

**FINANCE CORPORATION OF BAHAMAS LIMITED**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Unaudited)**  
**As of July 31, 2018 and October 31, 2017**  
**(Expressed in Bahamian dollars)**

<b>ASSETS</b>	<b>July 31, 2018</b>	<b>October 31, 2017</b>
Cash and cash equivalents	\$ 36,174,504	\$ 38,245,212
Balance with central bank	56,559,586	48,176,387
Loans and advances to customers	720,835,715	758,055,817
Investment securities	29,692,286	34,389,485
Premises and equipment	277,556	345,584
Other assets	4,829,478	3,775,520
<b>TOTAL</b>	<b>\$ 848,369,125</b>	<b>\$ 882,988,005</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>LIABILITIES</b>		
Customer deposits	\$ 544,567,953	\$ 572,032,600
Due to affiliated companies	97,601,754	96,385,242
Other liabilities	4,833,136	5,465,931
Total liabilities	<u>\$ 647,002,843</u>	<u>\$ 673,883,773</u>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	5,333,334	5,333,334
Share premium	2,552,258	2,552,258
Retained earnings	193,480,690	200,979,555
Other components of equity	-	239,085
Total shareholders' equity	<u>201,366,282</u>	<u>209,104,232</u>
<b>TOTAL</b>	<b>\$ 848,369,125</b>	<b>\$ 882,988,005</b>

**FINANCE CORPORATION OF BAHAMAS LIMITED**  
**CONSOLIDATED STATEMENT OF PROFIT AND LOSS**  
**AND COMPREHENSIVE INCOME (Unaudited)**  
**Nine Months Ended July 31, 2018**  
**(Expressed in Bahamian dollars)**

	<b>Three Months Ended July 31, 2018</b>	<b>Three Months Ended July 31, 2017</b>	<b>Nine Months Ended July 31, 2018</b>	<b>Nine Months Ended July 31, 2017</b>
Interest income	\$ 12,779,606	\$ 14,560,440	\$ 39,360,416	\$ 44,079,304
Interest expense	<u>(2,438,110)</u>	<u>(2,679,416)</u>	<u>(7,082,615)</u>	<u>(9,652,588)</u>
<b>Net interest income</b>	10,341,496	11,881,024	32,277,801	34,426,716
Non-interest income	<u>576,317</u>	<u>547,046</u>	<u>1,645,476</u>	<u>1,694,126</u>
<b>Total income</b>	<u>10,917,813</u>	<u>12,428,070</u>	<u>33,923,277</u>	<u>36,120,842</u>
Non-interest expense	(3,467,235)	(3,612,632)	(10,394,775)	(10,513,362)
Impairment losses on loans and advances	<u>(1,638,265)</u>	<u>750,809</u>	<u>(11,373,785)</u>	<u>(6,904,279)</u>
<b>Net and total comprehensive income</b>	<u><b>5,812,313</b></u>	<u><b>9,566,247</b></u>	<u><b>12,154,717</b></u>	<u><b>18,703,201</b></u>
Earnings per share	<u><b>\$ 0.22</b></u>	<u><b>\$ 0.36</b></u>	<u><b>\$ 0.46</b></u>	<u><b>\$ 0.70</b></u>

**FINANCE CORPORATION OF BAHAMAS LIMITED**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Unaudited)**  
**Nine Months Ended July 31, 2018**  
**(Expressed in Bahamian dollars)**

	<b>Share Capital</b>	<b>Share Premium</b>	<b>Other Components of Equity</b>	<b>Retained Earnings</b>	<b>Total</b>
	\$	\$	\$	\$	\$
<b>Balance at October 31, 2016</b>	5,333,334	2,552,258	-	179,025,718	186,911,310
Net comprehensive income	-	-	-	18,703,201	18,703,201
Change in fair value of investments	-	-	(548,787)	-	(548,787)
<b>Balance at July 31, 2017</b>	<u>5,333,334</u>	<u>2,552,258</u>	<u>(548,787)</u>	<u>197,728,919</u>	<u>205,065,724</u>
<b>Balance at October 31, 2017</b>	5,333,334	2,552,258	239,085	200,979,555	209,104,232
IFRS 9 transition adjustment	-	-	(239,085)	(12,986,915)	(13,226,000)
<b>Balance at October 31, 2017 (restated)</b>	<u>5,333,334</u>	<u>2,552,258</u>	<u>-</u>	<u>187,992,640</u>	<u>195,878,232</u>
Net profit for the period	-	-	-	12,154,717	12,154,717
Dividend paid	-	-	-	(6,666,667)	(6,666,667)
<b>Balance at July 31, 2018</b>	<u>5,333,334</u>	<u>2,552,258</u>	<u>-</u>	<u>193,480,690</u>	<u>201,366,282</u>

