

FINANCE CORPORATION OF BAHAMAS LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Unaudited)
As of April 30, 2018 and October 31, 2017
(Expressed in Bahamian dollars)

| ASSETS | April 30, 2018 | October 31, 2017 |
|---|-----------------------|-------------------------|
| Cash and cash equivalents | \$ 31,704,083 | \$ 38,245,212 |
| Balance with central bank | 50,488,320 | 48,176,387 |
| Loans and advances to customers | 732,436,164 | 758,055,817 |
| Investment securities | 31,393,235 | 34,389,485 |
| Premises and equipment | 296,905 | 345,584 |
| Other assets | 4,833,794 | 3,775,520 |
| TOTAL | \$ 851,152,501 | \$ 882,988,005 |
| | | |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| LIABILITIES | | |
| Customer deposits | \$ 552,821,238 | \$ 572,032,600 |
| Due to affiliated companies | 96,766,495 | 96,385,242 |
| Other liabilities | 4,677,466 | 5,465,931 |
| Total liabilities | <u>\$ 654,265,199</u> | <u>\$ 673,883,773</u> |
| | | |
| SHAREHOLDERS' EQUITY | | |
| Share capital | 5,333,334 | 5,333,334 |
| Share premium | 2,552,258 | 2,552,258 |
| Retained earnings | 189,001,710 | 200,979,555 |
| Other components of equity | - | 239,085 |
| Total shareholders' equity | <u>196,887,302</u> | <u>209,104,232</u> |
| TOTAL | \$ 851,152,501 | \$ 882,988,005 |

FINANCE CORPORATION OF BAHAMAS LIMITED
CONSOLIDATED STATEMENT OF PROFIT AND LOSS
AND COMPREHENSIVE INCOME (Unaudited)
Six Months Ended April 30, 2018
(Expressed in Bahamian dollars)

| | Three Months Ended April 30, 2018 | Three Months Ended April 30, 2017 | Six Months Ended April 30, 2018 | Six Months Ended April 30, 2017 |
|--|--|--|--|--|
| Interest income | \$ 12,954,968 | \$ 14,414,038 | \$ 26,580,810 | \$ 29,518,864 |
| Interest expense | <u>(2,206,750)</u> | <u>(3,995,879)</u> | <u>(4,644,505)</u> | <u>(6,973,172)</u> |
| Net interest income | 10,748,218 | 10,418,159 | 21,936,305 | 22,545,692 |
| Non-interest income | <u>517,316</u> | <u>559,875</u> | <u>1,069,158</u> | <u>1,146,589</u> |
| Total income | <u>11,265,534</u> | <u>10,978,034</u> | <u>23,005,463</u> | <u>23,692,281</u> |
| Non-interest expense | (3,543,391) | (3,604,536) | (6,927,540) | (6,900,729) |
| Impairment losses on loans and advances | <u>(4,517,781)</u> | <u>(7,085,303)</u> | <u>(9,735,519)</u> | <u>(7,655,088)</u> |
| Net income | <u>3,204,362</u> | <u>288,195</u> | <u>6,342,404</u> | <u>9,136,464</u> |
| Earnings per share | <u>\$ 0.12</u> | <u>\$ 0.01</u> | <u>\$ 0.24</u> | <u>\$ 0.34</u> |
| Comprehensive income | | | | |
| Net income | 3,204,362 | 288,195 | 6,342,404 | 9,136,464 |
| Net change in available for sale investments | <u>-</u> | <u>(548,787)</u> | <u>-</u> | <u>(548,787)</u> |
| Total net and comprehensive income for the period | <u>\$ 3,204,362</u> | <u>\$ (260,592)</u> | <u>\$ 6,342,404</u> | <u>\$ 8,587,677</u> |

FINANCE CORPORATION OF BAHAMAS LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Unaudited)
Six Months Ended April 30, 2018
(Expressed in Bahamian dollars)

