



FirstCaribbean International Bank (Bahamas) Limited
Managing Director's Review of the Results
For the year ended October 31, 2015

Fiscal 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 \$16.4 million in the fourth quarter, which was slightly higher than the prior year's fourth quarter net income of \$15.9 million. The strong close to the fiscal year also included lower expenses and loan loss impairment compared with the same period in the prior year.

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 globally.

For the fiscal year ended October 31, 2015, the Bank reported net income of \$66.2 million. This represents a significant improvement in performance versus the normalized¹ net income of \$42.8 million (reported net loss \$147.2 million) in the prior year.

Revenue of \$172.1 million declined \$5.0 million from the prior year as net interest margin pressures still persist and a sustained demand for credit has not fully returned. Operating expenses of \$91.0 million declined \$5 million as a result of discretionary expense control and the benefit from previous restructuring activities.

Loan loss impairment expense was significantly lower by \$23.9 million compared with the prior year's normalized¹ expense of \$38.8 million due to an improvement in the loss experience and recovery activities. Additionally, non-productive loan balances were down 23% compared with the same period last year. 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.

At its meeting on December 17, 2015, the Board of Directors declared a final dividend of fifteen cents (\$0.15) per share payable on January 25, 2016 to shareholders of record at the close of business on January 19, 2016. This increase of two cents (\$0.02) per share over the interim dividend of thirteen cents (\$0.13) per share is reflective of the recovery of the Bank's financial results and its continued capital strength, and brings the total dividend to twenty-eight cents (\$0.28) per share for 2015.

The Bank takes great pride in delivering on its corporate social responsibility, and in 2015, we continued to contribute to community causes and programs. Additionally, through our annual fundraising effort, Walk for the Cure, we raised and donated a total of \$77,000 to numerous cancer societies and groups throughout The Bahamas, to go toward the care and support of those living with cancer. We wish to thank all who participated in this worthy event.

Looking ahead, the continued optimization of the physical branch network, along with 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 position us to benefit from improved customer experiences throughout 2016 and beyond. While the economic outlook and forecasts for the country remains modest we are positive about the Bank's future and believe we are well positioned for sustainable growth and improved shareholder returns.

We wish to thank all of our stakeholders including our customers, shareholders, the Board, management and our employees for their ongoing support.

Marie Rodland-Allen
Managing Director

¹ Prior period net income has been adjusted for two (2) items of note: \$75.0 million of incremental loan losses and a non-cash goodwill impairment charge of \$115.0 million.

FirstCaribbean International Bank (Bahamas) Limited
Condensed Consolidated Statement of Financial Position
BS'000

	Unaudited October 31, 2015	Unaudited October 31, 2014
		Restated*
Assets		
Cash, balances with The Central Bank and due from banks	495,589	553,110
Other assets	16,857	34,191
Investment securities	781,848	738,987
Loans and advances to customers	1,871,361	1,982,885
Property and equipment	25,328	25,648
Retirement benefit assets	13,719	-
Goodwill	72,747	72,747
Total assets	3,277,449	3,407,568
Liabilities		
Customer deposits	2,585,806	2,766,647
Other liabilities	83,814	86,656
Total liabilities	2,669,620	2,853,303
Equity		
Issued capital	477,230	477,230
Reserves	(30,602)	(51,409)
Retained earnings	161,201	128,444
Total equity	607,829	554,265
Total liabilities and equity	3,277,449	3,407,568

Director

Director

* Certain amounts shown here do not correspond to the 2014 consolidated financial statements and reflect adjustments made. See Note 2.

Condensed Consolidated Statement of Changes in Equity
BS'000

	Issued Capital	Reserves	Retained Earnings	Total
Balance at October 31, 2013 (Restated*)	477,230	(47,690)	299,152	728,692
Comprehensive loss for the year (Restated*)	-	4,031	(147,202)	(143,171)
Dividends	-	-	(31,256)	(31,256)
Transfer to Statutory Reserve Fund - Turks & Caicos Islands	-	1,133	(1,133)	-
Transfer to Statutory Loan Reserve	-	(8,883)	8,883	-
Balance at October 31, 2014 (Restated*)	477,230	(51,409)	128,444	554,265
Balance at October 31, 2014 (Restated*)	477,230	(51,409)	128,444	554,265
Comprehensive income for the year	-	18,607	66,213	84,820
Dividends	-	-	(31,256)	(31,256)
Transfer to Statutory Reserve Fund - Turks & Caicos Islands	-	2,200	(2,200)	-
Balance at October 31, 2015	477,230	(30,602)	161,201	607,829

* Certain amounts shown here do not correspond to the 2014 consolidated financial statements and reflect adjustments made. See Note 2.

