

FirstCaribbean International Bank (Cayman) Limited Financial Statements

For the year ended October 31, 2023 (expressed in thousands of United States dollars)



FirstCaribbean
International Bank

Management Report

We are pleased to report the results for FirstCaribbean International Bank (Cayman) Limited ("the Bank") for the year ended October 31, 2023, pursuant to the Provisions of the Central Bank of Curaçao and Sint Maarten for the Disclosure of Financial Highlights. The Bank comprises branches in the Cayman Islands, British Virgin Islands, Curaçao and Sint Maarten. The Bank is active in the local markets of Curaçao and Sint Maarten through branches of the Bank, and services international clients through its subsidiary FirstCaribbean International Bank (Curaçao) N.V.

There continues to be measurable improvement in the performance of the Sint Maarten economy for 2023. The collection of Turnover Tax increased by approximately 25%, there has also been a notable increase in the number of stayover visitors to the Island which showed as 9% growth over 2022 and projections are that this will continue to grow as the hotel room stock increases with the reopening of the Marriott Hotel scheduled for 2024, and the completion of the renovation of the Airport which is also scheduled for completion in 2024. Cruise ship arrivals have also surged growing by over 50% year over year. Unemployment is trending downward and this is expected to continue over the coming months.

In FY2023, the Bank delivered significantly improved results which were largely due to the revenue uplift from higher US benchmark interest rates. As the regional economies continued to recover from the aftermath of the COVID-19 pandemic, transaction-based operating income returned to normalized levels, improving over the year. While the high interest rate environment has improved margins in FY2023, declining loan balances have been noted given the cost of debt and clients' debt management strategies. Deposit growth has also slowed, as client cashflows have been directed towards alternate investment products or debt repayment. Despite the headwinds outlined above the Bank was able to record an admirable financial performance, with net income of US\$104.3MM in FY2023 representing a significant improvement over the net income of US\$70.1MM in FY2022. Contributing to the current year results were; (i) higher revenue as a result of the rising US interest rates as well as an increase in transaction based fee income; (ii) partially offset by an increase in provisions for credit losses, as a result of prior year releases driven by improved forecast economic conditions around the region, and; (iii) higher expenses arising mainly from increases in centralised costs.

Our business puts a strong emphasis on our clients as they are the most important stakeholders. We offer personalised service and work closely with our clients to make their dreams a reality in an ever-changing environment. As we continue to adapt post-COVID, the profile of our clients and their choice of channels has changed and we have continued to ensure that we support both our teams and clients to deliver on the commitment of being a digitally enabled bank offering omni-channel experiences.

The Bank is deeply committed to and involved in the communities where our bank operates. This commitment is demonstrated by the financial support provided by our charitable arm, the FirstCaribbean International ComTrust Foundation. Every year the bank commits no less than one US\$1 million to support programmes and activities across our regional footprint under three broad headings: Youth and Education, Health and Wellness and Community and the Environment, including the Dutch Caribbean.

We are grateful that our flagship charitable event Walk for the Cure, once again raised US\$22,000.00 this year for the continuing support of the valuable contribution of cancer care and awareness organizations and volunteers across the Dutch Caribbean.

On October 31, 2023, the Bank announced its intention to sell its assets in Curaçao and St. Maarten to Orco Bank N.V. subject to regulatory approval. Once regulatory approval was received it was subsequently announced that the final day of operations in Curaçao would be 24 May 2024. Client accounts will be transferred to Orco Bank N.V. on that date. The divestiture of the Bank's assets in Sint Maarten will follow several months later, on a date to be announced. The Bank has begun communicating to clients on the transition arrangements via a variety of channels.

We wish to thank our customers and staff for their continued support and loyalty over the years.

Mark McIntyre
Managing Director
FirstCaribbean International Bank (Cayman) Limited

Garth Sherwood
St. Maarten Country Head



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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
FirstCaribbean International Bank (Cayman) Limited

Report on the Audit of the Special Purpose Financial Statements

Opinion

The consolidated financial highlights of FirstCaribbean International Bank (Cayman) Limited ("the Bank"), which comprise the consolidated statement of financial position as at October 31, 2023 and consolidated statement of income for the year then ended and related notes, are derived from the audited consolidated financial statements of the Bank for the year ended October 31, 2023.

