

FirstCaribbean International Bank (Bahamas) Limited
Managing Director's Review Of the Results
For the six months ended April 30, 2020

Since reporting our results for Q1 in April 2020, the COVID-19 pandemic has dramatically changed the outlook for both the global and local economies. In its April 2020 World Economic Outlook, the International Monetary Fund ("IMF") projects that global real Gross Domestic Product ("GDP") will contract by 3% in 2020.

With The Bahamas' high dependence on travel and tourism, combined with lockdowns and social distancing to contain the spread of the illness, we have already seen a reduction in real GDP. The IMF predicts a GDP decline for The Bahamas of 8% in 2020.

Against this backdrop, the Bank reported net income of \$3 million for the six months ended April 30, 2020, compared to net income of \$47 million for the same period in the prior year. The six months' financial results were negatively affected by \$37 million of provision for credit losses, which reflects our revised forward-looking views for probability of defaults, loss given defaults and macro-economic forecasts driven by the extent and timing of the anticipated impact from COVID-19.

Excluding this material change, the Bank generated net income of \$40 million. The Bank's performance was adversely affected by lower revenues due to declines in US interest rates and higher expenses due to increased administrative costs.

Despite the near term economic forecast, we remain committed to providing our shareholders with a consistent return. At its meeting on May 27, 2020, the Directors approved an interim dividend of nine cents (\$0.09) per share, subject to regulatory approval and upon the Central Bank's lifting of its current suspension of dividend approvals. Our Tier 1 and Total Capital ratios remain strong at 24.9% and 24.7%, in excess of the regulatory requirements.

COVID-19 is unprecedented. I am extremely proud of the commitment all our employees have demonstrated in continuing to serve our clients through these difficult times. We have made accommodations for many to work from home. As an essential service, we have erected plexiglass screens in branches, installed hand sanitizer dispensers in all our facilities, provided employees with masks and implemented new protocols to ensure the safety of both our employees and clients.

With the contraction in economic activity, cash flow is critical to keeping businesses and households afloat. To support our clients we have offered up to 6-month moratoria on loans on request and 3-month automatic moratoria on credit card payments. Encouragingly, we have seen increased usage of our digital offerings – online and mobile banking.

The Bank, through its charitable organization – FirstCaribbean International Comtrust Foundation, donated \$25,000 to The Bahamas Government through the Ministry of Health for immediate support in the form of Personal Protective Equipment.

COVID-19 has created uncertainty however we remain committed to maintaining focus on our clients, building on our technology base to create a leading digital experience, simplifying the way we do business and investing in our people.

I want to express my thanks to all our employees for their commitment to our Bank and to acknowledge the support of our clients, directors and shareholders during this difficult period.



Marie Rodland-Allen
 Managing Director

Condensed Consolidated Statement of Financial Position
B\$'000

	Unaudited Apr 30, 2020	Unaudited Apr 30, 2019	Audited Oct 31, 2019
Assets			
Cash, balances with The Central Bank and due from banks	808,524	642,154	593,474
Other assets	43,570	41,163	48,212
Securities	912,483	849,768	936,576
Loans and advances to customers	2,038,706	2,018,519	2,023,654
Property and equipment	46,120	29,295	30,593
Goodwill	72,747	72,747	72,747
Total assets	3,922,150	3,653,646	3,705,256
Liabilities			
Customer deposits	3,166,366	2,898,101	2,903,742
Other liabilities	92,413	71,031	77,942
Total liabilities	3,258,779	2,969,132	2,981,684
Equity			
Issued capital	477,230	477,230	477,230
Reserves	25,225	6,515	19,810
Retained earnings	160,916	200,769	226,532
Total equity	663,371	684,514	723,572
Total liabilities and equity	3,922,150	3,653,646	3,705,256



Director



Director

Condensed Consolidated Statement of Income
B\$'000

	Unaudited Three Months Ended Apr 30, 2020	Unaudited Three Months Ended Apr 30, 2019	Unaudited Six Months Ended Apr 30, 2020	Unaudited Six Months Ended Apr 30, 2019	Audited Year Ended Oct 31, 2019
Total interest income	38,961	42,880	80,379	84,409	169,968
Total interest expense	2,728	3,503	5,860	6,992	13,172
Net interest income	36,233	39,377	74,519	77,417	156,796
Operating income	10,095	11,815	25,426	24,109	48,619
Total revenue	46,328	51,192	99,945	101,526	205,415
Operating expenses	29,601	27,968	57,759	54,907	106,524
Credit loss expense/(reversal) on financial assets	37,750	(4,186)	39,238	(353)	4,515
	67,351	23,782	96,997	54,554	111,039
Net (loss)/income for the period	(21,023)	27,410	2,948	46,972	94,376
Weighted average number of common shares outstanding for the period	120,216,204	120,216,204	120,216,204	120,216,204	120,216,204
Net (loss)/earnings per share (in cents)	(17.5)	22.8	2.5	39.1	78.5