**FINANCE CORPORATION OF BAHAMAS LIMITED**  
**CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)**  
**Nine Months Ended July 31, 2018**  
**(Expressed in Bahamian dollars)**

	July 31, 2018	July 31, 2017
<b>OPERATING ACTIVITIES</b>		
Net income	\$ 12,154,717	\$ 18,703,201
Adjustments for:		
Impairment losses on loans and advances to customers	11,373,785	6,904,279
Depreciation and amortization of tangible assets	68,028	83,595
	<u>23,596,530</u>	<u>25,691,075</u>
 (INCREASE)/DECREASE IN OPERATING ASSETS		
Balances with Central Bank	(8,383,199)	3,461,929
Loans and advances to customers	12,859,402	13,005,675
Other assets	(1,053,958)	221,446
INCREASE/(DECREASE) IN OPERATING LIABILITIES		
Due to affiliated companies	1,216,512	14,691,231
Customers' deposits	(27,464,647)	(67,028,236)
Other liabilities	(632,795)	(587,327)
<b>Cash from operating activities</b>	<u>137,845</u>	<u>(10,544,207)</u>
 <b>INVESTING ACTIVITIES</b>		
Net movement in investment securities	4,458,114	224,000
<b>Cash from investing activities</b>	<u>4,458,114</u>	<u>224,000</u>
 <b>FINANCING ACTIVITIES</b>		
Dividends paid	(6,666,667)	-
	<u>(6,666,667)</u>	<u>-</u>
 <b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	 (2,070,708)	 (10,320,207)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD</b>	<u>38,245,212</u>	<u>49,153,632</u>
<b>CASH AND CASH EQUIVALENTS, END OF THE PERIOD</b>	<u>\$ 36,174,504</u>	<u>\$ 38,833,425</u>

**FINANCE CORPORATION OF BAHAMAS LIMITED**  
**Notes to Unaudited Interim Consolidated Financial Statements**  
**Nine Months Ended July 31, 2018**

**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, 2017 except as noted below.

**2. ADOPTION OF IFRS 9**

These financial statements include the early adoption of International Financial Reporting Standard 9: Financial Instruments (IFRS 9) effective from November 1, 2017. The mandatory effective date of IFRS 9 is November 1, 2018.

IFRS 9 introduces a principles-based approach to the classification of financial assets. Debt instruments, including hybrid contracts, are measured at fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVOCI) or amortized cost based on an entity's business model and the nature of the cash flows of the assets. For financial liabilities, IFRS 9 largely carried forward the classification and measurement requirements previously included in IAS 39.

On adoption of IFRS9 the bank's investments are measured at amortized cost. The opening balance of other components of equity was adjusted on the date of initial application with no restatement of the comparative periods.

IFRS 9 also introduces an expected credit loss impairment model for all financial assets not measured as FVTPL. The model has three stages: (1) on initial recognition, a loss allowance is recognized to cover credit losses arising from defaults expected to occur over the next 12 months; (2) if credit risk increases significantly relative to initial recognition, a loss allowance equal to full lifetime expected credit losses is recognized; and (3) when a financial asset is considered credit-impaired, a loss allowance equal to lifetime expected credit losses is recognized and interest revenue is calculated based on the carrying amount of asset, net of the loss allowance, rather than its gross carrying amount. Changes in the required loss allowance, including the impact of movement between 12 months and lifetime expected credit losses, are recorded in net income.

The new impairment and classification and measurement requirements was applied using the modified retrospective method by adjusting opening retained earnings on the date of initial application with no restatement of the comparative periods.



**FINANCE CORPORATION OF BAHAMAS LIMITED**

**Chairman's review of the unaudited results  
For the nine months ended July 31, 2018**

We wish to report that the Bank's net profit for the nine months ended July 31, 2018 was \$12.2 million which represents a decrease of 35% or \$6.5 million when compared to the corresponding period for 2017. This decrease is attributed mainly to lower interest income and an increase in loan loss provisions driven by the non-performing loan portfolio.

The Bank continues to face challenges with new credit origination. Non-performing loans, at \$125 million, had decreased slightly during the period but remains at a very high level. However, the Bank's capital ratio continues to be strong and above regulatory requirements.

Chairman

A handwritten signature in black ink, consisting of several loops and a long tail, positioned above a horizontal line.

Managing Director

A handwritten signature in black ink, consisting of a series of vertical, wavy lines, positioned above a horizontal line.