	(586)	22,217	135,074
Revenues from other segments	(16,356)	11,400	8,581	(3,625)	-
Net Interest Income	54,319	54,168	7,995	18,592	135,074
Other income	24,501	10,065	2,823	769	38,158
Total Revenues	78,820	64,233	10,818	19,361	173,232
Operating Expenses	26,022	3,286	2,058	59,847	91,213
Loan loss expense	8,040	3,406	-	-	11,446
Indirect expenses	25,921	23,483	11,606	(61,010)	-
Net Income/(Loss)	18,837	34,058	(2,846)	20,524	70,573
Segment assets	1,081,629	955,802	10,566	1,108,190	3,156,187
Unallocated assets					72,747
Total assets					3,228,934
Segment liabilities	971,109	898,222	543,141	161,446	2,573,918
Total liabilities					2,573,918

Notes:

The Bank’s operations are organised into four segments: Retail, Business and International Banking (“RBB”), Corporate & Investment Banking (“CIB”), Wealth Management (“WM”) and Administration (“Admin”). Administration includes the functional groups (Audit, Treasury, Finance, Human Resources, Technology & Operations, Risk and Customer Relationship Management & Strategy). The expenses of the Admin segment are generally allocated to RBB, CIB and WB and also includes the allocation, credits and charges for liquidity, operational risk, credit risk and economic capital. Effective November 1, 2016, Wholesale Banking was changed to Corporate & Investment Banking to reflect the totality of offerings and better align with our corporate mission and strategy. Prior period disclosures are unaffected by this change.