

# Financial Statements

For the quarter ended January 31, 2020

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Finance



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# Finance Corporation of Bahamas Limited

## Statement of income – Quarter over Quarter Analysis

(BSD in thousands)

Notes	For the three months ended		QTR vs QTR	
	January 31 2020	October 31 2019	\$	%
Interest income	\$ 12,071	\$ 11,790	\$ 281	2%
Interest expense	(2,084)	(2,135)	51	-2%
<b>Net interest income</b>	<b>9,987</b>	<b>9,655</b>	<b>332</b>	<b>3%</b>
Non-interest income	511	1,395	(884)	-63%
<b>Total revenue</b>	<b>10,498</b>	<b>11,051</b>	<b>(552)</b>	<b>-5%</b>
Non-interest expense	(3,517)	(3,444)	(73)	2%
Provision for credit losses	4,097	2,332	1,765	76%
<b>Total non-interest expense</b>	<b>580</b>	<b>(1,112)</b>	<b>1,692</b>	<b>-152%</b>
<b>Net income before tax</b>	<b>\$ 11,078</b>	<b>\$ 9,939</b>	<b>\$ 1,140</b>	<b>11%</b>
<b>Non-interest expenses</b>				
Salaries and Allowances	\$ 307	\$ 255	\$ (52)	-20%
Variable Compensation	25	44	19	43%
Benefits and Retentions Compensation	62	70	8	12%
Total Staff Cost	394	369	(25)	-7%
Equipment	95	86	(9)	-11%
Occupancy	100	125	25	20%
Communications	30	32	2	6%
Professional fees	269	162	(107)	-66%
Deposit insurance premium	61	63	2	3%
Sundry & fraud losses	32	13	(19)	-145%
Business & other taxes	915	818	(96)	-12%
Internal fee & charges	1,579	1,738	159	9%
Other expenses	42	37	(6)	-15%
<b>Total non-interest expenses</b>	<b>\$ 3,517</b>	<b>\$ 3,444</b>	<b>(73)</b>	<b>-2%</b>
<b>Impairment losses on loans</b>				
Debts Written Off and Recoveries	374	(281)	(655)	233%
Provision for Credit Losses - Stage 1	(3,710)	2,694	6,405	238%
Provision for Credit Losses - Stage 2	4,168	5,197	1,029	20%
Provision for Credit Losses - Stage 3	(4,928)	(9,942)	(5,014)	50%
<b>Total impairment losses on loans</b>	<b>(4,097)</b>	<b>(2,332)</b>	<b>1,765</b>	<b>-76%</b>
<b>Total FTE</b>	<b>26</b>	<b>25</b>	<b>1</b>	<b>4%</b>
<b>Operating leverage</b>	<b>0.07</b>	<b>0.04</b>	<b>0.03</b>	<b>65.63%</b>
<b>Efficiency ratio</b>	<b>33.50%</b>	<b>31.16%</b>	<b>2.33%</b>	<b>7.48%</b>

