

FirstCaribbean International Bank Limited

Consolidated Financial Statements

For the year ended October 31, 2016 (expressed in thousands of United States dollars)



FirstCaribbean
International Bank

CHIEF EXECUTIVE OFFICER'S REVIEW

For the fiscal year ended October 31, 2016, the Bank reported net income of \$143.3 million, up \$45.4 million or 46%, a significant improvement in performance when compared with prior year's net income of \$97.9 million. Lower loan loss impairment expense contributed significantly to this result, as the Bank benefited from increased loan recoveries and an improved loss experience. Growth in our core revenue was also a highlight for the year.

Despite the slow pace of economic recovery and uneven investment activity across the Caribbean, productive loans grew 5% over last year, while non-performing loans declined by 28%, together reflecting the Bank's priority to grow its business with a sound risk management focus. Both Retail and Wholesale Banking segments produced strong productive loan growth of 4% and 6% respectively as origination activity outpaced the prior year.

Revenue of \$533.8 million was up \$11.4 million or 2% against prior year's revenue. Interest margin pressure still persists in a low LIBOR rate environment with the pace of uplift slower than expected. Demand for credit is better than last year, but is generally expected to follow the lagging economic conditions in most jurisdictions. Operating expenses of \$357.4 million were down \$12.7 million or 3% compared with prior year's expenses of \$370.1 million. Prior year's expenses were hurt by restructuring related costs which included the sale of the Belize operation. The Bank is committed to discretionary expense control and strives to maintain a balance between the investment in its network, products and people. However, the impact of higher business taxes imposed by various jurisdictions coupled with higher operating costs continues to hurt operating results.

Loan loss impairment expense was significantly lower by \$24.2 million compared with the prior period's expense of \$41.5 million. Additionally, non-productive loan balances reduced by \$161.6 million to \$418.4 million compared with the same period last year. Significant effort has been placed on strengthening credit quality within our total loan portfolio.

Overall, the 2016 financial results build on the recovery from last year. While the economic outlook for the Caribbean remains modest, we are positive about the Bank's future and believe we are well positioned for sustainable growth and improved shareholder returns.

We announced a final dividend for the year of \$0.025 per share, bringing the total dividend to \$0.045 per share for the year, an increase of \$0.010 over 2015. Our dividend level continues to reinforce our view that the future continues to be promising for our franchise. The dividends will be paid on January 27, 2017 to shareholders of record as at December 29, 2016.

The Bank's Tier 1 and Total Capital ratios remain strong at 18.9% and 20.6%, well in excess of applicable regulatory requirements.

In 2016, CIBC FirstCaribbean reaffirmed our five strategic priorities: cultivating deeper relationships with our clients across our business; focusing on delivering value for our clients through understanding their needs; competing in businesses where we have the expertise to add differentiated value for our clients; pursuing growth in the region while maintaining sound risk management; and continuously investing in our people and infrastructure to enhance efficiency and effectiveness.

Consistent with these priorities, the Bank completed a number of strategic initiatives in 2016 to support acceleration of profitable growth. To deepen client relationships, customer relationship management systems were enhanced and credit approval processes streamlined to deliver an improved client experience. Customer feedback on the enhancements has been extremely encouraging.

Understanding clients' needs was central to the launch of our Mobile Banking smartphone app in June this year to complement internet banking and Automated Banking Machines (ABMs) in our suite of alternate channels. This expanded suite now allows clients to better customise their banking experience to fit their lifestyle. We will leverage ongoing client focused research for continuous improvement.

2016 also saw the launch of our new co-branded insurance offering with a leading regional insurer. The arrangement provides a differentiated level of service and insurance products to our clients in 11 of our markets across the region. We can proudly say that we offer a distinctive property insurance experience.

In October we entered the retail banking market in Aruba with a new branch following the opening of a representative office last year. This step represents commitment to our growth plan in the Dutch-speaking Caribbean. To cater to growing demand from our Platinum, Business Banking and Retail clients, we also opened two ultra-modern finance centres – at Rendezvous, Barbados, and Cole Bay, St. Maarten.

To support growth of our client base, the Bank continued to expand its ABM network with new ABM installations in The Bahamas, British Virgin Islands, the Cayman Islands and upgraded older machines to meet enhanced security standards.

Since arriving in the Caribbean in January 2016, I have traveled the region extensively meeting clients and staff. We have highly dedicated staff with a passion for serving customers. However, we still have work to do to enhance our service. That's why the Bank invested significantly in customer service and sales training for front line staff and coaching and leadership training for managers.