Condensed Consolidated Statement of Income/(Loss)
BS'000

	Unaudited Three Months Ended		Unaudited Year Ended	
	October 31, 2015	October 31, 2014	October 31, 2015	October 31, 2014
	Restated ¹		Restated ¹	
Total interest income	37,255	38,982	148,445	154,042
Total interest expense	2,884	3,960	14,036	16,302
Net interest income	34,371	35,022	134,409	137,740
Other operating income	9,386	9,870	37,691	39,390
Total operating income	43,757	44,892	172,100	177,130
Operating expenses	24,243	24,736	90,953	95,501
Goodwill impairment	-	-	-	115,000
Loan loss impairment	3,158	4,303	14,934	113,831
	27,401	29,039	105,887	324,332
Net income/(loss) for the period	16,356	15,853	66,213	(147,202)
Weighted average number of common shares outstanding for the period	120,216,204	120,216,204	120,216,204	120,216,204
Net earnings/(loss) per share (in cents)	13.6	13.2	55.1	(122.4)

* Certain amounts shown here do not correspond to the 2014 consolidated financial statements and reflect adjustments made. See Note 2.

Condensed Consolidated Statement of Comprehensive Income/(Loss)
BS'000

	Unaudited Three Months Ended		Unaudited Year Ended	
	October 31, 2015	October 31, 2014	October 31, 2015	October 31, 2014
	Restated ¹		Restated ¹	
Net income/(loss) for the period	16,356	15,853	66,213	(147,202)
Other comprehensive income				
Net (loss)/gain on available-for-sale investment securities	(2,293)	916	(736)	(330)
Re-measurement gain of Retirement benefit obligations	19,343	4,180	19,343	4,361
Total comprehensive income/(loss) for the period	33,406	20,949	84,820	(143,171)

* Certain amounts shown here do not correspond to the 2014 consolidated financial statements and reflect adjustments made. See Note 2.

Condensed Consolidated Statement of Cash Flows
BS'000

	Unaudited Year Ended October 31, 2015	Unaudited Year Ended October 31, 2014
		Restated ¹
Net cash (used in)/from operating activities	(45,908)	309,177
Net cash used in investing activities	(23,805)	(27,268)
Net cash used in financing activities	(31,256)	(31,256)
Net (decrease)/increase in cash and cash equivalents	(100,969)	250,653
Cash and cash equivalents, beginning of the year	455,745	205,092
Cash and cash equivalents, end of the year	354,776	455,745

* Certain amounts shown here do not correspond to the 2014 consolidated financial statements and reflect adjustments made. See Note 2.

Notes to the Condensed Consolidated Financial Statements
October 31, 2015

1. Basis of presentation

The accompanying unaudited condensed consolidated financial statements of FirstCaribbean International Bank (Bahamas) Limited should be read in conjunction with the International Financial Reporting Standards (IFRS) consolidated financial statements and notes thereto for the year ended October 31, 2015, included in the Bank's Annual Report to be issued on or before 28 February 2016. For a description of the Bank's significant accounting policies, see Note 2 of the aforementioned consolidated financial statements.

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. Certain reclassifications have been 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. (formerly FirstCaribbean Insurance Agency (Bahamas) Limited)
- FirstCaribbean International (Bahamas) Nominees Company Limited
- FirstCaribbean International Land Holdings (TCI) Limited

Dividends

At the Board of Director's meeting held on December 17, 2015, a final dividend of fifteen cents per share was declared, amounting to \$18.0 million. The consolidated financial statements for the year ended October 31, 2015 do not reflect this resolution, which will be accounted for in equity as a distribution of retained earnings in the year ending October 31, 2016.

