

FINANCE CORPORATION OF BAHAMAS LIMITED

**Consolidated Financial Statements
October 31, 2025**

Finance Corporation of Bahamas Limited

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Finance Corporation of Bahamas Limited

Statement of Management Responsibilities

Management is responsible for the following:

- Preparing and fairly presenting the accompanying consolidated financial statements of Finance Corporation of Bahamas Limited (the Bank) and its subsidiary (collectively “the Group”) which comprise the consolidated statement of financial position as at October 31, 2025 and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and material accounting policies, estimates and judgements and other explanatory information;
- Ensuring that the Group keeps proper accounting records;
- Selecting appropriate accounting policies and applying them in a consistent manner;
- Implementing, monitoring and evaluating the system of internal control that assures security of the Group’s assets, detection/prevention of fraud, and the achievement of the Group operational efficiencies;
- Ensuring that the system of internal control operated effectively during the reporting period;
- Producing reliable financial reporting that comply with laws and regulations; and
- Using reasonable and prudent judgement in the determination of estimates.

In preparing these consolidated financial statements, management utilised the IFRS® Accounting Standards, as issued by the International Accounting Standards Board. Where IFRS® Accounting Standards presented alternative accounting treatments, management chose those considered most appropriate in the circumstances.

Nothing has come to the attention of management to indicate that the Group will not remain a going concern for the next twelve months from the reporting date; or up to the date the accompanying financial statements have been authorised for issue, if later.

Management affirms that it has carried out its responsibilities as outlined above.

e-Signed by Dwight Burrows
on 2026-01-20 16:43:23 EST

Managing Director
January 20, 2026

e-Signed by Christopher Hanna
on 2026-01-20 16:22:05 EST

Senior Manager, Financial Control Northern Caribbean
January 20, 2026



Independent auditors' report

To the Shareholders of Finance Corporation of Bahamas Limited

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Finance Corporation of Bahamas Limited (the Bank) and its subsidiary (together 'the Group') as at October 31, 2025, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at October 31, 2025;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the consolidated financial statements* section of our report.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have also fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Our audit approach

Overview



Overall group materiality: \$1,369,000, which represents approximately 1% of net assets.

The consolidated group consists of the Bank, and its wholly owned subsidiary, Safeguard Insurance Brokers Limited, both of which are incorporated in The Bahamas. The audit engagement team was the auditor for both the Bank and its subsidiary. A full scope audit was performed on both entities.

The risk that the assumptions used in the Stage 1 and Stage 2 allowance for credit losses loan model in respect of future macroeconomic scenarios, including forward-looking information, may not be reasonable.

Audit scope

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal

controls, including, among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

A full scope audit was performed on both the Bank and its subsidiary by PwC Bahamas. In respect of the Bank, we were assisted by PwC component engagement teams, who were instructed by the Group engagement team to perform specified procedures over certain financial information.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

Overall group materiality	\$1,369,000
How we determined it	Approximately 1% of net assets
Rationale for the materiality benchmark applied	We chose net assets as the benchmark because, in our view, it is the most stable benchmark against which the performance of the Group is measured by users. We chose approximately 1% which is within a range of acceptable benchmark thresholds.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above \$68,000, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p>The risk that the assumptions used in the Stage 1 and Stage 2 allowance for credit losses loan model in respect of future macroeconomic scenarios, including forward-looking information, may not be reasonable.</p> <p>Refer to Notes 2(c) and 5 to the consolidated financial statements for disclosures of related accounting policies and balances.</p> <p>Stage 1 and Stage 2 loans and advances to customers of \$600 million represent 85% of the Group's total assets at the consolidated statement of financial position date. The Group has recorded an allowance for credit losses (ACL) in the amount of \$12.5 million on these loans and advances.</p> <p>Management's determination of the ACL for loans and advances to customers for Stage 1 and Stage 2 loans is a complex calculation which involves a significant number of interrelated inputs and assumptions including internal historical default rates, changes in credit quality and macroeconomic factors. The probability of default and loss given default inputs used to calculate the ACL are modelled based on macroeconomic scenarios.</p> <p>Management considers multiple future macroeconomic scenarios, each of which includes a forecast of relevant macroeconomic variables, designed to capture a range of possible outcomes. The future macroeconomic variables are probability-weighted according to management's expectation of the relative likelihood of the range of outcomes each scenario represents.</p>	<p>We performed the following procedures, amongst others, over the Stage 1 and Stage 2 allowance for credit losses:</p> <ul style="list-style-type: none"> • obtained an understanding of management's process to calculate the Stage 1 and Stage 2 ACL; • tested the design and operating effectiveness of certain relevant controls relating to the Stage 1 and Stage 2 ACL, including controls over the Allowance Committee's review of the model, macroeconomic forecasts, scenarios and probability weightings, results of model validation and assessment of the final ACL; and the validation of the ACL model; • on a sample basis, tested the completeness and accuracy of underlying data used in the estimation of the Stage 1 and Stage 2 ACL model by agreeing the details to loan agreements; • with the assistance of our credit modelling specialists, tested the appropriateness of the historical macroeconomic and forward-looking information and related assumptions used in the design of future macroeconomic variables for each forward-looking scenario by comparing these assumptions with relevant external market and industry data; and • performed a sensitivity analysis on economic variables including GDP forecasts.

As a result of the significant volatility in the economic environment in which the Group operates, the Group's ACL has a high degree of uncertainty. The key input surrounding the forward-looking assumptions pertains to the Gross Domestic Product (GDP) rates, which are inherently subjective, and can materially impact the estimate of the Stage 1 and Stage 2 ACL in future periods.

Other information

Management is responsible for the other information. The other information comprises the RBC FINCO Annual Report 2025 (but does not include the consolidated financial statements and our auditors' report thereon), which is expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the RBC FINCO Annual Report 2025, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Prince A. Rahming.

