



FirstCaribbean International Bank (Bahamas) Limited
Managing Director's Review Of the Results
For the three months ended January 31, 2019

The Bank reported net income of \$19.8 million in the first quarter, down \$3.0 million or 13% from the first quarter's net income of \$22.8 million in the prior year.

On an adjusted basis, net income was \$23.2 million after adjusting for \$3.4 million in provision for credit losses relating to the impending restructuring of Government of Barbados US dollar denominated debt. Excluding this item of note, the Bank experienced a \$0.4 million or 15% improvement over prior year's net income.

Total revenue was \$50.3 million compared with \$47.5 million, up \$2.8 million or 6% from the first quarter a year ago primarily due to higher interest earnings from performing loans, cash placements and securities, and income from cards services and foreign exchange earnings. Operating expenses were \$30.6 million, up \$4.2 million from the first quarter a year ago due primarily to higher group service costs.

Credit loss expense on financial assets of \$3.8 million was up \$1.6 million against prior year, relating in part to the impending restructure of the Government of Barbados US dollar debt and to growth in performing loan balances, and model enhancements.

At the end of the first quarter, the Bank's Tier 1 and Total Capital ratios were 24.9% and 24.7% respectively, in excess of applicable regulatory requirements. At its meeting on March 26, 2019, the Directors approved an interim dividend of nine cents (\$0.09) per share to be paid on June 14, 2019 to shareholders of record on June 5, 2019.

We continue to invest in providing our clients with a simplified and modern everyday banking experience through ongoing focus on the Bank's digital capabilities. CIBC FirstCaribbean's efforts to strengthen and build the business through deepening client relationships are evidenced by the growth in our core business during the first quarter.

I again wish to thank our clients, employees, shareholders and our board of directors for their ongoing support.

Marie Rodland-Allen
Managing Director

Condensed Consolidated Statement of Financial Position
B\$'000

	Unaudited Jan 31, 2019	Unaudited Jan 31, 2018	Audited Oct 31, 2018
Assets			
Cash, balances with The Central Bank and due from banks	613,078	523,706	576,110
Other assets	30,259	45,620	37,083
Securities	812,511	768,778	782,708
Loans and advances to customers	2,012,501	2,036,379	2,001,401
Property and equipment	29,170	28,013	29,578
Goodwill	72,747	72,747	72,747
Total assets	3,570,266	3,475,243	3,499,627
Liabilities			
Customer deposits	2,834,798	2,688,702	2,762,770
Other liabilities	80,869	100,116	84,289
Total liabilities	2,915,667	2,788,818	2,847,059
Equity			
Issued capital	477,230	477,230	477,230
Reserves	3,816	(4,045)	(6,627)
Retained earnings	173,553	213,240	181,965
Total equity	654,599	686,425	652,568
Total liabilities and equity	3,570,266	3,475,243	3,499,627

Director

Director

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

	Issued Capital	Reserves	Retained Earnings	Total
Balance at October 31, 2017	477,230	(13,194)	229,108	693,144
Impact of adopting IFRS 9 at November 1, 2017	-	10,108	(15,538)	(5,430)
Restated balance at November 1, 2017 after adopting IFRS 9	477,230	(3,086)	213,570	687,714
Comprehensive income for the period	-	(3,625)	22,773	19,148
Dividends	-	-	(20,437)	(20,437)
Transfer to Statutory Reserve Fund - TCI	-	2,666	(2,666)	-
Balance at January 31, 2018	477,230	(4,045)	213,240	686,425
Balance at October 31, 2018	477,230	(6,627)	181,965	652,568
Comprehensive income for the period	-	3,914	19,756	23,670
Dividends	-	-	(21,639)	(21,639)
Transfer to Statutory Reserve Fund - TCI	-	6,529	(6,529)	-
Balance at January 31, 2019	477,230	3,816	173,553	654,599

Condensed Consolidated Statement of Income
B\$'000

	Unaudited Three Months Ended Jan 31, 2019	Unaudited Three Months Ended Jan 31, 2018	Audited Year Ended Oct 31, 2018
Total interest income	41,529	38,763	158,067
Total interest expense	3,490	2,357	10,031
Net interest income	38,039	36,406	148,036
Operating income	12,294	11,093	40,086
Total revenue	50,333	47,499	188,122
Operating expenses	26,744	22,533	90,977
Credit loss expense on financial assets	3,833	2,193	12,085
	30,577	24,726	103,062
Net income for the period	19,756	22,773	85,060
Weighted average number of common shares outstanding for the period	120,216,204	120,216,204	120,216,204
Net earnings per share (in cents)	16.4	18.9	70.8

