

FirstCaribbean International Bank Limited

Consolidated Financial Statements

For the year ended October 31, 2015 (expressed in thousands of United States dollars)



FirstCaribbean
International Bank

CHIEF EXECUTIVE OFFICER'S REVIEW

2015 was a year of recovery for CIBC FirstCaribbean. The Bank delivered solid results against its strategic objectives of accelerating profitable revenue growth and improving operational efficiency recording reported net income of \$10.9 million in the fourth quarter. Normalized¹ net income was \$36.4 million, up \$10.9 million or 43% over the prior year's fourth quarter net income of \$25.5 million. The strong close to the fiscal year also included higher revenue and lower loan loss impairment expense compared with the same period in the prior year.

For the fiscal year ending October 31, 2015, the Bank recorded reported net income of \$97.9 million. Excluding restructuring costs, which include the sale of our Belize operations and other non-core items the Bank generated normalized¹ net income of \$123.4 million. This represents a significant improvement in performance versus the normalized¹ net income of \$82.5 million (reported net loss \$148.4 million) in the prior year.

We announced a final regular dividend for the year of \$0.020 per share, bringing the total dividend to \$0.035 per share for the year, an increase of \$0.005 over 2014. We also announced a special dividend of \$100 million (\$0.063 per share), which not only signifies the Bank's commitment to enhancing shareholder returns through capital deployment but reflects the strength in our capital position. The Bank's Tier 1 and Total Capital ratios at year end are 21.6% and 22.8%, well in excess of applicable regulatory requirements. The dividends will be paid on January 29, 2016 to shareholders of record as at December 29, 2015.

In 2014 we outlined the significant effort the Bank made in confronting and remediating a number of legacy issues including our credit framework, underwriting processes and infrastructure upgrades. During 2015, our results reflect the benefit of these efforts with loan loss impairment and non-performing loans at significantly lower levels. Additionally, expenses continue to be well managed against a backdrop of increasing costs in the region.

Normalized¹ revenue of \$526.4 million remained relatively flat against the prior year as net interest margin pressures still persist and a sustained demand for credit has not fully returned to the region. However, revenue for the second half of the fiscal year was up \$5.8 million or 2% over the same period last year. Additionally, our Retail business recorded productive loan growth of 1% for the second half of the year as sales activity showed positive momentum after 3 previous years of net decline. Normalized¹ operating expenses of \$348.2 million were also flat against the prior year as a result of discretionary expense control and the benefit from previous restructuring activities.

Loan loss impairment expense was significantly lower by \$49.8 million compared with the prior period's normalized¹ expense of \$91.3 million due to an improvement in the loss experience and recovery activity. Additionally, non-productive loan balances were down 22% to \$583.7 million compared with the same period last year and well down from our historical peak level of \$981.7 million in May 2012. Significant focus has been placed on further strengthening the quality of our loan portfolio.

Loan growth during the second half of the fiscal has been another encouraging aspect of our 2015 performance. The \$125.6 million or 2% productive loan growth recorded since the second quarter of the fiscal remains generally in line with our perspective of a slowly recovering regional economy. While the economic outlook and forecasts for the Caribbean remain modest we are positive about the Bank's future and believe we are well positioned for sustainable growth and improved shareholder returns.

During 2015, the Bank continued to make a number of investments across the region pursuing its growth objectives while also demonstrating its continuing commitment to the Caribbean.

With an intensified focus on clients to whom we can add substantive value, we opened a new branch at Fairview, Montego Bay and piloted a mini-branch at Santa Cruz, both in Jamaica. Additionally, we recently opened a Representative Office in Aruba and have plans to open a full service branch in 2016, as part of our expansion plan for the Dutch Caribbean. And, we are in the process of converting the Rendezvous Branch in Barbados into a first-class sales center catering to Platinum Banking, Business Banking, Corporate and International Banking customers. We also made the decision to exit the Belize market.

Along with the optimization of the physical branch network, the Bank's renewed emphasis on improving response and turnaround times to the customer through the first phase of a recently launched organizational initiative should also position us to benefit from improved customer experiences throughout 2016 and beyond.

We continue to believe that infrastructure development and renewal in the Caribbean will play a pivotal role in its economic recovery. During 2015, the Bank again hosted its annual infrastructure conference bringing together clients and subject matter experts to discuss key issues and financing options.

Our people play a pivotal role in successfully delivering on the Bank's growth aspirations and achieving customer service excellence. In support of this we continue to invest in the learning and development of our people around our product suite, customer service and management skillset. The Bank also remains highly committed to soliciting the feedback of its employees as part of its overall mandate of employee engagement.