PricewaterhouseCoopers
Chartered Accountants

Nassau, Bahamas

January 26, 2026

Finance Corporation of Bahamas Limited
(Incorporated under the laws of the Commonwealth of The Bahamas)

Consolidated Statement of Financial Position
As at October 31, 2025
(Expressed in Bahamian dollars)

	Notes	October 31, 2025 (\$)	October 31, 2024 (\$)
Assets			
Cash and cash equivalents	3	33,101,631	35,421,886
Balance with central bank	4	24,970,658	26,177,457
Loans	5	607,376,935	605,439,866
Securities	6	35,476,360	26,677,265
Due from affiliated company	22	94,645	-
Premises and equipment	7	268,751	268,661
Other assets	8	2,353,322	2,935,678
Total assets		<u>703,642,302</u>	<u>696,920,813</u>
Liabilities			
Customers' deposits	9	242,510,715	253,158,347
Due to affiliated companies	22	309,407,051	172,737,435
Other liabilities	10	14,738,564	4,434,028
Total liabilities		<u>566,656,330</u>	<u>430,329,810</u>
Equity			
Stated capital	12	5,333,334	5,333,334
Share premium		2,552,258	2,552,258
Other components of equity	12	9,421	32,714
Retained earnings		129,090,959	258,672,697
Total equity		<u>136,985,972</u>	<u>266,591,003</u>
Total equity and liabilities		<u>703,642,302</u>	<u>696,920,813</u>

On January 20, 2026 the Board of Directors of Finance Corporation of Bahamas Limited authorised these financial statements for issue.

e-Signed by Dwight Burrows
on 2026-01-20 16:43:29 EST

Director

e-Signed by Lasonya Missick
on 2026-01-20 16:28:01 EST

Director

The accompanying notes are an integral part of these consolidated financial statements.

Finance Corporation of Bahamas Limited

Consolidated Statement of Comprehensive Income For the Year Ended October 31, 2025 (Expressed in Bahamian dollars)

	Notes	Year ended October 31,	
		2025	2024
Income		(\$)	(\$)
Interest income	14	36,635,375	37,342,696
Interest expense	15	<u>(9,168,391)</u>	<u>(7,188,304)</u>
Net interest income		27,466,984	30,154,392
Non-interest income	16	<u>1,599,581</u>	<u>1,688,485</u>
Total revenue		<u>29,066,565</u>	<u>31,842,877</u>
Non-interest expenses	17	(13,893,754)	(14,141,438)
Release of credit losses on fair value through other comprehensive income securities		21,557	11,006
Release of credit losses on other assets		6	6
Release of credit losses on loans	5	7,857,193	13,253,698
Release of credit losses on securities		<u>185,626</u>	<u>741,089</u>
Net income before taxation		23,237,193	31,707,238
Taxation expense	18	<u>(3,485,579)</u>	<u>-</u>
Net income		<u>19,751,614</u>	<u>31,707,238</u>
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Net (losses)/gains on investments in debt instruments measured at fair value through other comprehensive income		(1,736)	1,039
Net change in allowance for credit losses debt instruments at fair value through other comprehensive income		<u>(21,557)</u>	<u>(11,006)</u>
Total comprehensive income for the year		<u>19,728,321</u>	<u>31,697,271</u>
Earnings per share (basic and diluted)	13	<u>0.74</u>	<u>1.19</u>

The accompanying notes are an integral part of these consolidated financial statements.

Finance Corporation of Bahamas Limited

Consolidated Statement of Changes in Equity For the Year Ended October 31, 2025 (Expressed in Bahamian dollars)

	Stated capital (\$)	Share premium (\$)	Other components of equity (\$)	Retained earnings (\$)	Total (\$)
As of October 31, 2024	5,333,334	2,552,258	32,714	258,672,697	266,591,003
Net income	-	-	-	19,751,614	19,751,614
Other comprehensive loss	-	-	(23,293)	-	(23,293)
Total comprehensive (loss)/ income	-	-	(23,293)	19,751,614	19,728,321
Transactions with owners					
Dividends (Note 19)	-	-	-	(149,333,352)	(149,333,352)
Total transactions with owners	-	-	-	(149,333,352)	(149,333,352)
As at October 31, 2025	<u>5,333,334</u>	<u>2,552,258</u>	<u>9,421</u>	<u>129,090,959</u>	<u>136,985,972</u>
As of October 31, 2023	5,333,334	2,552,258	42,681	246,965,462	254,893,735
Net income	-	-	-	31,707,238	31,707,238
Other comprehensive loss	-	-	(9,967)	-	(9,967)
Total comprehensive (loss)/ income	-	-	(9,967)	31,707,238	31,697,271
Transactions with owners					
Dividends (Note 19)	-	-	-	(20,000,003)	(20,000,003)
Total transactions with owners	-	-	-	(20,000,003)	(20,000,003)
As at October 31, 2024	<u>5,333,334</u>	<u>2,552,258</u>	<u>32,714</u>	<u>258,672,697</u>	<u>266,591,003</u>

Dividends per share (Note 19) \$5.60 (2024: \$0.75)

The accompanying notes are an integral part of these consolidated financial statements.

Finance Corporation of Bahamas Limited

Consolidated Statement of Cash Flows For the Year Ended October 31, 2025 (Expressed in Bahamian dollars)

	Notes	Year ended October 31,	
		2025	2024
		(\$)	(\$)
Net income		23,237,193	31,707,238
Adjustments for:			
Net release of credit losses on financial instruments		(8,064,382)	(14,005,799)
Amortisation of premium on securities		(260,546)	-
Depreciation	7	523	16,903
Operating income before changes in operating assets and liabilities		<u>14,912,788</u>	<u>17,718,342</u>
Decrease/(increase) in operating assets:			
Mandatory reserves with central bank		192,275	(1,778,413)
Loans		5,920,124	16,594,199
Due from affiliated company		(94,645)	-
Other assets		582,362	(646,096)
Increase/(decrease) in operating liabilities:			
Customers' deposits		(10,647,632)	(18,194,724)
Due to affiliated companies		112,469,613	48,282
Other liabilities		(1,247,712)	(5,390)
Cash generated from operating activities		<u>122,087,173</u>	<u>13,736,200</u>
Investing activities			
Purchase of premises and equipment	7	(613)	(268,138)
Purchase of securities	6	(19,164,922)	(7,182,800)
Proceeds from maturity of securities	6	10,812,000	8,697,600
Cash (used in)/generated from investing activities		<u>(8,353,535)</u>	<u>1,246,662</u>
Financing activities			
Dividends paid	19	(117,066,681)	(21,333,336)
Cash used in financing activities		<u>(117,066,681)</u>	<u>(21,333,336)</u>
Net decrease in cash and cash equivalents		<u>(3,333,043)</u>	<u>(6,350,474)</u>
Effects of fair value changes on cash and cash equivalents		(1,736)	1,039
Cash and cash equivalents, beginning of year		<u>48,926,780</u>	<u>55,276,215</u>
Cash and cash equivalents at end of year		<u>45,592,001</u>	<u>48,926,780</u>
Cash and cash equivalents:			
Cash and cash equivalents	3	33,101,631	35,421,886
Unrestricted cash balances with central bank	4	12,490,370	13,504,894
		<u>45,592,001</u>	<u>48,926,780</u>
Supplemental information:			
Interest received		36,886,072	37,321,891
Interest paid		(8,538,018)	(7,246,499)

The accompanying notes are an integral part of these consolidated financial statements.