Condensed Consolidated Statement of Comprehensive Income
B\$'000

	Unaudited Three Months Ended Jan 31, 2019	Unaudited Three Months Ended Jan 31, 2018	Audited Year Ended Oct 31, 2018
Net income for the period	19,756	22,773	85,060
Other comprehensive income/(loss) to be reclassified to net income in subsequent periods			
Net losses on available-for-sale investment securities	-	(3,625)	-
Net gains/(losses) on debt instruments at fair value through OCI	3,914	-	(4,164)
	3,914	(3,625)	(4,164)
Other comprehensive loss not to be reclassified to net income in subsequent periods			
Re-measurement losses of retirement benefit plans	-	-	(2,043)
Other comprehensive income/(loss) for the period	3,914	(3,625)	(6,207)
Comprehensive income for the period	23,670	19,148	78,853

Condensed Consolidated Statement of Cash Flows
B\$'000

	Unaudited Three Months Ended Jan 31, 2019	Unaudited Three Months Ended Jan 31, 2018	Audited Year Ended Oct 31, 2018
Net cash from operating activities	83,444	49,054	194,956
Net cash (used in)/from investing activities	(23,590)	34,975	26,190
Net cash used in financing activities	(21,639)	(20,436)	(105,791)
Net increase in cash and cash equivalents	38,215	63,593	115,355
Cash and cash equivalents, beginning of the period	494,192	378,837	378,837
Cash and cash equivalents, end of the period	532,407	442,430	494,192

Notes to the Condensed Consolidated Financial Statements
January 31, 2019

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 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

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, interim dividend of nine (\$0.09) per share, amounting to \$10.8 million, which was paid on December 10, 2018. Additionally, at the Board of Director's meeting of December 17, 2018, a final dividend of nine cents (\$0.09) per share was declared, amounting to \$10.8 million. The dividend, which is payable to shareholder of record on January 31, 2019, will be paid during the second quarter, and therefore these condensed consolidated interim financial statements reflect an amount payable as of January 31, 2019 with an offsetting equity distribution of retained earnings.

At the Board of Director's meeting held on March 26, 2019, an interim dividend of nine cents (\$0.09) per share was payable on June 14, 2019 to shareholders of record as of the close of business on June 5, 2019. The consolidated unaudited financial statements do not reflect this resolution.

Condensed Consolidated Segment Information
B\$'000

	Unaudited Three Months Ended January 31, 2019				
	RBB	CIB	WM	Admin	Total
External revenue	17,366	13,644	(327)	7,356	38,039
Internal revenue	(2,729)	821	3,769	(1,861)	-
Net interest income	14,637	14,465	3,442	5,495	38,039
Operating income	7,095	4,334	1,014	(149)	12,294
	21,732	18,799	4,456	5,346	50,333
Depreciation	402	3	17	738	1,160
Operating expenses	6,593	838	443	17,710	25,584
Indirect expenses	6,400	8,000	4,588	(18,988)	-
Credit loss expense on financial assets	(929)	1,466	14	3,282	3,833
Net income for the period	9,266	8,492	(606)	2,604	19,756

Total assets and liabilities by segment are as follows:

Segment assets	1,099,847	923,314	19,722	1,527,383	3,570,266
Segment liabilities	1,136,806	1,100,728	575,482	102,651	2,915,667

	Unaudited Three Months Ended January 31, 2018				
	RBB	CIB	WM	Admin	Total
External revenue	17,390	12,721	(195)	6,490	36,406
Internal revenue	(2,717)	1,673	2,623	(1,579)	-
Net interest income	14,673	14,394	2,428	4,911	36,406
Operating income	5,822	4,305	924	42	11,093
	20,495	18,699	3,352	4,953	47,499
Depreciation	369	1	17	662	1,049
Operating expenses	6,356	984	470	13,674	21,484
Indirect expenses	7,446	6,727	3,347	(17,520)	-
Credit loss expense on financial assets	1,573	565	-	55	2,193
Net income for the quarter	4,751	10,422	(482)	8,082	22,773

Total assets and liabilities by segment are as follows:

Segment assets	1,102,395	952,859	10,962	1,409,027	3,475,243
Segment liabilities	1,112,937	1,069,813	586,369	19,699	2,788,818

	Audited 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 year	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

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). 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.