In 2016 we again contributed just over \$1 million for the improvement of the communities in which we operate. We continued to support a number of charitable causes in our various communities – chief among them, our flagship event the annual Walk For the Cure. This regional cancer fundraiser attracted over twenty thousand participants across the Caribbean this year and raised just over \$500,000 for public awareness and the care and support of those living with the disease.

This year also saw scores of our staff members supporting causes that are dear to them in their communities as part of our Adopt-A-Cause Programme. More than twenty projects were undertaken by our branches and offices including assisting young sportsmen in Barbados with equipment and training, supporting a special needs hospital at Holberton in Antigua, and providing assistance to a children's home in Jamaica.

We are into the third year of our Memorandum of Understanding with the Hospital for Sick Children in Toronto, whose Caribbean Initiative established by its SickKids Foundation aims to improve the care and diagnosis of children in the Caribbean affected by cancer and blood diseases. As Nursing Training partner, CIBC FirstCaribbean provided funding for the first cohort of Caribbean nurses – drawn from The Bahamas, Jamaica, St. Lucia and St. Vincent and the Grenadines to begin a specialised one-year Nursing Training Programme at the University of the West Indies School of Nursing in El Dorado, Trinidad and Tobago. Our commitment to the SickKids Caribbean Initiative is to provide \$1 million commitment over a seven-year period.

I would like to thank our employees, clients and shareholders for their continued support in building this great franchise here in the Caribbean.

Gary Brown
Chief Executive Officer
December 9, 2016



Ernst & Young
P.O. Box 261
Bridgetown, BB11000
Barbados, W.I.

Tel: 246 430 3900
Fax: 246 426 9551
246 430 3879
246 430 1352
www.ey.com

Street Address
One Welches
Welches
St. Thomas, BB22025
Barbados, W.I.

REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY FINANCIAL STATEMENTS

To the Shareholders of FirstCaribbean International Bank Limited

The accompanying summarised consolidated financial statements, which comprise the consolidated statement of financial position as at October 31, 2016, consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows 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, 2016. We expressed an unmodified audit opinion on those consolidated financial statements in our report dated December 9, 2016. Those consolidated financial statements, and the summarised 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 summarised consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the summarised 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 summarised 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 summarised consolidated financial statements derived from the audited consolidated financial statements of FirstCaribbean International Bank Limited for the year ended October 31, 2016 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 9, 2016

Condensed Consolidated Statement of Financial Position

	Audited Oct 31, 2016 \$	Audited Oct 31, 2015 \$
Assets		
Cash, balances with Central Banks and due from banks	1,998,582	1,691,781
Loans and advances to customers	6,212,267	6,005,021
Investment securities	2,202,593	2,331,012
Property and equipment	153,922	139,701
Other assets	179,340	154,160
Intangible assets	218,961	218,961
	<u>10,965,665</u>	<u>10,540,636</u>
Assets of disposal group classified as discontinued operations	-	148,717
Total assets	<u>10,965,665</u>	<u>10,689,353</u>
Liabilities		
Customer deposits and other borrowed funds	9,155,510	8,698,750
Other liabilities	236,465	267,496
Debt securities in issue	198,297	208,890
	<u>9,590,272</u>	<u>9,175,136</u>
Liabilities of disposal group classified as discontinued operations	-	133,616
Total liabilities	<u>9,590,272</u>	<u>9,308,752</u>
Equity attributable to equity holders of the parent		
Issued capital and reserves	950,087	919,678
Retained earnings	397,159	434,925
	<u>1,347,246</u>	<u>1,354,603</u>
Non-controlling interests	28,147	25,998
Total equity	<u>1,375,393</u>	<u>1,380,601</u>
Total liabilities and equity	<u>10,965,665</u>	<u>10,689,353</u>

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

Sir Allan Fields
Director

Gary Brown
Chief Executive Officer

FirstCaribbean International Bank Limited

Consolidated Financial Statements

For the year ended October 31, 2016 (expressed in thousands of United States dollars)