Finance Corporation of Bahamas Limited

Notes to the consolidated financial statements October 31, 2025

1. Incorporation and Business Activities

Finance Corporation of Bahamas Limited (the “Group”) was incorporated in the Commonwealth of The Bahamas (The Bahamas) and is licensed under the provisions of the Banks and Trust Companies Regulation Act, 2020 and is also licensed as an Authorised Dealer, pursuant to the Exchange Control Regulations Act. 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 (RBC or RBC Group) incorporated in Canada. The Bank’s shares are publicly traded and listed on the Bahamas International Securities Exchange (BISX) with 25% of its ownership being held by the Bahamian public.

The Bank has three branch locations in New Providence and one branch in Freeport, Grand Bahama. Its business activities include the acceptance of savings, term and demand deposits, the buying and selling of foreign currency, and mortgage lending in New Providence and Grand Bahamas Islands of The Bahamas. The Bank’s registered office is located at Royal Bank House, East Hill Street, Nassau, The Bahamas.

The Bank has a wholly-owned subsidiary, Safeguard Insurance Brokers Limited which is incorporated in The Bahamas and provides insurance brokerage services to mortgage customers of the Bank. The Bank and its subsidiary are collectively referred to as the Group.

2. Material accounting policies

The material accounting policies used in the preparation of these Financial Statements are summarised below.

These financial statements, in all material respects, have been prepared in accordance with IFRS[®] Accounting standards which comprise the following authoritative literature:

- IFRS[®] Accounting Standards,
- IAS[®] Standards; and
- Interpretations developed by the IFRS[®] Interpretations Committee (IFRIC[®] interpretations) or its predecessor body, the Standing Interpretations Committee (SIC[®] Interpretations).

a) Basis of preparation

These financial statements are prepared in accordance with IFRS[®] Accounting Standards as issued by the International Accounting Standards Board. The financial statements have been prepared on a historical cost basis, except as disclosed in the accounting policy below.

In preparing these consolidated financial statements (hereafter, financial statements), management is required to make subjective estimates and assumptions that affect the reported amount of assets, liabilities, net income and related disclosures. Estimates made by management are based on historical experience and other assumptions that are believed to be reasonable. Key sources of estimation uncertainty include: determination of fair value of financial instruments and the allowance for credit losses and litigation provisions. Accordingly, actual results may differ from these and other estimates thereby impacting the Group’s future financial statements. Refer to the relevant accounting policies in this note for details on the use of estimates and assumptions.

Finance Corporation of Bahamas Limited

Notes to the consolidated financial statements October 31, 2025

2. Material accounting policies (continued)

a) Basis of preparation (continued)

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Notes 2(c), 2(j) and 26.

Except as disclosed below, standards and amendments and interpretations to published standards that became effective for the Bank's financial year beginning on November 1, 2024 were not relevant or not significant to the Bank's operations, and accordingly did not impact the Bank's accounting policies or financial statements.

Future changes in accounting policy and disclosure

Amendments to the Classification and Measurement of Financial Instruments

In May 2024, the IASB issued *Amendments to the Classification and Measurement of Financial Instruments* which amends IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosures* (the Amendments). The Amendments clarify the recognition and derecognition of financial instruments and introduce an accounting policy option for financial liabilities settled through electronic payment systems. The Amendments also clarify classification guidance for financial assets with contingent features not directly related to changes in basic lending risks and introduce additional related disclosure requirements for financial instruments with such contingent features. The Amendments will be effective for us on November 1, 2026 and will be applied retrospectively with no restatement of comparative periods required. To manage the implementation of the Amendments, we established a program to assess the impact on systems, processes and financial reporting. We continue to assess the impact of adopting the Amendments on our Financial Statements.

IFRS 18 Presentation and Disclosure in Financial Statements (IFRS 18)

In April 2024, the IASB issued IFRS 18, which sets out requirements for the presentation and disclosure of information in the financial statements. IFRS 18 will replace *IAS 1 Presentation of Financial Statements* and accompanies limited amendments to other standards which will be effective upon the adoption of the new standard. The standard introduces new defined subtotals to be presented in the Consolidated Statement of Income, disclosure of management-defined performance measures and requirements for aggregation and disaggregation of information. This standard will be effective for us on November 1, 2027 and will be applied retrospectively. To manage the transition to IFRS 18, we established a program to assess the impact on systems, processes and financial reporting required for adoption. We continue to assess the impact of adopting this standard on our Financial Statements.

Finance Corporation of Bahamas Limited

Notes to the consolidated financial statements October 31, 2025

2. Material accounting policies (continued)

b) Basis of consolidation

These consolidated financial statements include the assets and liabilities and results of operations of the Bank and its wholly-owned subsidiary after elimination of intercompany transactions, balances, revenues and expenses.

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when it has existing rights that give it the current ability to direct the activities that most significantly affect the entity's returns (relevant activities). Power may be determined based on voting rights or, in the case of structured entities, other contractual arrangements.

The determination of control is based on the current facts and circumstances and is continuously assessed. In some circumstances, different factors and conditions may indicate that various parties control an entity depending on whether those factors and conditions are assessed in isolation or in totality. Significant judgement is applied in assessing the relevant factors and conditions in totality when determining whether the Group controls an entity. Specifically, judgement is applied in assessing whether the Group has substantive decision-making rights over the relevant activities and whether it is exercising its power as a principal or an agent. The Group consolidates all subsidiaries from the date control is transferred and ceases consolidation when an entity is no longer controlled by it. The Group's consolidation conclusions affect the classification and amount of assets, liabilities, revenues and expenses reported in the consolidated financial statements.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiary have been changed where necessary to ensure consistency with the policies adopted by the Group.

c) Financial instruments

Classification and measurement of financial assets

Financial assets are measured at initial recognition at fair value and are classified and subsequently measured at fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVOCI) or amortised cost based on the Group's business model for managing the financial assets and the contractual cash flow characteristics of the instrument.

