



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

The Bank reported net income of \$17.1 million for the third quarter of fiscal 2018, \$2.5 million or 13% lower than the third quarter's net income of a year ago. Results for the period were primarily affected by a hedge accounting adjustment of \$3.6 million. Excluding this item, the Bank generated \$20.7 million of net income for the period compared with \$19.6 million in the prior year.

For the nine months ended July 31, 2018, the Bank reported net income of \$62.5 million, up by \$4.8 million or 8% from the prior year. The adjusted net income for the year, taking into account the item mentioned above, is \$66.1 million compared with \$57.7 million for the period ended July 31, 2017.

Total revenue was \$138.8 million, up \$3.8 million or 3% from the nine months ended July 31, 2017 primarily due to higher earnings from our performing loans and the benefit of rising US interest rates.

Operating expenses of \$67.0 million declined \$1.3 million or 2% from the same period a year ago, mainly as a result of recovery of hurricane related cost in the Turks & Caicos Islands, and continued efforts to closely manage controllable expenses.

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 each 24%. 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 nine cents (\$0.09) per share to be paid on December 10, 2018 to shareholders of record as of November 30, 2018.

FirstCaribbean was named "Most Innovative Bank in the Caribbean" as well as "Best Wealth Management Provider in The Bahamas" by World Finance magazine which is a testament to our commitment to deliver on our brand promise to provide personalized, responsive and easy service.

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

Marie Rodland-Allen
Managing Director

Condensed Consolidated Statement of Financial Position
B\$'000

	Unaudited Jul 31, 2018	Unaudited Jul 31, 2017	Audited Oct 31, 2017
Assets			
Cash, balances with The Central Bank and due from banks	561,450	431,616	512,736
Other assets	44,024	45,827	36,232
Investment securities	764,529	787,575	799,966
Loans and advances to customers	1,986,154	2,043,694	2,072,500
Property and equipment	29,040	28,096	27,975
Goodwill	72,747	72,747	72,747
Total assets	3,457,944	3,409,555	3,522,156
Liabilities			
Customer deposits	2,696,805	2,643,147	2,750,848
Other liabilities	128,660	90,966	78,164
Total liabilities	2,825,465	2,734,113	2,829,012
Equity			
Issued capital	477,230	477,230	477,230
Reserves	(4,145)	(11,800)	(13,194)
Retained earnings	159,394	210,012	229,108
Total equity	632,479	675,442	693,144
Total liabilities and equity	3,457,944	3,409,555	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
Comprehensive income for the period	-	(1,173)	57,664	56,491
Dividends	-	-	(36,065)	(36,065)
Transfer to Statutory Reserve Fund - TCI	-	3,699	(3,699)	-
Balance at July 31, 2017	477,230	(11,800)	210,012	675,442
Balance at October 31, 2017	477,230	(13,194)	229,108	693,144
Impact of adopting IFRS9 at Nov 1, 2017 (Note 1)	-	10,108	(23,746)	(13,638)
Balance at November 1, 2017	477,230	(3,086)	205,362	679,506
Comprehensive income for the period	-	(3,725)	62,489	58,764
Dividends	-	-	(105,791)	(105,791)
Transfer to Statutory Reserve Fund - TCI	-	2,666	(2,666)	-
Balance at July 31, 2018	477,230	(4,145)	159,394	632,479

Condensed Consolidated Statement of Income
B\$'000

	Unaudited Three Months Ended		Unaudited Nine Months Ended		Audited Year Ended
	Jul 31, 2018	Jul 31, 2017	Jul 31, 2018	Jul 31, 2017	Oct 31, 2017
Total interest income	40,314	38,277	116,895	111,098	149,254
Total interest expense	2,423	2,540	6,944	8,196	10,440
Net interest income	37,891	35,737	109,951	102,902	138,814
Operating income	7,471	10,784	28,822	32,069	41,472
Total revenue	45,362	46,521	138,773	134,971	180,286
Operating expenses	23,404	23,124	67,000	68,257	91,219
Credit loss expense on financial assets	4,870	3,758	9,284	9,050	12,308
	28,274	26,882	76,284	77,307	103,527
Net income for the period	17,088	19,639	62,489	57,664	76,759
Weighted average number of common shares outstanding for the period	120,216,204	120,216,204	120,216,204	120,216,204	120,216,204
Net earnings per share (in cents)	14.2	16.3	52.0	48.0	63.9