2. Changes to Accounting Policy and Correction to Prior Periods

"Hedge Accounting – Basis Adjustment

In accordance with the its documented hedging strategy, the Bank hedges its interest rate risk exposure on fixed income securities which are classified as available-for-sale securities and fixed rate loans with interest rate swaps.

The basis adjustment refers to the change in the carrying amount of the hedged item (e.g. bond or loan) due to changes in fair value attributable to the specific hedged risk (e.g. interest rate). The basis adjustment, when netted against the change in value of the derivative, forms the net hedging result booked to the profit and loss.

While IFRS does not prescribe any specific approach for an entity to calculate its basis adjustment, the Bank decided to streamline its accounting policy for basis adjustment calculation on hedged items with that of its Ultimate Parent. Accordingly, the Bank adjusted the impacted OCI-AFS reserve accounts and retained earnings retrospectively to reflect this change.

Correction to Prior Periods – Other Comprehensive Income (OCI) – Available for Sale (AFS) Reserves

During the year, the Bank made a prior period adjustment arising from an in-depth reconciliation of its OCI-AFS reserve account related to prior periods. This was accounted for retrospectively in the consolidated financial statements.

The overall effect of the changes on consolidated statement of financial position is reflected below:

BS'000 as at	October 31, 2015	October 31, 2014	November 1, 2013
Retained Earnings			
Effect of Change in Accounting Policy - Hedge Accounting	18,276	17,941	17,693
Effect of Correction to Prior Periods - OCI - AFS Reserves	(4,588)	(3,781)	(4,154)
	13,688	14,160	13,539
Reserves			
Effect of Change in Accounting Policy - Hedge Accounting	(18,276)	(17,941)	(17,693)
Effect of Correction to Prior Periods - OCI - AFS Reserves	4,588	3,781	4,154
	(13,688)	(14,160)	(13,539)

The increase/(decrease) in the consolidated statement of income and consolidated statement of comprehensive income as a result of the retrospective application of the change in accounting policy and correction to prior periods was as follows:

BS'000	For the year ended	
	October 31, 2015	October 31, 2014
Impact on net income/(loss)	(472)	621
Impact on other comprehensive income (loss)	472	(621)
Impact on total comprehensive income (loss)	-	-

Condensed Consolidated Segment Information
BS'000

	Unaudited Year Ended October 31, 2015				
	RB	WB	WM	Admin	Total
External revenues	89,907	53,730	7,457	21,006	172,100
Revenues from other segments	(17,268)	12,696	10,766	(6,194)	-
Total revenues	72,639	66,426	18,223	14,812	172,100
Net income for the year	6,859	29,285	6,385	23,684	66,213
Segment assets	1,005,761	811,400	82,904	1,304,637	3,204,702
Unallocated assets					72,747
Total assets					3,277,449
Segment liabilities	798,110	895,263	822,167	154,080	2,669,620
Unallocated liabilities					-
Total liabilities					2,669,620
	Unaudited Year Ended October 31, 2014 (Restated) ¹				
	RB	WB	WM	Admin	Total
External revenues	92,208	53,793	6,922	24,207	177,130
Revenues from other segments	(16,089)	19,284	18,961	(22,156)	-
Total revenues	76,119	73,077	25,883	2,051	177,130
Segment Results	(61,411)	3,332	10,582	15,295	(32,202)
Impairment of goodwill	-	-	-	(115,000)	(115,000)
Net loss for the year					(147,202)
Segment assets	1,018,256	909,663	89,009	1,317,893	3,334,821
Unallocated assets					72,747
Total assets					3,407,568
Segment liabilities	746,180	834,510	1,000,289	272,324	2,853,303
Unallocated liabilities					-
Total liabilities					2,853,303

* Certain amounts shown here do not correspond to the 2014 consolidated financial statements and reflect adjustments made. See Note 2.

Notes:

The Bank's operations are now organized into three business segments, Retail Banking ("RB"), Wholesale Banking ("WB") and Wealth Management ("WM"), which are supported by the functional units within the Administration ("Admin") segment (which includes Treasury, Finance, Human Resources, Technology, Operations, Risk and Governance & Control). The Admin segment results include the earnings on economic capital and capital charges for Treasury and the offset of the same for RB, WB and WM. Please refer to Note 25 of the Bank's Annual Report 2015 for further details.