Debt instruments are measured at amortised cost if both of the following conditions are met and the asset is not designated as FVTPL: (a) the asset is held within a business model that is Held-to-Collect (HTC) as described below, and (b) the contractual terms of the instruments give rise, on specified dates, to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

Debt instruments are measured at FVOCI if both of the following conditions are met and the asset is not designated as FVTPL: (a) the asset is held within a business model that is Held-to-Collect-and-Sell (HTC&S) as described below, and (b) the contractual terms of the instrument give rise, on specified dates, to cash flows that are SPPI.

Finance Corporation of Bahamas Limited

Notes to the consolidated financial statements October 31, 2025

2. Material accounting policies (continued)

c) Financial instruments (continued)

Classification and measurement of financial assets (continued)

All other debt instruments are measured at FVTPL. Equity instruments are measured at FVTPL, unless the asset is not held for trading purposes and the Group makes an irrevocable election to designate the asset as FVOCI. This election is made on an instrument-by-instrument basis.

Business model assessment

The Group determines the business models at the level that best reflects how it manages portfolios of financial assets to achieve business objectives. Judgement is used in determining the business models, which is supported by relevant, objective evidence including:

- The significant risks affecting the performance of the business, for example, market risk, credit risk, or other risks as described in the Risk Management Note 24, and the activities taken to manage those risks;
- Historical and future expectations of sales of the loans and securities managed as part of a business model; and
- The compensation structures for managers of the businesses within the Group, to the extent that these are directly linked to the economic performance of the business model.

The Group's business models fall into three categories, which are indicative of the key categories used to generate returns:

- HTC: the objective of this business model is to hold loans and securities to collect contractual principal and interest cash flows; sales are incidental to this objective and are expected to be insignificant or infrequent.
- HTC&S: both collecting contractual cash flows and sales are integral to achieving the objective of the business model; and
- Other fair value business models: these business models are neither HTC nor HTC&S, and primarily represent business models where assets are held-for-trading or managed on a fair value basis.

SPPI assessment

Instruments held within a HTC or HTC&S business model are assessed to evaluate if their contractual cash flows are comprised of solely payments of principal and interest. SPPI payments are those which would typically be expected for basic lending arrangements. Principal amounts include the fair value of the financial asset at initial recognition from lending and financing arrangements, and interest primarily relates to basic lending return, including compensation for credit risk and the time value of money associated with the principal amount outstanding over a period of time. Interest can also include other basic lending risks and costs (for example, liquidity risk, servicing or administrative costs) associated with holding the financial asset for a period of time, and a profit margin.

Finance Corporation of Bahamas Limited

Notes to the consolidated financial statements October 31, 2025

2. Material accounting policies (continued)

c) Financial instruments (continued)

Classification and measurement of financial assets (continued)

Business model assessment (continued)

Securities

Investment securities include all securities classified as amortised cost. Treasury bills which have original contractual maturities of three months or less have been classified at fair value through other comprehensive income and are included as part of cash and cash equivalents.

Investment securities carried at amortised cost are measured using the effective interest rate method and are presented net of any allowance for credit losses, calculated in accordance with the Group's policy for allowance for credit losses as described below. Interest income, including the amortisation of premiums and discounts on securities measured at amortised cost, are recorded in net interest income. Impairment gains or losses recognised on amortised cost securities are recorded in provision for credit losses in the statement of comprehensive income. When a debt instrument measured at amortised cost is sold, the difference between the sale proceeds and the amortised cost of the security at the time of sale is recorded as a net gain/(loss) on investment securities in non-interest income.

Debt securities carried at FVOCI are measured at fair value with unrealised gains and losses arising from changes in fair values recognised in other comprehensive income and included in other components of equity. Impairment gains and losses are included in provision for credit losses and correspondingly reduce the accumulated change in fair value included in other components in equity. When a debt instrument measured at FVOCI is sold, the cumulative gain or loss is reclassified from other components of equity to net gain (loss) on investment securities in non-interest income.

The Group accounts for all securities using settlement date accounting and changes in fair value between trade date and settlement date are reflected in income for securities measured at FVTPL, and changes in fair value of securities measured at FVOCI between trade date and settlement date are recorded in other comprehensive income (OCI), except for changes in foreign exchange rates on debt securities, which are recorded in non-interest income.

Fair value option

A financial instrument with a reliably measurable fair value can be designated as FVTPL (the fair value option) on its initial recognition even if the financial instrument was not acquired or incurred principally for the purpose of selling or repurchasing. The fair value option can be used for financial assets if it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing related gains and losses on a different basis (an "accounting mismatch"). The fair value option can be elected for financial liabilities if: (i) the election eliminates an accounting mismatch; (ii) the financial liability is part of a portfolio that is managed on a fair value basis, in accordance with a documented risk management or investment strategy; or (iii) there is an embedded derivative in the financial or non-financial host contract and the derivative is not closely related to the host contract. These instruments cannot be reclassified out of the FVTPL category subsequently.

Financial assets designated as FVTPL are initially recorded at fair value and any unrealised gains or losses arising due to changes in fair value are included in non-interest income.

Finance Corporation of Bahamas Limited

Notes to the consolidated financial statements October 31, 2025

2. Material accounting policies (continued)

c) Financial instruments (continued)

Classification and measurement of financial assets (continued)

Loans

Loans are debt instruments recognised initially at fair value and are subsequently measured in accordance with the classification of financial assets policy described above. All of the Group's loans are carried at amortised cost using the effective interest method, which represents the gross carrying amount less allowance for credit losses.

Interest on loans are recognised in interest income using the effective interest method. The estimated future cash flows used in this calculation include those determined by the contractual term of the asset and all fees that are considered to be integral to the effective interest rate. Also included in this amount are transaction costs and all other premiums or discounts. Fees that relate to activities such as originating, restructuring or renegotiating loans are deferred and recognised as interest income over the expected term of such loans using the effective interest method. Where there is a reasonable expectation that a loan will be originated, commitment and standby fees are also recognised as interest income over the expected term of the resulting loans using the effective interest method. Otherwise, such fees are recorded as other liabilities and amortised into non-interest income over the commitment or standby period. Prepayment fees on mortgage loans are not included as part of the effective interest rate at origination. If prepayment fees are received on a renewal of a mortgage loan, the fee is included as part of the effective interest rate; and if not renewed, the prepayment fee is recognised in interest income at the prepayment date.

For loans carried at amortised cost, impairment losses are recognised at each statement of financial position date in accordance with the three-stage impairment model outlined in these accounting policies.