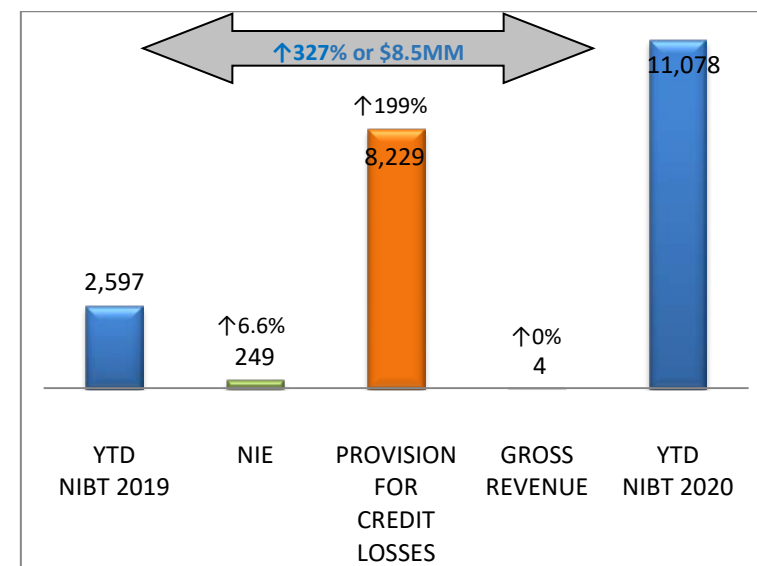
- Net interest income grew by 3% compared to Q4 2019 and is due a \$145M increase in interest on impaired loans along with \$136M increase in interest earned on residential mortgages. In addition to these favourable variances is a 2% decrease in interest expense from lower deposit volumes.
- Other income is down due in large part to a \$923M lift from the sale of the Robinson Road property recognised in the previous quarter.
- PCL credit of \$4MM is favourable compared to the previous quarter and is mainly due to a \$7.4MM decrease in stage 1 and 2 provisions. NAL levels decreased by 8% quarter over quarter and reversals of stage 3 provisions were lower than Q4 2019 by \$5MM.
- Professional fees increased by 66% due to \$76M more in legal fees and timing of audit fees.
- Business license fee for calendar year 2020 increased by \$1.3MM resulting in a \$108M increase compared to previous quarter.
- Internal fees and charges lower than Q4 2019 by 9% due to a \$71M reduction in transfer pricing from RBC Bahamas as a result of the revision of the cost allocations. Additionally, HO Toronto allocations decreased by \$62M.

# Finance Corporation of Bahamas Limited

## Statement of income – Year over Year Analysis

(BSD in thousands)

Notes	For the three months ended		YoY	
	January 31 2020	January 31 2019	\$	%
Interest income	12,071	12,224	\$ (153)	-1%
Interest expense	(2,084)	(2,216)	132	6%
<b>Net interest income</b>	<b>9,987</b>	<b>10,008</b>	<b>(21)</b>	<b>0%</b>
Non-interest income	511	487	25	5%
<b>Total revenue</b>	<b>10,498</b>	<b>10,495</b>	<b>4</b>	<b>0%</b>
Non-interest expense	(3,517)	(3,766)	249	7%
Provision for credit losses	4,097	(4,132)	8,229	199%
<b>Total non-interest expense</b>	<b>580</b>	<b>(7,898)</b>	<b>8,478</b>	<b>-107%</b>
<b>Net income before tax</b>	<b>\$ 11,078</b>	<b>\$ 2,597</b>	<b>\$ 8,482</b>	<b>327%</b>
<b>Non-interest expenses</b>				
Salaries and Allowances	\$ 307	\$ 334	\$ 27	8%
Variable Compensation	25	29	4	13%
Benefits and Retentions Compensation	62	94	32	34%
Total Staff Cost	394	456	62	14%
Equipment	95	164	69	42%
Occupancy	100	102	2	2%
Communications	30	34	4	13%
Professional fees	269	87	(182)	209%
Deposit insurance premium	61	67	6	9%
Sundry & fraud losses	32	10	(22)	-234%
Business & other taxes	915	1,111	196	18%
Internal fee & charges	1,579	1,716	137	8%
Other expenses	42	19	(23)	-120%
<b>Total non-interest expenses</b>	<b>\$ 3,517</b>	<b>\$ 3,766</b>	<b>\$ 249</b>	<b>7%</b>
<b>Impairment losses on loans</b>				
Debts Written Off and Recoveries	374	(764)	(1,138)	-149%
Provision for Credit Losses - Stage 1	(3,710)	(108)	3,602	-3329%
Provision for Credit Losses - Stage 2	4,168	2,119	(2,049)	-97%
Provision for Credit Losses - Stage 3	(4,928)	2,885	7,813	271%
<b>Total impairment losses on loans</b>	<b>\$ (4,097)</b>	<b>\$ 4,132</b>	<b>\$ 8,229</b>	<b>199%</b>
<b>Total FTE</b>	<b>26</b>	<b>26</b>	<b>0</b>	<b>0.00%</b>
<b>Operating leverage</b>	<b>0.07</b>	<b>(0.22)</b>	<b>0.29</b>	<b>-130.4%</b>
<b>Efficiency ratio</b>	<b>33.50%</b>	<b>35.89%</b>	<b>-2.39%</b>	<b>-6.66%</b>