Condensed Consolidated Statement of Comprehensive Income
B\$'000

	Unaudited Three Months 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	17,088	19,639	62,489	57,664	76,759
Other comprehensive income/(losses) to be reclassified to net income in subsequent periods					
Net gains/(losses) on available-for-sale investment securities	(2,996)	2,733	(5,955)	(1,173)	(7)
Credit losses on available-for-sale investment securities	2,702	-	2,230	-	-
	(294)	2,733	(3,725)	(1,173)	(7)
Other comprehensive income/(losses) not to be reclassified to net income in subsequent periods					
Re-measurement losses of retirement benefit plans	-	-	-	-	(2,560)
Other comprehensive (losses)/income for the period	(294)	2,733	(3,725)	(1,173)	(2,567)
Comprehensive income for the period	16,794	22,372	58,764	56,491	74,192

Condensed Consolidated Statement of Cash Flows
B\$'000

	Unaudited Nine Months Ended		Audited Year Ended
	Jul 31, 2018	Jul 31, 2017	Oct 31, 2017
Net cash from operating activities	82,006	205,005	253,336
Net cash from/(used in) investing activities	124,238	(95,159)	(104,148)
Net cash used in financing activities	(105,791)	(36,064)	(36,064)
Net increase in cash and cash equivalents	100,453	73,782	113,124
Cash and cash equivalents, beginning of the period	378,837	265,713	265,713
Cash and cash equivalents, end of the period	479,290	339,495	378,837

Notes to the Condensed Consolidated Financial Statements
July 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, 2017, included in the Bank's Annual Report 2017. 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

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

The Directors have declared a quarterly dividend of nine cents per share payable on December 10, 2018 to shareholders of record as at the close of business on November 30, 2018.

Condensed Consolidated Segment Information
B\$'000

	Unaudited Nine Months Ended July 31, 2018				
	RBB	CIB	WM	Admin	Total
External revenue	52,218	37,781	(864)	20,816	109,951
Internal revenue	(7,915)	4,761	8,660	(5,506)	-
Net interest income	44,303	42,542	7,796	15,310	109,951
Operating income	22,275	7,737	2,703	(3,893)	28,822
	66,578	50,279	10,499	11,417	138,773
Depreciation	1,157	2	52	2,061	3,272
Operating expenses	17,823	2,334	1,829	41,742	63,728
Indirect expenses	17,628	17,701	8,083	(43,412)	-
Credit loss expense on financial assets	2,683	4,278	94	2,229	9,284
Net income for the period	27,287	25,964	441	8,797	62,489

Total assets and liabilities by segment are as follows:

Segment assets	1,106,284	908,065	14,315	1,429,280	3,457,944
Segment liabilities	1,120,259	997,147	573,955	134,105	2,825,465

	Unaudited Nine Months Ended July 31, 2017				
	RBB	CIB	WM	Admin	Total
External revenue	49,935	35,962	(766)	17,771	102,902
Internal revenue	(9,674)	5,723	6,798	(2,847)	-
Net interest income	40,261	41,685	6,032	14,924	102,902
Operating income	20,588	8,874	2,486	121	32,069
	60,849	50,559	8,518	15,045	134,971
Depreciation	1,183	2	53	1,884	3,122
Operating expenses	19,098	2,259	1,219	42,559	65,135
Indirect expenses	25,577	23,109	11,494	(60,180)	-
Credit loss expense on financial assets	6,424	2,609	17	-	9,050
Net income for the period	8,567	22,580	(4,265)	30,782	57,664

Total assets and liabilities by segment are as follows:

Segment assets	1,090,155	972,380	10,379	1,336,641	3,409,555
Segment liabilities	1,088,958	980,692	572,918	91,545	2,734,113

	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 organised 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.