Finance Corporation of Bahamas Limited

Notes to the consolidated financial statements October 31, 2025

2. Material accounting policies (continued)

c) Financial instruments (continued)

Classification and measurement of financial assets (continued)

Allowance for credit losses

An allowance for credit losses (ACL) is established for all financial assets, except for financial assets classified or designated as FVTPL and equity securities designated as FVOCI, which are not subject to an impairment assessment. Assets subject to an impairment assessment include loans, debt securities, interest-bearing deposits with banks and accounts receivable. Provision for credit losses (PCL) on debt securities measured at FVOCI is booked to the consolidated statement of comprehensive income and the ACL on debt securities measured at FVOCI is presented in other comprehensive income in the consolidated statement of financial position. Financial assets carried at amortised cost are presented net of the ACL in the consolidated statement of financial position. PCL on amortised cost instruments are recognised directly in the consolidated statement of comprehensive income.

Items subject to impairment assessment also include undrawn loan commitments. The ACL for undrawn credit commitments is included in the ACL for loans. For these products, ACL is disclosed in the notes to the consolidated financial statements.

The Group measures the ACL at each consolidated statement of financial position date according to a three-stage expected credit loss impairment model:

Performing financial assets:

- Stage 1 – From initial recognition of a financial asset to the date on which the asset has experienced a significant increase in credit risk relative to its initial recognition, a loss allowance is recognised equal to the credit losses expected to result from defaults occurring over a 12 month period or shorter if the remaining term is less than 12 months following the reporting date.
- Stage 2 – Following a significant increase in credit risk relative to the initial recognition of the financial asset, a loss allowance is recognised equal to the credit losses expected over the remaining lifetime of the asset.

Impaired financial assets:

- Stage 3 – When a financial asset is considered to be credit-impaired, a loss allowance is recognised equal to credit losses expected over the remaining lifetime of the asset.

The ACL is a discounted probability-weighted estimate of the cash shortfalls expected to result from defaults over the relevant time horizon. For loan commitments, credit loss estimates consider the portion of the commitment that is expected to be drawn over the relevant time period.

Increases or decreases in the required ACL attributable to purchases and new originations, derecognitions or maturities, and remeasurements due to changes in loss expectations or stage migrations are recorded in the PCL. Write-off and recoveries are recorded against ACL.

Finance Corporation of Bahamas Limited

Notes to the consolidated financial statements October 31, 2025

2. Material accounting policies (continued)

c) Financial instruments (continued)

Allowance for credit losses (continued)

The ACL represents an unbiased estimate of expected credit losses on financial assets as at the consolidated statement of financial position date. Judgment is required in making assumptions and estimations when calculating the ACL, including movements between the three stages and the application of forward-looking information. The underlying assumptions and estimates may result in changes to the allowances from period to period that significantly affects the results of operations.

Measurement of expected credit losses

Expected credit losses are based on a range of possible outcomes and consider available, reasonable and supportable information including internal and external ratings, historical credit loss experience and expectations about future cash flows. The measurement of expected credit losses is based primarily on the product of the instrument's probability of default (PD), loss given default (LGD) and exposure at default (EAD) discounted to the reporting date. The main difference between Stage 1 and Stage 2 expected credit losses for performing financial assets is the respective calculation horizon. Stage 1 estimates project PD, LGD and EAD over a maximum period of 12 months while Stage 2 estimates project PD, LGD and EAD over the remaining lifetime of the instrument.

An expected credit loss estimate is produced at the loan level. The estimate is based on model that takes into account different segments of the Group's portfolio and forward-looking information. To reflect other characteristics that are not already considered through modeling, expert credit judgment can be exercised in determining the final expected credit losses using a range of possible outcomes.

Expected credit losses are discounted to the reporting period date using the effective interest rate.

Expected life

For instruments in Stage 2 or Stage 3, the loss allowance reflects the expected credit losses over the expected remaining lifetime of the instrument. For most instruments, the expected life is limited to the remaining contractual life.

An exemption is provided for certain instruments with the following characteristics: (a) the instrument includes both a loan and undrawn commitment component; (b) the Group has the contractual ability to demand repayment and cancel the undrawn commitment; and (c) the Group's exposure to credit losses is not limited to the contractual notice period. For products in scope of this exemption, the expected life may exceed the remaining contractual life and is the period over which the Group's exposure to credit losses is not mitigated by its normal credit risk management actions. This period varies by product and risk category and is estimated based on historical experience with similar exposures and consideration of credit risk management actions taken as part of a regular credit review cycle. The products in scope of this exemption includes overdraft balances. Determining the instruments in scope for this exemption and estimating the appropriate remaining life based on historical experience and credit risk mitigation practices requires significant judgment.

Finance Corporation of Bahamas Limited

Notes to the consolidated financial statements October 31, 2025

2. Material accounting policies (continued)

c) Financial instruments (continued)

Allowance for credit losses (continued)

Assessment of significant increase in credit risk

The assessment of a significant increase in credit risk requires significant judgment. Movements between Stage 1 and Stage 2 are based on whether an instrument's credit risk as at the reporting date has increased significantly relative to the date it was initially recognised. This assessment is performed at the instrument level.

The Group's assessment of significant increases in credit risk remains largely the same and is based on factors such as delinquency status and whether or not the account is watch-listed and managed by the special loans group.

If any of the following conditions is met, the instrument is moved from Stage 1 to Stage 2:

- 1) The instrument is 30 days past due;
- 2) The account is watch-listed and centrally monitored and managed. This centrally monitored portfolio today remains a mix of accounts which are in default and accounts with minimal or no delinquency. The latter remains within the purview of the specialised management team due to circumstances other than delinquency which marks the account as having a higher risk component;
- 3) Retail loans receiving business as usual deferrals granted by the Group's collections team;
- 4) Loans of clients who had a prior default during the last three years; and
- 5) Increases in the probability of default (PD) at the loan level.

Use of forward-looking information

The PD and LGD inputs used to estimate the Stage 1 and Stage 2 credit loss allowances under the IFRS 9 model are modelled based on macroeconomic scenarios. Each macroeconomic scenario used in the Group's expected credit loss calculation includes a projection of all relevant macroeconomic variables used in the Group's models for a five year period.

Further details on the Group's forward-looking assumptions and scenarios as at October 31, 2024 are provided in Note 5.

Scenario Design

The Group's estimation of expected credit losses in Stage 1 and Stage 2 is a discounted probability-weighted estimate that considers five distinct future macroeconomic scenarios. Scenarios and scenario weights are set at the RBC Group level; considering the RBC baseline forecast and reasonable downside and upside assumptions. Scenarios are global in nature and include predictions of macroeconomic conditions in North America, Europe, and the Caribbean. Having scenarios and scenario weights set at the RBC group level allows RBC to have a consistent view of macroeconomic scenarios across business lines and legal entities.

