



FINCO

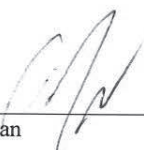


FINANCE CORPORATION OF BAHAMAS LIMITED

Chairman's review of the unaudited results
For the twelve months ended October 31, 2019

We wish to report the Bank's net profit for the twelve months ended October 31, 2019 was \$20.8 million which represents a decrease of 18% or \$4.5 million when compared to the corresponding period for 2018. This decrease is primarily attributed to lower sales volume and interest income and higher provisions related to hurricane Dorian. New credit origination continues to be a challenge.

Non-performing loans, at \$102 million, showed a decrease of 11% from the previous quarter and 18% when compared to the same period last year. The Bank has a strong provision coverage and its capital ratio, which comprises mainly Tier 1 capital, continues to be well above regulatory requirements.


Chairman


Managing Director

FINANCE CORPORATION OF BAHAMAS LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Unaudited)
As of October 31, 2019 and October 31, 2018
(Expressed in Bahamian dollars)

| ASSETS | October 31, 2019 | October 31, 2018 |
|---|-----------------------|-----------------------|
| Cash and cash equivalents | \$ 36,766,118 | \$ 17,633,063 |
| Balance with central bank | 43,857,068 | 59,768,306 |
| Loans and advances to customers | 685,328,230 | 704,779,674 |
| Investment securities | 29,565,031 | 29,948,060 |
| Premises and equipment | 29,547 | 259,540 |
| Other assets | 4,503,631 | 4,965,888 |
| TOTAL | \$ 800,049,625 | \$ 817,354,531 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| LIABILITIES | | |
| Customer deposits | \$ 464,509,564 | \$ 502,913,724 |
| Due to affiliated companies | 111,987,957 | 108,085,319 |
| Other liabilities | 6,440,381 | 4,770,015 |
| Total liabilities | \$ 582,937,902 | \$ 615,769,058 |
| SHAREHOLDERS' EQUITY | | |
| Share capital | 5,333,334 | 5,333,334 |
| Share premium | 2,552,258 | 2,552,258 |
| Other components of equity | 17,691 | (15,740) |
| Retained earnings | 209,208,440 | 193,715,621 |
| Total shareholders' equity | 217,111,723 | 201,585,473 |
| TOTAL | \$ 800,049,625 | \$ 817,354,531 |

FINANCE CORPORATION OF BAHAMAS LIMITED
CONSOLIDATED STATEMENT OF PROFIT AND LOSS
AND COMPREHENSIVE INCOME (Unaudited)
Twelve Months Ended October 31, 2019
(Expressed in Bahamian dollars)

| | Three Months Ended October 31, 2019 | Three Months Ended October 31, 2018 | Twelve Months Ended October 31, 2019 | Twelve Months Ended October 31, 2018 |
|--|-------------------------------------|-------------------------------------|--------------------------------------|--------------------------------------|
| Interest income | \$ 11,789,503 | \$ 12,600,290 | \$ 47,752,784 | \$ 51,960,705 |
| Interest expense | (2,134,106) | (2,284,343) | (8,651,158) | (9,366,958) |
| Net interest income | 9,655,397 | 10,315,947 | 39,101,626 | 42,593,747 |
| Non-interest income | 1,395,308 | 591,748 | 2,958,202 | 2,237,225 |
| Total income | 11,050,705 | 10,907,695 | 42,059,828 | 44,830,972 |
| Non-interest expense | (3,443,950) | (3,510,973) | (14,408,302) | (13,905,748) |
| Provision for credit losses | 2,331,784 | 4,097,002 | (6,825,373) | (5,606,942) |
| Net income | 9,938,539 | 11,493,724 | 20,826,153 | 25,318,282 |
| Other comprehensive income: | | | | |
| Items that may be reclassified to net income | | | | |
| Net gain (loss) on investments in debt instruments measured at FVOCI | 31,365 | (14,190) | 31,365 | (14,190) |
| Expected credit losses on FVOCI investments | 2,066 | 17,350 | 2,066 | 17,350 |
| Total comprehensive income for the period | \$ 9,971,970 | \$ 11,496,884 | \$ 20,859,584 | \$ 25,321,442 |
| Earnings per share | \$ 0.37 | \$ 0.43 | \$ 0.78 | \$ 0.95 |