1. PCL credit balance of \$4.1MM is favourable by \$8.2MM and is mainly attributed to lower NAL levels resulting in a \$7.8MM decrease in stage 3 provisions and a \$3.6MM reduction in stage 1 provisions. Recoveries on bad debts increased by \$1.4MM. These favourable variances are offset by an increase in stage 2 provisions along with \$2.6MM in debts written-off.
2. Increase in professional fees of \$182M due to higher spend for BISX and Collection Marketing Services which increased \$45M and \$49M respectively. Additionally, legal fees increased by \$53M due to registration of mortgage documents and audit fee 2019 cost over-runs resulted in \$38M charge in November 2019.
3. Business and other taxes decreased by \$196M and is primarily due to lower VAT expenses on foreign services compared to the same period in the prior year.
4. Internal fees reduced by 8% as a result of the 2019 revision of transfer pricing between RBC Bahamas and FINCO resulting in \$71M decrease. Additionally, transfer pricing allocations from HO Toronto decreased by \$60M.

# Finance Corporation of Bahamas Limited

## Statement of income – Actual versus Plan

(BSD in thousands)

	Notes	For the three months ended		YoY	
		January 31 2020 Actual	January 31 2020 Plan	Actual vs Plan	
				\$	%
Interest income		\$ 12,071	\$ 11,396	\$ 675	6%
Interest expense		(2,084)	(2,232)	148	7%
<b>Net interest income</b>	1	9,987	9,164	823	9%
Non-interest income		511	568	(56)	-10%
<b>Total revenue</b>		10,498	9,731	767	8%
Non-interest expense		(3,517)	(3,529)	12	0%
Provision for credit losses	2	4,097	(1,272)	5,368	422%
<b>Total non-interest expense</b>		580	(4,801)	5,381	112%
<b>Net income before tax</b>		<b>\$ 11,078</b>	<b>\$ 4,931</b>	<b>\$ 6,148</b>	<b>125%</b>
<b>Non-interest expenses</b>					
Salaries and Allowances		\$ 307	\$ 309	\$ 2	1%
Variable Compensation		25	30	5	17%
Benefits and Retentions Compensation		62	59	(3)	-5%
Total Staff Cost		394	398	4	1%
Equipment		95	72	(23)	-31%
Occupancy		100	106	6	6%
Communications		30	37	7	20%
Professional fees	3	269	77	(191)	-247%
Deposit insurance premium		61	65	4	6%
Sundry & fraud losses		32	8	(24)	-311%
Business & other taxes	4	915	1,013	98	10%
Internal fee & charges	5	1,579	1,715	136	8%
Other expenses		42	37	(5)	-15%
<b>Total non-interest expenses</b>		<b>\$ 3,517</b>	<b>\$ 3,529</b>	<b>\$ 12</b>	<b>0%</b>
<b>Impairment losses on loans</b>					
Debts Written Off and Recoveries		374	1,414	1,040	74%
Provision for Credit Losses - Stage 1		(3,710)	(84)	3,627	-4326%
Provision for Credit Losses - Stage 2		4,168	(19)	(4,186)	22413%
Provision for Credit Losses - Stage 3		(4,928)	(39)	4,888	-12404%
<b>Total impairment losses on loans</b>		<b>\$ (4,097)</b>	<b>\$ 1,272</b>	<b>\$ 5,368</b>	<b>422%</b>
<b>Total FTE</b>		<b>26</b>	<b>28</b>	<b>-2</b>	<b>-7.14%</b>
<b>Operating leverage</b>		<b>0.07</b>	<b>(0.25)</b>	<b>0.32</b>	<b>-126.43%</b>
<b>Efficiency ratio</b>		<b>33.50%</b>	<b>36.26%</b>	<b>-2.77%</b>	<b>-7.63%</b>