Finance Corporation of Bahamas Limited

Notes to the consolidated financial statements October 31, 2025

2. Material accounting policies (continued)

c) Financial instruments (continued)

Allowance for credit losses (continued)

Scenario Design (continued)

Scenarios are designed to capture a wide range of possible outcomes and weighted on the relative likelihood of the range of outcomes that each scenario represents. Scenario weights take into account historical frequency, current trends, and forward-looking conditions and are updated on a quarterly basis. All scenarios considered are applied to all portfolios subject to expected credit losses with the same probability weighting.

Definition of default

The definition of default used in the measurement of expected credit losses is consistent with the definition of default used for the Group's internal credit risk management purposes. The definition of default may differ across products and consider both quantitative and qualitative factors, such as the terms of financial covenants and days past due. For retail borrowers, except as detailed below, default occurs when the borrower is 90 days or more past due on any material obligation to the Group, and/or the Group considers the borrower unlikely to make their payments in full without recourse action, such as taking formal possession of any collateral held. The definition of default used is applied consistently from period to period and to all financial instruments unless it can be demonstrated that circumstances have changed such that another definition of default is more appropriate.

Credit-impaired financial assets (Stage 3)

Financial assets are assessed for credit-impairment at each consolidated statement of financial position date and more frequently when circumstances warrant further assessment. Evidence of credit-impairment may include indications that the borrower is experiencing significant financial difficulty, probability of bankruptcy or other financial reorganisation, as well as a measurable decrease in the estimated future cash flows evidenced by the adverse changes in the payments status of the borrower or economic conditions that correlate with defaults. An asset that is in Stage 3 will move back to Stage 2 when, as at the reporting date, it is no longer considered to be credit-impaired. The asset will migrate back to Stage 1 when its credit risk at the reporting date is no longer considered to have increased significantly from initial recognition, which could occur during the same reporting period as the migration from Stage 3 to Stage 2.

When a financial asset has been identified as credit-impaired, expected credit losses are measured as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the instrument's original effective interest rate. For impaired financial assets with drawn and undrawn components, expected credit losses also reflect any credit losses related to the portion of the loan commitment that is expected to be drawn down over the remaining life of the instrument.

When a financial asset is credit-impaired, interest ceases to be recognised on the regular accrual basis, which accrues income based on the gross carrying amount of the asset. Rather, the accrual is calculated by applying the effective interest rate to the carrying amount, which is recorded in the consolidated statement of financial position. The discount resulting from the impact of time delays in collecting principal payments (time value of money) is established and recorded through the provision for credit losses.

Finance Corporation of Bahamas Limited

Notes to the consolidated financial statements October 31, 2025

2. Material accounting policies (continued)

c) Financial instruments (continued)

Allowance for credit losses (continued)

Credit-impaired financial assets (Stage 3) (continued)

ACL for credit-impaired financial assets in Stage 3 are established at the financial asset level, where losses related to impaired financial assets are identified on individually significant financial assets, or collectively assessed and determined through the use of portfolio-based rates, without reference to particular financial assets.

Individually assessed loans (Stage 3)

When individually significant loans are identified as impaired, the carrying value of the loan is reduced to its estimated realizable value by recording an individually assessed ACL to cover identified credit losses. The individually assessed ACL reflects the expected amount of principal and interest calculated under the terms of the original loan agreement that will not be recovered, and the impact of time delays in collecting principal and/or interest (time value of money). The estimated realizable value for each individually significant loan is the present value of expected future cash flows discounted using the original effective interest rate for each loan. When the amounts and timing of future cash flows cannot be estimated with reasonable reliability, the estimated realizable amount may be determined using observable market prices for comparable loans, the fair value of collateral underlying the loans, and other reasonable and supported methods based on management judgment.

Individually-assessed allowances are established in consideration of a range of possible outcomes, to the extent relevant to the circumstances of the specific borrower being assessed. Assumptions used in estimating expected future cash flows reflect current and expected future economic conditions based on expert credit judgement.

Significant judgment is required in assessing evidence of credit-impairment and estimation of the amount and timing of future cash flows when determining expected credit losses. Changes in the amount expected to be recovered would have a direct impact on the provision for credit losses and may result in a change in the ACL.

Collectively assessed loans (Stage 3)

Loans that are collectively assessed are grouped on the basis of similar risk characteristics, taking into account loan type, geographic location, collateral type, past due status and other relevant factors.

The collectively-assessed ACL reflects: (i) the expected amount of principal and interest calculated under the terms of the original loan agreement that will not be recovered, and (ii) the impact of time delays in collecting principal and/or interest (time value of money).

Finance Corporation of Bahamas Limited

Notes to the consolidated financial statements October 31, 2025

2. Material accounting policies (continued)

c) Financial instruments (continued)

Allowance for credit losses (continued)

Collectively assessed loans (Stage 3) (continued)

The expected amount of principal and interest that will be collected is estimated on a loan-by-loan basis and references historical loss experience of comparable portfolios with similar credit risk characteristics, adjusted for the current environment and expected future conditions. A portfolio-specific coverage ratio is applied against the impaired loan balance in determining the collectively-assessed ACL. The time value of money component is calculated using discount factors that represent the expected recovery pattern of the comparable group of loans. The discount factors reflect the historical experience of these groups adjusted for current and expected future economic conditions and/or industry factors. Significant judgment is required in assessing evidence of credit-impairment and estimation of the amount and timing of future cash flows when determining expected credit losses. Changes in the amount expected to be recovered would have a direct impact on the provision for credit losses and may result in a change in the ACL.

Write-off of loans

Loans are generally written off, either partially or in full, when there is no or minimal realistic prospect of recovery. Where loans are secured, they are generally written off after receipt of any proceeds from the realisation of collateral. In circumstances where the net realizable value of any collateral has been determined and there is no reasonable expectation of further recovery, write off may be earlier. Unsecured loans are generally written off at 365 days past due. Loans secured by real estate are generally written off at 2,000 days past due unless liquidation of the underlying real estate collateral is expected to be closed in the short term. In such cases write-off may be delayed beyond 2,000 days. In all other instances, the write-off will be completed at 2,000 days, although recovery efforts will continue.

Modifications

The original terms of a financial asset may be renegotiated or otherwise modified, resulting in changes to the contractual terms of the financial asset that affect the contractual cash flows. The treatment of such modifications is primarily based on the process undertaken to execute the renegotiation and the nature and extent of changes expected to result. Modifications can be tracked through the original financial asset or result in derecognition of the original financial asset and recognition of a new financial asset.