In our opinion, the accompanying consolidated financial highlights are consistent, in all material respects, with

INDEPENDENT AUDITOR'S REPORT *Continued*

the audited consolidated financial statements of the Bank, in accordance with the Provisions for the Disclosure of Consolidated Financial Highlights of Domestic Banking Institutions, as set by the Central Bank of Curaçao and Sint Maarten ("CBCS").

Consolidated Financial Highlights

The consolidated financial highlights do not contain all the disclosures required by International Financial Reporting Standards. Reading the consolidated financial highlights and our report thereon, therefore, is not a substitute for reading the audited consolidated financial statements of the Bank and our auditor's report thereon.

The Audited Consolidated Financial Statements and our Auditor's Report Thereon

We expressed an unmodified audit opinion on the consolidated financial statements of the Bank in our auditor's report dated January 31, 2024. The audited consolidated financial statements and the consolidated financial highlights do not reflect the effects of events that occurred subsequent to the date of our report on the audited consolidated financial statements.

Responsibilities of Management for the Consolidated Financial Highlights

Management is responsible for the preparation of the consolidated financial highlights in accordance with the Provisions for the Disclosure of Consolidated Financial Highlights of Domestic Banking Institutions, as set by the CBCS.

Auditor's responsibilities

Our responsibility is to express an opinion on whether the consolidated financial highlights are consistent, in all material respects, with the audited consolidated financial statements of the Bank based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), Engagements to Report on Summary Financial Statements.

April 19, 2024

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	2023 \$	2022 \$
Assets		
Cash and balances with Central Banks	50,478	119,043
Due from banks	868,703	988,061
Derivative financial instruments	8,164	9,751
Other assets	15,047	20,015
Taxation recoverable	128	128
Securities	700,287	539,435
Loans and advances to customers	2,045,466	2,215,212
Property and equipment	34,451	35,234
Deferred tax assets	308	700
Retirement Benefit Assets	1,355	-
Intangible assets	50,436	50,436
	3,774,823	3,978,015
Assets of disposal group classified as held for sale	236,614	-
Total assets	4,011,437	3,978,015
Liabilities		
Derivative financial instruments	7,609	7,914
Customer deposits	2,489,886	3,055,115
Due to other banks	567,990	358,269
Other liabilities	29,218	27,023
Deferred tax liabilities	768	604
Retirement benefit obligations	2,475	3,155
	3,097,946	3,452,080
Liabilities of disposal group classified as held for sale	363,867	-
Total liabilities	3,461,813	3,452,080
Shareholders' Equity		
Issued capital	294,789	294,789
Share premium and reserves	(43,168)	(48,440)
Retained earnings	298,003	279,586
	549,624	525,935
Total Liabilities and Shareholders' Equity	4,011,437	3,978,015

FirstCaribbean International Bank (Cayman) Limited

Financial Statements

For the year ended October 31, 2023 (expressed in thousands of United States dollars)



FirstCaribbean
International Bank

CONSOLIDATED STATEMENT OF INCOME

	2023 \$	2022 (Restated) \$
Interest and similar income	187,813	99,285
Interest and similar expense	41,083	8,036
Net interest income	146,730	91,249
Fee and Commission income	19,308	19,314
Net trading gains	586	91
Net gain on disposal of investment securities	-	221
Other operating income	14,373	13,065
Operating income	34,267	32,691
Total Revenue	180,997	123,940
Salaries and other employee expenses	19,758	19,215
Occupancy expenses	8,337	7,883
Credit loss release on financial assets	(475)	(381)
Other operating expenses	51,605	38,625
Operating expenses	79,225	65,342
Income before taxation from continuing operations	101,772	58,598
Tax expense	2,900	34
Net income for the year from continuing operations	98,872	58,564
Gain from discontinued operations	5,435	11,562
Net income for the year	104,307	70,126