FirstCaribbean
International Bank

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 October 31, 2014	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	<u>1,193,149</u>	<u>(273,471)</u>	<u>434,925</u>	<u>25,998</u>	<u>1,380,601</u>
Comprehensive income for the year	-	12,890	140,005	3,875	156,770
Transfer to reserves	-	17,506	(17,506)	-	-
Equity dividends	-	-	(160,265)	-	(160,265)
Acquisition of additional interest in subsidiary	-	13	-	-	13
Dividends of subsidiaries	-	-	-	(1,726)	(1,726)
Balance at October 31, 2016	<u>1,193,149</u>	<u>(243,062)</u>	<u>397,159</u>	<u>28,147</u>	<u>1,375,393</u>

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

Condensed Consolidated Statement of Income

	Audited Year ended Oct 31, 2016 \$	Audited Year ended Oct 31, 2015 \$
Interest and similar income	431,574	435,810
Interest and similar expense	61,721	73,111
Net interest income	369,853	362,699
Operating income	163,927	159,674
Total revenue	533,780	522,373
Operating expenses	357,440	370,111
Loan loss impairment	17,305	41,507
	374,745	411,618
Income before taxation	159,035	110,755
Income tax expense	15,699	12,823
Net income for the year	<u>143,336</u>	<u>97,932</u>
Attributable to:		
Equity holders of the parent	140,005	94,703
Non-controlling interests	3,331	3,229
	<u>143,336</u>	<u>97,932</u>

Basic and diluted earnings per share attributable to the equity holders of the parent for the year: (expressed in cents per share) 8.9 6.0

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

Condensed Consolidated Statement of Comprehensive Income

	Audited Year ended Oct 31, 2016 \$	Audited Year ended Oct 31, 2015 \$
Net income for the year	143,336	97,932
Other comprehensive loss (net of tax) to be reclassified to net income or loss in subsequent periods:		
Net gains/(loss) on available-for-sale investment securities	5,619	(9,583)
Exchange losses on translation of foreign operations	(13,334)	(7,849)
	(7,715)	(17,432)
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	21,149	10,652
Other comprehensive income/(loss) for the year, net of tax	13,434	(6,780)
Comprehensive income for the year, net of tax	156,770	91,152
Comprehensive income for the year attributable to:		
Equity holders of the parent	152,895	87,055
Non-controlling interests	3,875	4,097
	<u>156,770</u>	<u>91,152</u>

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

Condensed Consolidated Statement of Cash Flows

	Unaudited Year ended Oct 31, 2016 \$	Audited Year Ended Oct 31, 2015 \$
Net cash from/(used in) operating activities	160,298	(70,047)
Net cash from/(used in) investing activities	172,666	(2,171)
Net cash (used in)/from financing activities	(180,159)	90,280
Net increase in cash and cash equivalents	152,805	18,062
Effective of exchange rate changes on cash and cash equivalents	(13,334)	(7,849)
Cash and cash equivalents, beginning of the period	1,386,397	1,376,184
Cash and cash equivalents, end of the period	<u>1,525,868</u>	<u>1,386,397</u>

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

Notes To The Condensed Consolidated Financial Statements

1. Summary of significant accounting policies

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, 2016, included in the Group Annual Report 2016 which will be posted on our website (www.cibcfcib.com) on December 9, 2016.

Addendum: Quarterly Financial Performance (Unaudited)

	Q1 2016 \$	Q2 2016 \$	Q3 2016 \$	Q4 2016 \$	FY 2016 \$
Interest and similar income	108,242	107,456	107,884	107,992	431,574
Interest and similar expense	15,283	15,547	15,397	15,494	61,721
Net interest income	92,959	91,909	92,487	92,498	369,853
Operating income	45,220	40,122	40,407	38,178	163,927
Total revenue	138,179	132,031	132,894	130,676	533,780
Operating expenses	90,422	89,707	88,707	88,604	357,440
Loan loss impairment	4,141	3,444	3,237	6,483	17,305
	94,563	93,151	91,944	95,087	374,745
Income before taxation	43,616	38,880	40,950	35,589	159,035
Income tax expense	4,927	4,575	2,922	3,275	15,699
Net income for the year	<u>38,689</u>	<u>34,305</u>	<u>38,028</u>	<u>32,314</u>	<u>143,336</u>
Attributable to:					
Equity holders of the parent	37,777	33,591	36,999	31,638	140,005
Non-controlling interests	912	714	1,029	676	3,331
	<u>38,689</u>	<u>34,305</u>	<u>38,028</u>	<u>32,314</u>	<u>143,336</u>
Basic and diluted earnings per share attributable to the equity holders of the parent for the year: (expressed in cents per share)	2.4	2.1	2.3	2.0	8.9