CIBC FirstCaribbean takes great pride in delivering on its corporate social responsibility. In 2015, we contributed approximately \$1 million to community causes and programs. Additionally, the Bank's annual fundraising effort, Walk for the Cure, raised a record \$380,000 across the region and attracted 20,000 walkers. Once again the funds raised will go towards the care and support of those in the region living with cancer. We wish to thank all who participated in this worthy event.

We continue to believe that the future remains promising for our franchise and wish to thank the Board, management, staff and most importantly, our clients for their loyalty and continuing support.

Rik Parkhill
Chief Executive Officer
December 11, 2015

¹ 2015: Current year net income has been normalized for restructuring costs, which include the sale of the Belize operation and other non-core items totaling \$25.5 million

2014: Prior year net income has been normalized for two (2) for the items of note, \$115.0 million of incremental loan losses and a non-cash goodwill impairment charge of \$115.9 million

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REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY FINANCIAL STATEMENTS

To the Shareholders of FirstCaribbean International Bank Limited

The accompanying summarized consolidated financial statements, which comprise the consolidated statement of financial position as at October 31, 2015, consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and related notes, are derived from the audited consolidated financial statements of FirstCaribbean International Bank Limited for the year ended October 31, 2015. We expressed an unmodified audit opinion on those consolidated financial statements in our report dated December 10, 2015. Those consolidated financial statements, and the summarized consolidated financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on those consolidated financial statements.

The summarized consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the summarized consolidated financial statements, therefore, is not a substitute for reading the audited consolidated financial statements of FirstCaribbean International Bank Limited.

Management's Responsibility for the Summary Financial Statements

Management is responsible for the preparation of a summary of the audited consolidated financial statements on the basis of their established criteria as described in Note 1.

Auditors' Responsibility

Our responsibility is to express an opinion on the summarized consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing 810, "Engagements to Report on Summary Financial Statements."

Opinion

In our opinion, the summarized consolidated financial statements derived from the audited consolidated financial statements of FirstCaribbean International Bank Limited for the year ended October 31, 2015 are consistent, in all material respects, with those consolidated financial statements, on the basis of management's criteria as described in Note 1.

Chartered Accountants
Barbados, December 10, 2015

A member firm of Ernst & Young Global Limited

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Audited October 31, 2015	Audited October 31, 2014 Restated*	Audited November 1, 2013 Restated*
Assets			
Cash, balances with Central Banks and due from banks	1,691,781	1,813,702	2,311,538
Loans and advances to customers	6,005,021	6,140,273	6,329,247
Investment securities	2,331,012	2,305,215	2,214,085
Property and equipment	139,701	131,538	127,040
Other assets	154,160	169,029	112,761
Intangible assets	218,961	218,961	334,907
	<u>10,540,636</u>	<u>10,778,718</u>	<u>11,429,578</u>
Assets of a disposal group classified as held for sale	148,717	—	—
Total assets	<u>10,689,353</u>	<u>10,778,718</u>	<u>11,429,578</u>
Liabilities			
Customer deposits and other borrowed funds	8,698,750	9,200,379	9,622,921
Other liabilities	267,496	209,714	244,503
Debt securities in issue	208,890	30,974	30,461
	<u>9,175,136</u>	<u>9,441,067</u>	<u>9,897,885</u>
Liabilities of disposal group classified as held for sale	133,616	—	—
Total liabilities	<u>9,308,752</u>	<u>9,441,067</u>	<u>9,897,885</u>
Equity attributable to equity holders of the parent			
Issued capital and reserves	919,678	917,245	923,059
Retained earnings	434,925	397,009	582,218
	<u>1,354,603</u>	<u>1,314,254</u>	<u>1,505,277</u>
Non-controlling interests	<u>25,998</u>	<u>23,397</u>	<u>26,416</u>
Total equity	<u>1,380,601</u>	<u>1,337,651</u>	<u>1,531,693</u>
Total liabilities and equity	<u>10,689,353</u>	<u>10,778,718</u>	<u>11,429,578</u>

* Certain amounts shown here do not correspond to the 2014 consolidated financial statements and reflect adjustments made.
Note: Results have been converted to US\$ at an exchange rate of US\$1 = BBD\$2

Rik Parkhill
Chief Executive Officer

Sir Fred Gollop
Director

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Parent				Total Equity
	Issued Capital	Reserves	Retained Earnings	Non-controlling Interests	
Balance at November 1, 2013 (Restated *)	1,193,149	(270,090)	582,218	26,416	1,531,693
Comprehensive loss for the year (Restated*)	—	2,407	(146,724)	(1,523)	(145,840)
Transfer from reserves	—	(8,221)	8,221	—	—
Equity dividends	—	—	(46,706)	—	(46,706)
Dividends of subsidiaries	—	—	—	(1,496)	(1,496)
Balance at October 31, 2014 (Restated*)	1,193,149	(275,904)	397,009	23,397	1,337,651
Comprehensive income for the year	—	(7,648)	94,703	4,097	91,152
Transfer to reserves	—	10,081	(10,081)	—	—
Equity dividends	—	—	(46,706)	—	(46,706)
Dividends of subsidiaries	—	—	—	(1,496)	(1,496)
Balance at October 31, 2015	1,193,149	(273,471)	434,925	25,998	1,380,601