1. Net interest income of \$10MM is ahead of plan by 9%. While loan volumes are slightly under plan by \$2MM interest yields are higher by 0.43% resulting in \$675M increase in interest income. Interest expense is favourable to plan by \$148M due to lower deposit levels and interest paid on deposits.
2. PCL is trending favourably to plan by \$5.4MM and is largely due to an \$8.5MM reduction in stage 1 and 3 provisions compared to plan expectations, and given NAL reductions. While stage 2 provisions grew higher than plan by \$4.2MM net write-offs are lower by \$1MM.
3. Professional fees is unfavourable to by \$191M due to an increase in spend for audit and legal fees along with BISX and Collection Marketing.
4. Business and other taxes favourable by 10% or \$98M due to a decreased in VAT expense of \$140M when compared to plan expectations offset by business license increase of \$43M.
5. Internal fees and charges lower than plan expectations due to a \$76M decrease in transfer pricing fee with RBC Bahamas and a \$60M decline in transfer pricing allocations from HO Toronto.

# Finance Corporation of Bahamas Limited

## Statement of Financial Position

(BSD in thousands)

Notes	January 31	October 31	YTD	
	2020	2019	\$	%
<b>Assets</b>				
Cash and cash equivalent	\$ 35,888	\$ 36,766	\$ (879)	-2%
Balance with central banks	44,221	43,857	364	1%
Loans and advances to customers	1 682,324	685,328	(3,003)	0%
Investment securities	29,626	29,565	61	0%
Premises and equipment	38	30	9	23%
Other assets	5,261	4,504	757	14%
<b>Total Assets</b>	<b>\$ 797,359</b>	<b>\$ 800,049</b>	<b>\$ (2,690)</b>	<b>0%</b>
<b>Liabilities</b>				
Customers' deposits	2 \$ 428,069	\$ 464,510	\$ (36,440)	-9%
Due to associates and affiliated companies	3 139,359	111,988	27,371	20%
Other liabilities	5,740	6,440	(700)	-12%
<b>Total Liabilities</b>	<b>\$ 573,169</b>	<b>\$ 582,938</b>	<b>\$ (9,769)</b>	<b>-2%</b>
<b>Equity</b>				
Share capital	\$ 5,333	\$ 5,333	-	0%
Share Premium	2,552	2,552	-	0%
Other components of equity	18	18	0	3%
Retained earnings	4 216,286	209,208	7,078	3%
<b>Total equity</b>	<b>\$ 224,190</b>	<b>\$ 217,111</b>	<b>\$ 7,079</b>	<b>3%</b>
<b>Total Liabilities and Equity</b>	<b>\$ 797,359</b>	<b>\$ 800,049</b>	<b>\$ (2,690)</b>	<b>0%</b>

1. Loans and advances reduced slightly by \$3MM due to \$5.8MM in net run-offs along with \$2.6MM in debts written-off. The decrease in loan growth is offset by \$5.1MM reversal of allowance for credited losses.
2. Reduction in customer deposits of 9% is largely due to a decrease in non-personal term deposits; of which \$3MM is from public corporations and \$32MM from private financial institutions.
3. Due to affiliated companies increased by \$27MM or 20% due to an additional \$25MM drawn down on the term loan with RBC Bahamas in addition to a \$3MM accrual for the Q4 2019 dividend which was paid in February.
4. Retained earnings increase of \$7.1MM is from \$11.1MM accumulated profits offset by \$4MM dividend payment.