A modified financial asset continues to be subject to the same assessments for significant increase in credit risk relative to initial recognition and credit-impairment, as described above. A modified financial asset will migrate out of Stage 3 if the conditions that led to it being identified as credit-impairment are no longer present and relate objectively to an event occurring after the original credit-impairment was recognised. A modified financial asset will migrate out of Stage 2 when it no longer satisfies the relative thresholds set to identify significant increases in credit risk, which are based on changes in days past due and other qualitative considerations.

Finance Corporation of Bahamas Limited

Notes to the consolidated financial statements October 31, 2025

2. Material accounting policies (continued)

c) Financial instruments (continued)

Allowance for credit losses (continued)

Modifications (continued)

If a modification of terms does not result in derecognition of the financial asset, the carrying amount of the financial asset is recalculated as the present value of the renegotiated or modified contractual cash flows, discounted at the original effective interest rate and a gain or loss is recognised only if material. The financial asset continues to be subject to the same assessments for significant increase in credit risk relative to initial recognition and credit-impairment, as described above. The financial asset continues to be monitored for significant increases in credit risk and credit-impairment.

If a modification of terms results in derecognition of the original financial asset and recognition of the new financial asset, the new financial asset will generally be recorded in Stage 1, unless it is determined to be credit-impaired at the time of the renegotiation. For the purposes of assessing for significant increases in credit risk, the date of initial recognition for the new financial asset is the date of the modification.

Determination of fair value

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Group determines fair value by incorporating all factors that market participants would consider in setting a price, including commonly accepted valuation approaches.

The Group has established policies, procedures and controls for valuation methodologies and techniques to ensure fair value is reasonably estimated. Major valuation processes and controls include, but are not limited to, profit and loss decomposition, independent price verification (IPV) and model validation standards. These control processes are managed by either Finance or Group Risk Management and are independent of the relevant businesses and their trading functions.

All fair value instruments are subject to IPV, a process whereby trading function valuations are verified against external market prices and other relevant market data. Market data sources include traded prices, brokers and price vendors. The Group gives priority to those third-party pricing services and prices having the highest and most consistent accuracy. The level of accuracy is determined over time by comparing third-party price values to traders' or system values, to other pricing service values and, when available, to actual trade data. Other valuation techniques are used when a price or quote is not available. Some valuation processes use models to determine fair value. The Group has a systematic and consistent approach to control model use. Valuation models are approved for use within the Group's model risk management framework. The framework addresses, among other things, model development standards, validation processes and procedures, and approval authorities. Model validation ensures that a model is suitable for its intended use and sets parameters for its use. All models are revalidated regularly.

Finance Corporation of Bahamas Limited

Notes to the consolidated financial statements October 31, 2025

2. Material accounting policies (continued)

c) Financial instruments (continued)

Determination of fair value (continued)

In determining fair value, a hierarchy is used which prioritises the inputs to valuation techniques. The fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Determination of fair value based on this hierarchy requires the use of observable market data whenever available. Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the Group has the ability to access at the measurement date. Level 2 inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and model inputs that are either observable, or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 inputs are inputs that are unobservable. Unobservable inputs are used to measure fair value to the extent that observable inputs are not available at the measurement date. The availability of inputs for valuation may affect the selection of valuation techniques. The classification of a financial instrument in the hierarchy for disclosure purposes is based upon the lowest level of input that is significant to the measurement of fair value. Where observable prices or inputs are not available, management judgement is required to determine fair values by assessing other relevant sources of information such as historical data, proxy information from similar transactions, and through extrapolation and interpolation techniques.

For more complex or illiquid instruments, significant judgement is required in the determination of the model used, the selection of model inputs, and in some cases, the application of valuation adjustments to the model value or quoted price for inactively traded financial instruments, as the selection of model inputs may be subjective, and the inputs may be unobservable. Unobservable inputs are inherently uncertain as there is little or no market data available from which to determine the level at which the transaction would occur under normal business circumstances. Appropriate parameter uncertainty and market-risk valuation adjustments for such inputs and other model-risk valuation adjustments are assessed in all such instances.

Transaction costs

Transaction costs are expensed as incurred for financial instruments classified or designated as at FVTPL. For other financial instruments, transaction costs are capitalised on initial recognition. For financial assets and financial liabilities measured at amortised cost, capitalised transaction costs are amortised through net interest income over the estimated life of the instrument using the effective interest method.

Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset on the consolidated statement of financial position when there exists both a legally enforceable contractual right to offset the recognised amounts and an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Finance Corporation of Bahamas Limited

Notes to the consolidated financial statements October 31, 2025

2. Material accounting policies (continued)

c) Financial instruments (continued)

Derecognition of financial assets

Financial assets are derecognised from the consolidated statement of financial position when the Group's contractual rights to the cash flows from the assets have expired, when the Group retains the rights to receive the cash flows of the assets but assume an obligation to pay those cash flows to a third party subject to certain pass-through requirements or when the Group transfers its contractual rights to receive the cash flows and substantially all of the risk and rewards of the assets have been transferred. When the Group retains substantially all of the risks and rewards of the transferred assets, the transferred assets are not derecognised from the consolidated statement of financial position and are accounted for as secured financing transactions. When the Group neither retains nor transfer substantially all risks and rewards of ownership of the assets, it derecognises the assets if control over the assets is relinquished. If the Group retains control over the transferred assets, it continues to recognise the transferred assets to the extent of its continuing involvement.

Management's judgement is applied in determining whether the contractual rights to the cash flows from the transferred assets have expired or whether the Group retains the rights to receive cash flows on the assets but assume an obligation to pay for those cash flows. The Group derecognises transferred financial assets if it transfers substantially all the risk and rewards of the ownership in the assets. When assessing whether the Group has transferred substantially all of the risk and rewards of the transferred assets, management considers the entity exposure before and after the transfer with the variability in the amount and timing of the net cash flows of the transferred assets.

In transfers that the Group retains the servicing rights, management has applied judgement in assessing the benefits of servicing against market expectations. When the benefits of servicing are greater than fair market value, a servicing asset is recognised in other assets in the consolidated statement of financial position. When the benefits of servicing are less than fair market value, a servicing liability is recognised in other liabilities in the consolidated statement of financial position.