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL HIGHLIGHTS

I. Assets

	2023 \$	2022 \$
Investment securities		
Debt instruments measured at fair value through OCI	679,639	519,126
Debt securities measured at amortised cost	20,648	20,309
	700,287	539,435
Loans and advances to customers		
Retail customers	787,817	846,267
Corporate customers	1,139,922	1,234,329
Public sector customers	150,009	175,701
Total loans and advances	2,077,748	2,256,297
Less: Expected credit loss allowance	(32,282)	(41,085)
Net Loans and advances	2,045,466	2,215,212

II. Liabilities

Customer deposits

Retail customers	715,868	841,987
Corporate customers	1,774,018	2,213,128
Total customer deposits	2,489,886	3,055,115

1. General

FirstCaribbean International Bank (Cayman) Limited ("Bank") is a wholly owned subsidiary of FirstCaribbean International Bank Limited ("Parent"), a company incorporated in Barbados. The major shareholder of the Parent is Canadian Imperial Bank of Commerce ("CIBC"), a company incorporated in Canada. The Bank is principally engaged in retail banking, wholesale banking, and wealth management services within its wholly owned subsidiaries and branches within the Cayman Islands, Curacao, St. Maarten and the British Virgin Islands. Effective October 31, 2023, the Bank's Board of Directors decided to exit its banking operations in Curacao. As a result of the exit, the October 31, 2022 results have been restated to account for the discontinuing operation.

The principal accounting policies adopted in the preparation of our consolidated financial statements are set out below. The notes are an extract of the detailed notes prepared in our statutory consolidated financial statements. The notes detailed below coincide in all material respect with those from which they have been derived.

2. Basis of preparation

The consolidated financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements have been prepared on a historical cost basis, except for fair value through other comprehensive income ("FVOCI") debt instruments, financial assets and liabilities at fair value through profit and loss and derivative financial instruments, which have all been measured at fair value. The carrying value of recognised assets that are hedged items in fair value hedges, and otherwise carried at amortised cost, are adjusted to record changes in fair value attributable to the risks that are being hedged. The consolidated financial statements are presented in United States Dollars ("USD"), and all values are rounded to the nearest thousand except where indicated otherwise.

3. Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries as at October 31, 2023 (the "reporting date"). The financial statements of the subsidiaries are prepared for the same reporting year as the Bank, using consistent accounting policies.

All subsidiaries, which are those companies controlled by the Bank, have been fully consolidated. The following subsidiaries have been consolidated:

Name	Country of Incorporation
FirstCaribbean International Bank (Cayman) Limited	Cayman Islands
FirstCaribbean International (Cayman) Nominees Company Limited	Cayman Islands
FirstCaribbean International Finance Corporation (Netherlands Antilles) N.V.	Curacao
FirstCaribbean International Bank (Curacao) N.V.	Curacao

Control is achieved when the Bank is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Bank controls an investee if and only if the Bank has: 1) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee); 2) Exposure, or rights, to variable returns from its involvement with the investee; and 3) The ability to use its power over the investee to affect its returns.

4. Description of significant accounting policies

Due from banks, Loans and advances to customers, Financial investments at amortised cost

The Bank only measures Due from banks, Loans and advances to customers and other financial investments at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding

Debt instruments at Fair Value through Other Comprehensive Income ("FVOCI")

The Bank measures debt instruments at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets
- The contractual terms of the financial asset meet the SPPI test

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in Other Comprehensive Income ("OCI"). Interest income and foreign exchange gains and losses are recognised in profit or loss in the same manner as for financial assets measured at amortised cost. Where the Bank holds more than one investment in the same security, they are deemed to be disposed of on a first-in first-out basis. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

Impairment of financial assets

The Bank records an allowance for expected credit losses ("ECL") for all loans and other debt financial assets not held at FVPL together with loan commitments and financial guarantee contracts, in this section all referred to as 'financial instruments'. Equity instruments are not subject to impairment under IFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss ("12mECL").

The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

The Bank calculates ECLs based on probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the effective interest rate ("EIR"). A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is recycled to the profit and loss upon derecognition of the assets.

Intangible assets

The Bank's consolidated financial statements include goodwill intangible assets arising from acquisitions. In accordance with IAS 36, goodwill is reviewed for impairment annually using the "value in use" method. This requires the use of estimates for determination of future cash flows expected to arise from each cash-generating unit and an appropriate discount rate to calculate present value.