# Finance Corporation of Bahamas Limited

## Statement of retained earnings

(BSD in thousands)

Retained earnings, October 31, 2018	\$ 193,716
Net profit for the period	<u>2,597</u>
<b>Retained earnings, January 31, 2019</b>	<b><u>\$ 196,313</u></b>

Retained earnings, October 31, 2019	\$ 209,208
Net Profit for the period	11,078
Dividends	<u>(4,000)</u>
<b>Retained earnings, January 31, 2020</b>	<b><u>\$ 216,286</u></b>

**FINANCE CORPORATION OF BAHAMAS LIMITED**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Unaudited)**  
**As of January 31, 2020 and October 31, 2019**  
**(Expressed in Bahamian dollars)**

<b>ASSETS</b>	<b>January 31, 2020</b>	<b>October 31, 2019</b>
Cash and cash equivalents	\$ 35,887,518	\$ 36,766,118
Balance with central banks	44,221,303	43,857,068
Loans and advances to customers	682,324,213	685,328,230
Investment securities	29,626,123	29,565,031
Premises and equipment	38,380	29,547
Other assets	<u>5,261,055</u>	<u>4,503,631</u>
<b>TOTAL</b>	<b><u>\$ 797,358,592</u></b>	<b><u>\$ 800,049,625</u></b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>LIABILITIES</b>		
Customer deposits	\$ 428,069,213	\$ 464,509,564
Due to affiliated companies	139,359,236	111,987,957
Other liabilities	<u>5,740,148</u>	<u>6,440,381</u>
Total liabilities	<b><u>\$ 573,168,597</u></b>	<b><u>\$ 582,937,902</u></b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	5,333,334	5,333,334
Share premium	2,552,258	2,552,258
Other components of equity	18,178	17,691
Retained earnings	<u>216,286,225</u>	<u>209,208,440</u>
Total shareholders' equity	<b><u>224,189,995</u></b>	<b><u>217,111,723</u></b>
<b>TOTAL</b>	<b><u>\$ 797,358,592</u></b>	<b><u>\$ 800,049,625</u></b>

**FINANCE CORPORATION OF BAHAMAS LIMITED**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Unaudited)**  
**Three Months Ended January 31, 2020**  
**(Expressed in Bahamian dollars)**

	<b>Three Months Ended January 31, 2020</b>	<b>Three Months Ended January 31, 2019</b>
Interest income	\$ 12,070,736	\$ 12,224,136
Interest expense	<u>(2,083,693)</u>	<u>(2,216,089)</u>
<b>Net interest income</b>	9,987,043	10,008,047
Non-interest income	<u>511,317</u>	<u>486,535</u>
<b>Total revenue</b>	10,498,360	10,494,582
Non-interest expense	(3,516,581)	(3,765,983)
Provision for credit losses	<u>4,096,006</u>	<u>(4,131,091)</u>
<b>Net income</b>	11,077,785	2,597,508
<b>Other comprehensive income:</b>		
<i>Items that may be reclassified to net income</i>		
Net change in fair value of investments	-	-
Net gains on investments in debt instruments measured at FVOCI	210	32,974
Expected credit losses on FVOCI investments	<u>277</u>	<u>(3,776)</u>
<b>Total comprehensive income for the period</b>	<b><u>\$ 11,078,272</u></b>	<b><u>\$ 2,626,706</u></b>
Earnings per share	<u>\$ 0.42</u>	<u>\$ 0.10</u>

**FINANCE CORPORATION OF BAHAMAS LIMITED**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Unaudited)**  
**Three Months Ended January 31, 2020**  
**(Expressed in Bahamian dollars)**