FINANCE CORPORATION OF BAHAMAS LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Unaudited)
Twelve Months Ended October 31, 2019
(Expressed in Bahamian dollars)

| | Share Capital \$ | Share Premium \$ | Other Components Equity \$ | Retained Earnings \$ | Total \$ |
|--|------------------|------------------|----------------------------|----------------------|--------------|
| Balance at October 31, 2017 | 5,333,334 | 2,552,258 | 239,085 | 200,979,555 | 209,104,232 |
| Transition adjustment | - | - | (257,985) | (24,582,215) | (24,840,200) |
| Restated as at November 1, 2017 | 5,333,334 | 2,552,258 | (18,900) | 176,397,340 | 184,264,032 |
| Net profit for the period | - | - | - | 25,318,282 | 25,318,282 |
| Other comprehensive income | - | - | 3,160 | - | 3,160 |
| Total comprehensive income | - | - | 3,160 | 25,318,282 | 25,321,442 |
| Dividends | - | - | - | (8,000,001) | (8,000,001) |
| Balance at October 31, 2018 | 5,333,334 | 2,552,258 | (15,740) | 193,715,621 | 201,585,473 |
| Balance at October 31, 2018 | 5,333,334 | 2,552,258 | (15,740) | 193,715,621 | 201,585,473 |
| Net profit for the period | - | - | - | 20,826,153 | 20,826,153 |
| Other comprehensive income | - | - | 33,431 | - | 33,431 |
| Total comprehensive income | - | - | 33,431 | 20,826,153 | 20,859,584 |
| Dividends | - | - | - | (5,333,334) | (5,333,334) |
| Balance at October 31, 2019 | 5,333,334 | 2,552,258 | 17,691 | 209,208,440 | 217,111,723 |

FINANCE CORPORATION OF BAHAMAS LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)
Twelve Months Ended October 31, 2019
(Expressed in Bahamian dollars)

| | October 31, 2019 | October 31, 2018 |
|---|----------------------|----------------------|
| OPERATING ACTIVITIES | | |
| Net income | \$ 20,826,153 | \$ 25,318,282 |
| Adjustments for: | | |
| Provision for credit losses | 6,825,373 | 5,606,942 |
| Depreciation and amortization of tangible assets | 46,503 | 86,044 |
| Gain on disposal of premises and equipment | (922,553) | - |
| | 26,775,476 | 31,011,268 |
| (INCREASE)/DECREASE IN OPERATING ASSETS | | |
| Balances with Central Bank | 15,911,238 | (11,591,919) |
| Loans and advances to customers | 11,773,015 | 25,973,706 |
| Other assets | 462,308 | (1,190,498) |
| INCREASE/(DECREASE) IN OPERATING LIABILITIES | | |
| Due to affiliated companies | 3,902,638 | 10,700,077 |
| Customers' deposits | (38,404,160) | (69,118,876) |
| Other liabilities | 1,670,366 | (1,029,250) |
| Cash from operating activities | 22,090,881 | (15,245,492) |
| INVESTING ACTIVITIES | | |
| Proceeds from sale of premises and equipment | 1,106,043 | - |
| Net movement in investment securities | 1,238,100 | 1,314,200 |
| Cash from investing activities | 2,344,143 | 1,314,200 |
| FINANCING ACTIVITIES | | |
| Dividends paid | (5,333,334) | (6,666,667) |
| | (5,333,334) | (6,666,667) |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | 19,101,690 | (20,597,959) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD | 17,633,063 | 38,245,212 |
| Effects of fair value changes on cash and cash equivalent | 31,365 | (14,190) |
| CASH AND CASH EQUIVALENTS, END OF THE PERIOD | \$ 36,766,118 | \$ 17,633,063 |

FINANCE CORPORATION OF BAHAMAS LIMITED
Notes to Unaudited Interim Consolidated Financial Statements
Twelve Months Ended October 31, 2019

1. CHANGE IN OWNERSHIP

The Bank is 75% majority owned by RBC Royal Bank (Bahamas) Limited (Immediate Parent), a company also incorporated in The Bahamas, which is a wholly-owned subsidiary of the ultimate parent company, Royal Bank of Canada incorporated in Canada. The Bank's 75% majority ownership was previously held by RBC Royal Bank Holdings (Bahamas) Limited, a company incorporated in Barbados. On April 29, 2019 the Bank's majority interest was sold to the current Immediate Parent.

2. 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, 2018.