CIBC FirstCaribbean International Bank

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

For the fiscal year ended October 31, 2019, the Bank reported net income of $94 million, up $9 million or 11%, from last year's net income of $85 million.

The Bank's revenue rose by $17 million from $188 million in 2018 due primarily to higher interest earnings, lower securities losses and fee income. Operating expenses were $107 million, up $16 million due primarily to higher group service costs. Credit loss expense on financial assets improved despite an increase in credit loss allowances during the 4th quarter as a result of the impact of Hurricane Dorian. The Bank benefited from model enhancements and changes to assumptions due to lower probability of defaults.

The Bank's Tier 1 and Total Capital ratios remain strong at 27.7% and 27.6%, respectively. At its meeting on December 12, 2019, the Board of Directors approved an interim dividend of nine cents ($0.09) per share, subject to regulatory approval.

On November 8, 2019, CIBC announced its intention to sell part of its shareholding in FirstCaribbean International Bank Ltd. (our Parent Company) to GNB Financial Group Limited ("GNB"), a company ultimately owned by Jaime Gilinski. This transaction remains subject to regulatory approval. On closing of the transaction, GNB will become FirstCaribbean's majority shareholder owning 66.73% of our Parent Company's shares while CIBC will retain a 24.9% interest.

This is an exciting development for FirstCaribbean. It creates a platform for the future growth of our Bank and allows us to retain and celebrate our heritage while building our future.

I wish to thank our clients, employees, shareholders and directors for their continued support and loyalty.

Marie Rodland-Allen
Managing Director

Condensed Consolidated Statement of Financial Position
B$'000

	Unaudited Oct 31, 2019	Audited Oct 31, 2018
Assets		
Cash, balances with The Central Bank and due from banks	593,474	576,110
Other assets	48,212	37,083
Investment securities	936,576	782,708
Loans and advances to customers	2,023,654	2,001,401
Property and equipment	30,593	29,578
Goodwill	72,747	72,747
Total assets	3,705,256	3,499,627
Liabilities		
Customer deposits	2,903,742	2,762,770
Other liabilities	77,942	84,289
Total liabilities	2,981,684	2,847,059
Equity		
Issued capital	477,230	477,230
Reserves	19,810	(6,627)
Retained earnings	226,532	181,965
Total equity	723,572	652,568
Total liabilities and equity	3,705,256	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 Nov 1, 2017	-	10,108	(23,746)	(13,638)
Restated balance at Nov 1, 2017 after adopting IFRS 9	477,230	(3,086)	205,362	679,506
Net income for the year	-	-	85,060	85,060
Other comprehensive loss for the year	-	(6,207)	-	(6,207)
Total comprehensive income	-	(6,207)	-	(6,207)
Dividends	-	-	(105,791)	(105,791)
Transfer to statutory reserve fund - TCI	-	2666	(2,666)	
Balance at October 31, 2018	477,230	(6,627)	181,965	652,568
Balance at October 31, 2018	477,230	(6,627)	181,965	652,568
Net income for the year	-	-	94,376	94,376
Other comprehensive income for the year	-	19,908	-	19,908
Total comprehensive income	-	19,908	94,376	114,284
Dividends	-	-	(43,280)	(43,280)
Transfer to Statutory Reserve Fund - TCI	-	6,529	(6,529)	-
Balance at October 31, 2019	477,230	19,810	226,532	723,572

Condensed Consolidated Statement of Income
B$'000

	Unaudited Three Months Ended Oct 31, 2019	Unaudited Three Months Ended Oct 31, 2018	Unaudited Year Ended Oct 31, 2019	Audited Year Ended Oct 31, 2018
Total interest income	38,157	41,172	169,986	158,067
Total interest expense	3,087	3,087	13,172	10,031
Net interest income	35,070	38,085	156,796	148,036
Operating income	11,264	11,264	48,619	40,086
Total revenue	46,334	49,349	205,415	188,122
Operating expenses	23,979	23,979	106,524	90,977
Credit loss expenses on financial assets	2,800	2,800	4,515	12,085
	26,779	26,779	111,039	103,062
Net income for the period	19,555	22,570	94,376	85,060
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)	16.3	18.8	78.5	70.8

Condensed Consolidated Statement of Comprehensive Income
B$'000

	Unaudited Three Months Ended Oct 31, 2019	Unaudited Three Months Ended Oct 31, 2018	Unaudited Year Ended Oct 31, 2019	Audited Year Ended Oct 31, 2018
Net income for the period	19,555	22,570	94,376	85,060
Other comprehensive income/(loss) to be reclassified to net income in subsequent periods				
Net (loss)/income on debt securities at fair value through OCI	(439)	(439)	10,866	(4,164)
Other comprehensive (loss)/income not to be reclassified to net income in subsequent periods	(439)	(439)	10,866	(4,164)
Re-measurement (loss)/income on retirement benefit plans	(2,043)	(2,043)	9,042	(2,043)
Other comprehensive (loss)/income for the period	(2,482)	(2,482)	19,908	(6,207)
Comprehensive income for the period	17,073	20,088	114,284	78,853

Condensed Consolidated Statement of Cash Flows
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	Unaudited Year Ended Oct 31, 2019	Audited Year Ended Oct 31, 2018
Net cash from operating activities	201,073	194,956
Net cash from/(used in) investing activities	(123,620)	26,190
Net cash used in financing activities	(58,640)	(105,791)
Net increase in cash and cash equivalents	18,813	115,355
Cash and cash equivalents, beginning of the year	494,192	378,837
Cash and cash equivalents, end of the year	513,005	494,192

Notes to the Condensed Consolidated Financial Statements
October 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, 2019, included in the Bank's Annual Report to be issued on or before 28 February, 2020. 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 Directors' meeting held on June 14, 2019, an interim dividend of nine cents ($0.09) per share, amounting to $10.8 million, was declared. Payment to shareholders was made on August 26, 2019. The consolidated unaudited financial statements as of October 31, 2019 reflect this resolution. Additionally, at the Board of Director's meeting held on September 17, 2019, a regular interim dividend of nine cents ($0.09) per share, amounting to $10.8 million, was declared pending regulatory approval. The consolidated unaudited financial statements as of October 31, 2019 do not reflect this resolution.

Condensed Consolidated Segment Information
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Unaudited
Year Ended
October 31, 2019

	RBB	CIB	WM	Admin	Total
External revenue	71,957	53,790	(1,304)	32,353	156,796
Internal revenue	(9,849)	7,782	14,868	(12,801)	-
Net interest income	62,108	61,572	13,564	19,552	156,796
Operating income	26,567	18,611	4,421	(980)	48,619
	88,675	80,183	17,985	18,572	205,415
Depreciation	2,300	12	69	1,640	4,021
Operating expenses	23,925	4,469	2,720	71,389	102,503
Indirect expenses	25,970	30,845	17,624	(74,439)	-
Credit loss expense on financial assets	(224)	1,437	47	3,255	4,515
Net income for the year	36,704	43,420	(2,475)	16,727	94,376
Total assets and liabilities by segment are as follows:					
Segment assets	223,411	1,635,233	543,456	1,303,156	3,705,256
Segment liabilities	1,165,744	1,232,988	544,713	38,239	2,981,684

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). 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.