| | Share Capital \$ | Share Premium \$ | Other Components of Equity \$ | Retained Earnings \$ | Total \$ |
|---|---------------------------------|---------------------------------|--|-------------------------------------|---------------------|
| Balance at October 31, 2016 | 5,333,334 | 2,552,258 | - | 179,025,718 | 186,911,310 |
| Net comprehensive income | - | - | - | 9,136,464 | 9,136,464 |
| Change in fair value of investments | - | - | (548,787) | - | (548,787) |
| Balance at April 30, 2017 | <u>5,333,334</u> | <u>2,552,258</u> | <u>(548,787)</u> | <u>188,162,182</u> | <u>195,498,987</u> |
| Balance at October 31, 2017 | 5,333,334 | 2,552,258 | 239,085 | 200,979,555 | 209,104,232 |
| IFRS 9 transition adjustment | - | - | - | (12,986,915) | (12,986,915) |
| Balance at October 31, 2017 (restated) | <u>5,333,334</u> | <u>2,552,258</u> | <u>239,085</u> | <u>187,992,640</u> | <u>196,117,317</u> |
| Net profit for the period | - | - | - | 6,342,404 | 6,342,404 |
| Dividend paid | - | - | - | (5,333,334) | (5,333,334) |
| Change in fair value of investments | - | - | (239,085) | - | (239,085) |
| Balance at April 30, 2018 | <u>5,333,334</u> | <u>2,552,258</u> | <u>-</u> | <u>189,001,710</u> | <u>196,887,302</u> |

FINANCE CORPORATION OF BAHAMAS LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)
Six Months Ended April 30, 2018
(Expressed in Bahamian dollars)

| | April 30, 2018 | April 30, 2017 |
|---|----------------------|----------------------|
| OPERATING ACTIVITIES | | |
| Net income | \$ 6,342,404 | \$ 9,136,464 |
| Adjustments for: | | |
| Impairment losses on loans and advances to customers | 9,735,519 | 7,655,088 |
| Depreciation and amortization of tangible assets | 48,679 | 59,567 |
| Realized loss/(gain) on available for sale investments | <u>-</u> | <u>-</u> |
| | 16,126,602 | 16,851,119 |
| (INCREASE)/DECREASE IN OPERATING ASSETS | | |
| Balances with Central Bank | (2,311,933) | (3,918,997) |
| Loans and advances to customers | 2,897,219 | 8,324,932 |
| Other assets | (1,058,274) | (764,470) |
| INCREASE/(DECREASE) IN OPERATING LIABILITIES | | |
| Due to affiliated companies | 381,253 | (912,855) |
| Customers' deposits | (19,211,362) | (42,773,225) |
| Other liabilities | <u>(788,465)</u> | <u>2,101</u> |
| Cash from operating activities | <u>(3,964,960)</u> | <u>(23,191,395)</u> |
| INVESTING ACTIVITIES | | |
| Net movement in investment securities | <u>2,757,165</u> | <u>-</u> |
| Cash from investing activities | <u>2,757,165</u> | <u>-</u> |
| FINANCING ACTIVITIES | | |
| Dividends paid | <u>(5,333,334)</u> | <u>-</u> |
| | <u>(5,333,334)</u> | <u>-</u> |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (6,541,129) | (23,191,395) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD | <u>38,245,212</u> | <u>49,153,632</u> |
| CASH AND CASH EQUIVALENTS, END OF THE PERIOD | <u>\$ 31,704,083</u> | <u>\$ 25,962,237</u> |

FINANCE CORPORATION OF BAHAMAS LIMITED
Notes to Unaudited Interim Consolidated Financial Statements
Six Months Ended April 30, 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. Equity instruments are measured at FVTPL, unless they are not held for trading purposes, in which case an irrevocable election can be made on initial recognition to measure them at FVOCI with no subsequent reclassification of gains or losses to net income. For financial liabilities, IFRS 9 largely carried forward the classification and measurement requirements previously included in IAS 39.

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.



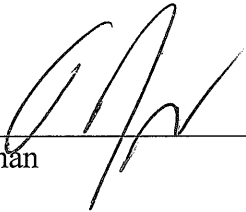
FINANCE CORPORATION OF BAHAMAS LIMITED

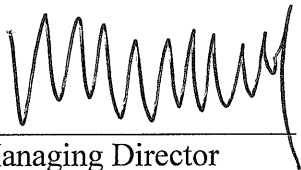
Chairman's review of the unaudited results For the six months ended April 30, 2018

We wish to report that the Bank's net profit for the six months ended April 30, 2018 was \$6.3 million which represents a decrease of 31% or \$2.8 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.

Non-performing loans remain persistently high increasing to \$130 million during this period. And credit origination remains a challenge. These factors are negatively impacting sustainable growth and profitability. We're working collaboratively to improve these unsatisfactory trends.

The Bank's capital ratio remains strong and above regulatory requirements.


Chairman


Managing Director