



## FINANCE CORPORATION OF BAHAMAS LIMITED

### Chairman's review of the unaudited results For the nine months ended July 31, 2011

We are pleased to report that the Bank's net profit for the nine months ended July 31, 2011 totaled \$15,533,175, compared to \$6,147,787 for the corresponding period last year. The increase in profit is the result of lower levels of provision charges during the third quarter as well as a \$5.4 million reversal in the allowance for credit losses due to a change in the Bank's provision estimate.

Mortgage growth slowed to 4% during the period as weak economic conditions continued in the Bank's markets of New Providence and Grand Bahama.

While the medium-term outlook remains unclear, management is satisfied that as and when economic conditions improve, non-performing loans and the resulting provisions will reduce to more historic levels. In the meantime, delinquency management remains a priority for the Bank.

A blue ink signature of the Chairman, appearing to be "RAM".

Chairman

A blue ink signature of the Managing Director, appearing to be "Randy".

Managing Director

**FINANCE CORPORATION OF BAHAMAS LIMITED**  
**CONSOLIDATED BALANCE SHEET (Unaudited)**  
**As of July 31, 2011 and October 31, 2010**  
**(Expressed in Bahamian dollars)**

<b>ASSETS</b>	<b>July 31, 2011</b>	<b>October 31, 2010</b>
Cash	\$ 37,182,845	\$ 61,028,719
Statutory reserve account with The Central Bank of The Bahamas	40,169,458	39,845,940
Investments	48,816,273	45,787,941
Loans - Net	836,882,206	817,997,932
Fixed assets - Net	1,795,313	1,978,803
Other assets	1,704,309	702,069
<b>TOTAL</b>	<u>\$ 966,550,404</u>	<u>\$ 967,341,404</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>LIABILITIES</b>		
Deposits	\$ 811,237,264	\$ 827,659,285
Other liabilities	2,154,294	2,056,448
Note payable	37,300,000	37,300,000
Total liabilities	<u>\$ 850,691,558</u>	<u>\$ 867,015,733</u>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	5,333,334	5,333,334
Share premium	2,552,258	2,552,258
General reserve	500,000	500,000
Retained earnings	107,473,254	91,940,079
Total shareholders' equity	<u>115,858,846</u>	<u>100,325,671</u>
<b>TOTAL</b>	<u>\$ 966,550,404</u>	<u>\$ 967,341,404</u>

**FINANCE CORPORATION OF BAHAMAS LIMITED**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Unaudited)**  
**Nine Months Ended July 31, 2011**  
**(Expressed in Bahamian dollars)**

	Three Months Ended July 31, 2011	Three Months Ended July 31, 2010	Nine Months Ended July 31, 2011	Nine Months Ended July 31, 2010
<b>INCOME</b>				
Net interest income	\$ 8,802,033	\$ 7,121,267	\$ 24,078,281	\$ 20,739,020
Provision for credit losses	<u>4,117,823</u>	<u>(1,869,608)</u>	<u>(1,691,924)</u>	<u>(8,170,864)</u>
<b>Net interest after provision for credit losses</b>	12,919,856	5,251,659	22,386,357	12,568,156
Fees and commissions	<u>1,033,180</u>	<u>1,040,438</u>	<u>2,767,149</u>	<u>2,730,995</u>
<b>Total income</b>	<u>13,953,036</u>	<u>6,292,097</u>	<u>25,153,506</u>	<u>15,299,151</u>
<b>NON-INTEREST EXPENSES</b>				
Total non-interest expenses	3,329,086	3,059,888	9,620,331	9,151,364
<b>NET COMPREHENSIVE INCOME</b>	<u>\$ 10,623,950</u>	<u>\$ 3,232,209</u>	<u>\$ 15,533,175</u>	<u>\$ 6,147,787</u>

**FINANCE CORPORATION OF BAHAMAS LIMITED**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Unaudited)**  
**Nine Months Ended July 31, 2011**  
**(Expressed in Bahamian dollars)**

	<b>Share Capital \$</b>	<b>Share Premium \$</b>	<b>General Reserve \$</b>	<b>Retained Earnings \$</b>	<b>Total \$</b>
<b>Balance at October 31, 2009</b>	5,333,334	2,552,258	500,000	73,752,003	82,137,595
Net profit for the period	-	-	-	6,147,787	6,147,787
<b>Balance at July 31, 2010</b>	<u>5,333,334</u>	<u>2,552,258</u>	<u>500,000</u>	<u>79,899,790</u>	<u>88,285,382</u>
<b>Balance at October 31, 2010</b>	5,333,334	2,552,258	500,000	91,940,079	100,325,671
Net profit for the period	-	-	-	15,533,175	15,533,175
<b>Balance at July 31, 2011</b>	<u>5,333,334</u>	<u>2,552,258</u>	<u>500,000</u>	<u>107,473,254</u>	<u>115,858,846</u>

**FINANCE CORPORATION OF BAHAMAS LIMITED**  
**CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)**  
**Nine Months Ended July 31, 2011**  
**(Expressed in Bahamian dollars)**

	July 31, 2011	July 31, 2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 15,533,175	\$ 6,147,787
Adjustments for:		
Depreciation	410,122	413,993
Provision for credit losses	1,691,924	8,170,864
(Gain)/loss on disposal of fixed assets	<u>(11,540)</u>	<u>93</u>
	17,623,681	14,732,737
Changes in operating assets and liabilities	(1,227,912)	(3,369,797)
Increase in loans and advances, net	(20,576,198)	(36,342,624)
Decrease in deposits	<u>(16,422,021)</u>	<u>(11,606,607)</u>
Net cash from operating activities	<u>(20,602,450)</u>	<u>(36,586,291)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from disposal of fixed assets	30,000	-
Purchase of fixed assets	(245,092)	(151,418)
Net Proceeds from investments	<u>(3,028,332)</u>	<u>626,188</u>
Net cash from investing activities	<u>(3,243,424)</u>	<u>474,770</u>
<b>CASH FLOWS FROM FINANCING ACTIVITY</b>		
Note payable	<u>-</u>	<u>37,300,000</u>
	<u>-</u>	<u>37,300,000</u>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	(23,845,874)	1,188,479
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD</b>	<u>61,028,719</u>	<u>45,330,690</u>
<b>CASH AND CASH EQUIVALENTS, END OF THE PERIOD</b>	<u>\$ 37,182,845</u>	<u>\$ 46,519,169</u>

**FINANCE CORPORATION OF BAHAMAS LIMITED**  
**Notes to Unaudited Interim Consolidated Financial Statements**  
**Nine Months Ended July 31, 2011**

**1. ACCOUNTING POLICIES**

These interim condensed financial statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting. The accounting policies and methods of calculation used in the preparation of these interim financial statements are consistent with those used in the audited financial statements for the year ended October 31, 2010 except as noted in Note 2.

**2. CHANGE IN ACCOUNTING ESTIMATE**

Effective July 31, 2011 the Company has amended its general provision estimate of probable losses to align its levels with that of its parent company and the Central Bank of The Bahamas. The Company continues to assess a specific provision on specifically identified borrowers that have become impaired based on the timing of future cash flows, financially responsible guarantors and the realization of collateral. However, a more conservative approach is applied by establishing an allowance for credit losses of at least 7.5% on all loans that are determined to be impaired. The general provision has been set to approximate 1% of the total loan portfolio. The result of these changes was a \$5.4 million reduction in the allowance for credit losses and has been included in the consolidated statement of comprehensive income.