Condensed Consolidated Statement of Comprehensive Income
B\$'000

	Unaudited Three Months Ended Apr 30, 2020	Unaudited Three Months Ended Apr 30, 2019	Unaudited Six Months Ended Apr 30, 2020	Unaudited Six Months Ended Apr 30, 2019	Audited Year Ended Oct 31, 2019
Net (loss)/income for the period	(21,023)	27,410	2,948	46,972	94,376
Other comprehensive income/(loss) to be reclassified to net income in subsequent periods					
Net (losses)/gains on debt instruments at fair value through OCI	(3,059)	2,700	(1,840)	6,613	10,866
	(3,059)	2,700	(1,840)	6,613	10,866
Other comprehensive income/(loss) not to be reclassified to net income in subsequent periods					
Re-measurement gains on retirement benefit plans	-	-	-	-	9,042
	-	-	-	-	9,042
Other comprehensive (loss)/income for the period	(3,059)	2,700	(1,840)	6,613	19,908
Comprehensive (loss)/income for the period	(24,082)	30,110	1,108	53,585	114,284

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

	Issued Capital	Reserves	Retained Earnings	Total
Balance at October 31, 2018	477,230	(6,627)	181,965	652,568
Comprehensive income for the period	-	6,613	46,972	53,585
Dividends	-	-	(21,639)	(21,639)
Transfer to Statutory Reserve Fund - TCI	-	6,529	(6,529)	-
Balance at April 30, 2019	477,230	6,515	200,769	684,514
Balance at October 31, 2019	477,230	19,810	226,532	723,572
Comprehensive income for the period	-	(1,840)	2,948	1,108
Dividends	-	-	(61,309)	(61,309)
Transfer to Statutory Reserve Fund - TCI	-	7,255	(7,255)	-
Balance at April 30, 2020	477,230	25,225	160,916	663,371

Condensed Consolidated Statement of Cash Flows
B\$'000

	Unaudited Six Months Ended Apr 30, 2020	Unaudited Six Months Ended Apr 30, 2019	Audited Year Ended Oct 31, 2019
Net cash from operating activities	244,602	128,404	201,714
Net cash from/(used in) investing activities	13,806	(52,861)	(124,261)
Net cash used in financing activities	(51,516)	(21,639)	(58,640)
Net increase in cash and cash equivalents	206,892	53,904	18,813
Cash and cash equivalents, beginning of the period	513,005	494,192	494,192
Cash and cash equivalents, end of the period	719,897	548,096	513,005

Notes to the Condensed Consolidated Financial Statements
 April 30, 2020

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 2019. 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

A special dividend of \$0.42 per share, declared at the Board of Directors meeting on June 20, 2019, received the required regulatory approval and was paid on December 13, 2019 to shareholders of record as of the close of business on December 9, 2019. Additionally, the 2019 Q4 ordinary dividend of \$0.09 per share, declared at the Board of Directors meeting on December 12, 2019, received the required regulatory approval and was paid on April 29, 2020 to shareholders of record as of the close of business on April 22, 2020. These unaudited condensed consolidated financial statements therefore reflect an equity distribution of retained earnings.

The Directors have recommended for approval the following dividends, which are not reflected in these unaudited consolidated financial statements as they are subject to requisite regulatory approvals:

- Fiscal 2019 Q3 ordinary dividend of \$0.09 per share (approved by the Board on September 17, 2019)
- Fiscal 2020 Q1 ordinary dividend of \$0.09 per share (approved by the Board on March 17, 2020)
- Fiscal 2020 Q2 ordinary dividend of \$0.09 per share (approved by the Board on May 27, 2020)

Condensed Consolidated Segment Information
B\$'000

	Unaudited Six Months Ended April 30, 2020				
	RBB	CIB	WM	Admin	Total
External revenue	35,354	24,047	(267)	15,385	74,519
Internal revenue	(2,947)	8,246	6,140	(11,439)	-
Net interest income	32,407	32,293	5,873	3,946	74,519
Operating income	12,138	11,678	2,215	(605)	25,426
	44,545	43,971	8,088	3,341	99,945
Depreciation	1,043	9	31	2,929	4,012
Operating expenses	13,307	2,602	1,098	36,740	53,747
Indirect expenses	15,036	15,618	8,062	(38,716)	-
Credit loss expense on financial assets	22,984	13,986	58	2,210	39,238
Net income for the period	(7,825)	11,756	(1,161)	178	2,948

Total assets and liabilities by segment are as follows:

Segment assets	137,370	1,753,276	577,791	1,453,713	3,922,150
Segment liabilities	1,310,834	1,331,553	576,989	39,403	3,258,779

	Unaudited Six Months Ended April 30, 2019				
	RBB	CIB	WM	Admin	Total
External revenue	34,960	27,650	(662)	15,469	77,417
Internal revenue	(5,093)	2,330	7,534	(4,771)	-
Net interest income	29,867	29,980	6,872	10,698	77,417
Operating income	13,727	8,631	2,143	(392)	24,109
	43,594	38,611	9,015	10,306	101,526
Depreciation	801	6	35	1,473	2,315
Operating expenses	12,883	1,959	1,183	36,567	52,592
Indirect expenses	12,558	16,723	9,103	(38,384)	-
Credit loss expense on financial assets	(3,396)	182	42	2,819	(353)
Net income for the period	20,748	19,741	(1,348)	7,831	46,972

Total assets and liabilities by segment are as follows:

Segment assets	393,288	1,521,274	574,512	1,164,572	3,653,646
Segment liabilities	1,176,080	1,151,882	576,988	64,182	2,969,132

	Audited 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

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. Capital is attributed to RBB, CIB and WM (Strategic Business Units or "SBU") in a manner that is intended to measure and align economic value with the underlying benefits and risks associated with SBU activities. Management reviews the transfer pricing methodologies on an ongoing basis to ensure they reflect changing market environments and industry practices.