	<b>Share Capital \$</b>	<b>Share Premium \$</b>	<b>Other Components Equity \$</b>	<b>Retained Earnings \$</b>	<b>Total \$</b>
<b>Balance at October 31, 2018</b>	5,333,334	2,552,258	(15,740)	193,715,621	201,585,473
Net profit for the period	-	-	-	2,597,508	2,597,508
Other comprehensive income	-	-	29,198	-	29,198
<b>Total comprehensive income</b>	-	-	29,198	2,597,508	2,626,706
Dividend	-	-	-	-	-
<b>Balance at January 31, 2019</b>	<b>5,333,334</b>	<b>2,552,258</b>	<b>13,458</b>	<b>196,313,129</b>	<b>204,212,179</b>
<b>Balance at October 31, 2019</b>	5,333,334	2,552,258	17,691	209,208,440	217,111,723
Net profit for the period	-	-	-	11,077,785	11,077,785
Other comprehensive income	-	-	487	-	487
<b>Total comprehensive income</b>	-	-	487	11,077,785	11,078,272
Dividend	-	-	-	(4,000,000)	(4,000,000)
<b>Balance at January 31, 2020</b>	<b>5,333,334</b>	<b>2,552,258</b>	<b>18,178</b>	<b>216,286,225</b>	<b>224,189,995</b>

**FINANCE CORPORATION OF BAHAMAS LIMITED**  
**CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)**  
**Three Months Ended January 31, 2020**  
**(Expressed in Bahamian dollars)**

	<b>January 31, 2020</b>	<b>January 31, 2019</b>
<b>OPERATING ACTIVITIES</b>		
Net income	\$ 11,077,785	\$ 2,597,508
Adjustments for:		
Provision for credit losses	(4,096,006)	4,131,091
Depreciation and amortization of tangible assets	<u>3,386</u>	<u>4,214</u>
	6,985,165	6,732,813
 (INCREASE)/DECREASE IN OPERATING ASSETS		
Balances with Central Bank	(364,235)	18,107,461
Loans and advances to customers	7,100,023	115,102
Other assets	(757,424)	(1,525,247)
INCREASE/(DECREASE) IN OPERATING LIABILITIES		
Due to affiliated companies	27,371,279	(2,534,554)
Customers' deposits	(36,440,351)	(6,569,024)
Other liabilities	<u>(700,233)</u>	<u>417,589</u>
<b>Cash from operating activities</b>	<u>3,194,224</u>	<u>14,744,140</u>
 <b>INVESTING ACTIVITIES</b>		
Purchase of premises and equipment	(12,219)	-
Net movement in investment securities	<u>(60,815)</u>	<u>(77,296)</u>
<b>Cash from investing activities</b>	<u>(73,034)</u>	<u>(77,296)</u>
 <b>FINANCING ACTIVITIES</b>		
Dividends paid	<u>(4,000,000)</u>	<u>-</u>
	<u>(4,000,000)</u>	<u>-</u>
 <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	(878,810)	14,666,844
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD</b>	36,766,118	17,633,063
Effects of fair value changes on cash and cash equivalents	<u>210</u>	<u>32,974</u>
<b>CASH AND CASH EQUIVALENTS, END OF THE PERIOD</b>	<u>\$ 35,887,518</u>	<u>\$ 32,332,881</u>

**FINANCE CORPORATION OF BAHAMAS LIMITED**  
**Notes to Unaudited Interim Consolidated Financial Statements**  
**Three Months Ended January 31, 2020**

**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, 2019.



## **FINANCE CORPORATION OF BAHAMAS LIMITED**

### **Chairman's review of the unaudited results For the three months ended January 31, 2020**

We wish to report that the Bank's net profit for the three months ended January 31, 2020 was \$11.1 million and represents an increase of 327% when compared to the corresponding period for 2019. This increase is due primarily to lower provisions for credit losses.

While the Bank continues to face challenges with new credit origination non-performing loans at \$94 million decreased by 8% from the previous quarter and 26% when compared to the same period in prior. The Bank's capital ratio continues to be strong and above regulatory requirements at 46.1% and is comprised mainly of Tier 1 capital.

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Chairman

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Managing Director