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CONDENSED CONSOLIDATED STATEMENT OF INCOME/(LOSS)

	Audited Year ended October 31, 2015	Audited Year ended October 31, 2014 Restated*
Interest and similar income	435,810	455,175
Interest and similar expense	73,111	86,386
Net interest income	<u>362,699</u>	<u>368,789</u>
Operating income	159,674	160,604
	<u>522,373</u>	<u>529,393</u>
Operating expenses	370,111	349,295
Loan loss impairment	41,507	206,283
Impairment of intangible assets	—	115,946
	<u>411,618</u>	<u>671,524</u>
Income/(loss) before taxation	110,755	(142,131)
Income tax expense	12,823	6,282
Net income/(loss) for the year	<u>97,932</u>	<u>(148,413)</u>
Attributable to:		
Equity holders of the parent	94,703	(146,724)
Non-controlling interests	3,229	(1,689)
	<u>97,932</u>	<u>(148,413)</u>
Basic and diluted earnings/(loss) per share attributable to the equity holders of the parent for the year: (expressed in cents per share)	<u>6.0</u>	<u>(9.3)</u>

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME/(LOSS)

	Audited Year ended October 31, 2015	Audited Year ended October 31, 2014 Restated*
Net income/(loss) for the year	97,932	(148,413)
Other comprehensive loss (net of tax) to be reclassified to net income or loss in subsequent periods		
Net (losses)/gains on available-for-sale investment securities	(9,583)	7,462
Exchange losses on translation of foreign operations	(7,849)	(8,942)
	(17,432)	(1,480)
Other comprehensive income (net of tax) not to be reclassified to net income or loss in subsequent periods:		
Re-measurement gains of retirement benefit obligations	10,652	4,053
Other comprehensive (loss)/income for the year, net of tax	(6,780)	2,573
Comprehensive income/(loss) for the year, net of tax	91,152	(145,840)
Comprehensive income/(loss) for the year attributable to:		
Equity holders of the parent	87,055	(144,317)
Non-controlling interests	4,097	(1,523)
	91,152	(145,840)

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Audited Year ended October 31, 2015	Audited Year ended October 31, 2014 Restated*
Net cash used in operating activities	(70,047)	(493,996)
Net cash used in investing activities	(2,171)	(24,044)
Net cash from/(used in) financing activities	90,280	(34,018)
Net increase/(decrease) in cash and cash equivalents for the year	18,062	(552,058)
Effect of exchange rate changes on cash and cash equivalents	(7,849)	(8,942)
Cash and cash equivalents, beginning of the year	1,376,184	1,937,184
Cash and cash equivalents, end of the year	1,386,397	1,376,184

* Certain amounts shown here do not correspond to the 2014 consolidated financial statements and reflect adjustments made.
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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of significant accounting policies - Basis of presentation.

The accompanying audited condensed consolidated financial statements of FirstCaribbean International Bank Limited (the Group) should be read in conjunction with the consolidated financial statements and notes thereto for the year ended October 31, 2015, included in the Group Annual Report 2015 which will be posted on our website (www.cibcfib.com) on December 11, 2015.

ADDENDUM: CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

	Q 1 2015	Q 2 2015	Q 3 2015	Q 4 2015	FY 2015
Interest and similar income	108,717	108,560	109,857	108,676	435,810
Interest and similar expense	20,674	20,393	17,469	14,575	73,111
Net interest income	88,043	88,167	92,388	94,101	362,699
Operating income	41,842	38,630	41,601	37,601	159,674
	129,885	126,797	133,989	131,702	522,373
Operating expenses	85,162	87,148	86,389	111,412	370,111
Loan loss impairment	15,740	11,665	7,366	6,736	41,507
	100,902	98,813	93,755	118,148	411,618
Income before taxation	28,983	27,984	40,234	13,554	110,755
Income tax expense	2,364	2,409	5,412	2,638	12,823
Net income for the year	26,619	25,575	34,822	10,916	97,932
Attributable to:					
Equity holders of the parent	25,973	24,654	34,005	10,071	94,703
Non-controlling interests	646	921	817	845	3,229
	26,619	25,575	34,822	10,916	97,932

Basic and diluted earnings per share attributable to the equity holders of the parent for the year:
(expressed in cents per share)

6.0

Note: Results have been converted to US\$ at an exchange rate of US\$1 = BBD\$2