Derecognition of financial liabilities

The Group derecognises a financial liability from the consolidated statement of financial position when its obligation specified in the contract expires, or is discharged or cancelled. The Group recognises the difference between the carrying amount of a financial liability transferred and the consideration paid in the consolidated statement of comprehensive income.

d) Foreign currency translation

Functional and presentation currency

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the Group operates (the functional currency). The consolidated financial statements are presented in Bahamian dollars (B\$), which is the Group's functional currency.

Finance Corporation of Bahamas Limited

Notes to the consolidated financial statements October 31, 2025

2. Material accounting policies (continued)

d) Foreign currency translation (continued)

Transactions and balances

In preparing the consolidated financial statements' transactions in currencies other than the functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary assets and liabilities that are denominated in foreign currencies and carried at fair value are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items denominated in foreign currencies and carried at historical cost are translated at the rate prevailing at the date of the transaction.

Exchange differences are recognised in net income in the consolidated statement of comprehensive income in the period in which they arise.

e) Customers' deposits

Customers' deposits are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Customers' deposits are derecognised when the financial liability has been extinguished.

f) Income and expense recognition

Interest

Interest income and interest expense is recognised in the consolidated statement of comprehensive income for all interest-bearing financial instruments using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows over the expected life of the financial asset or liability to the net carrying amount upon initial recognition. Judgement is applied in determining the effective interest rate due to uncertainty in the timing and amounts of future cash flows.

Loan origination fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loans.

Commissions and fees

Revenue is recognised when control of a service transfers to a customer. Service contracts are assessed by taking the following factors into consideration sequentially, which individually will vary based on the facts and circumstances present in a contract with a customer and will require the exercise of management judgement:

1. Identified all contracts with customers;
2. Identified the separate performance obligations under a contract;
3. Determined the transaction price of the contract;
4. Allocated the transactions price to each of the separate performance obligations; and
5. Recognised the revenue as each performance obligation is satisfied.

Finance Corporation of Bahamas Limited

Notes to the consolidated financial statements October 31, 2025

2. Material accounting policies (continued)

f) Income and expense recognition (continued)

Commissions and fees (continued)

The Group adopts the portfolio approach, as an operational expedient, where contracts are assessed as a portfolio as opposed to individually assessed when the characteristics of each contract is similar. The Group reviews the services provided as part of the contract, the contract duration, the terms and conditions for the contract, the amount, form and timing of consideration and the timing of the transfer of the service. Due to the high volume of the Group's contracts that are identical or have similar contractual terms (for example standardised banking agreements with retail customers), the expedient is applied to many of its current revenue streams.

In addition, the Group does not adjust for the effects of a significant financing component for contracts with a 12 months or less expected time difference between when the Group transfer the service to the customer and the receipt of the contract consideration.

The Group expenses incremental costs to obtain a contract if the expected amortisation period of the asset otherwise would have been recognised in 12 months or less. Anticipated contract renewals and amendments with the same customer are considered when determining whether the period of benefit, and therefore the period of amortisation, is 12 months or less.

Income which falls under the scope of revenue recognition is not netted off against related expense with the exception of credit related fees and commissions. The Group does not incur material costs to obtain contracts with customers such as sales commissions.

Commission and fees primarily relate to transactions service fees and commissions and credit related commissions and fees and are recognised based on the applicable service contracts with customers.

Credit fees are primarily earned for arranging syndicated loans and making credit available on undrawn facilities. The timing of the recognition of credit fees varies based on the nature of the services provided. Where services are provided over time, revenue is recognised as the services are provided.

When service fees and other costs are incurred in relation to commissions and fees earned, the Group records these costs on a gross basis in either 'other operating expenses or staff costs' based on its assessment of whether it has primary responsibility to fulfill the contract with the customer and have discretion in establishing the price for the commissions and fees earned, which may require judgment. Other expenses are recognised on the accrual basis.

g) Premises and equipment

Premises and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use, and the initial estimate of any disposal costs.

Finance Corporation of Bahamas Limited

Notes to the consolidated financial statements October 31, 2025

2. Material accounting policies (continued)

g) Premises and equipment (continued)

Depreciation and amortisation is calculated principally on the straight-line basis over their estimated useful lives of the assets, which are:

Leasehold improvements	- Straight line lease term plus 1 renewal term
Furniture and other equipment	- Straight line 5 years
Computer equipment & software	- Straight line – 3 to 7 years

Premises and equipment are assessed for indicators of impairment at each reporting period. If there is an indication that an asset may be impaired, an impairment test is performed by comparing the asset's carrying amount to its recoverable amount. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs and test for impairment at the CGU level. An impairment charge is recorded to the extent the recoverable amount of an asset (or CGU), which is the higher of value in use and fair value less costs of disposal, is less than its carrying amount. Value in use is the present value of the future cash flows expected to be derived from the asset (or CGU). Fair value less costs of disposal is the amount obtainable from the sale of the asset (or CGU) in an orderly transaction between market participants, less costs of disposal.

After the recognition of impairment, the depreciation charge is adjusted in future periods to reflect the asset's revised carrying amount. If an impairment is later reversed, the carrying amount of the asset is revised to the lower of the asset's recoverable amount and the carrying amount that would have been determined (net of depreciation) had there been no prior impairment loss. The depreciation charge in future periods is adjusted to reflect the revised carrying amount.

h) Cash and cash equivalents

Cash and cash equivalents comprises cash and demand deposits with banks together with short-term highly liquid investments that are readily convertible to known amounts of cash and subject to insignificant risk of change in value. Such investments are normally those with original maturities up to three months from the date of acquisition. There are no restrictions on any balances within cash and cash equivalents.

i) Leases

At inception of a contract, the Group assesses whether a contract is or contains a lease. A lease is an agreement whereby the lessor conveys to the lessee the right to obtain substantially all of the economic benefits from, and direct the use of, an identified asset for a period of time in return for consideration in the form of payment or series of payments.

Short-term leases are leases with a lease term of 12 months or less. Low-value assets are unspecialised, common, technologically unsophisticated, widely available, and widely used non-infrastructure assets. For short-term leases and leases of low-value assets, the Group records the lease payments as an operating expense on a straight-line basis over the lease term.

Finance Corporation of Bahamas Limited

Notes to the consolidated financial statements October 31, 2025

2. Material accounting policies (continued)

j) Provisions

Provisions are liabilities of uncertain timing or amounts and are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured as the best estimate of the consideration required to settle the present obligation at the reporting date. Significant judgement is required in determining whether a present obligation exists and in estimating the probability, timing and amount of any outflows. The Group records provisions related to litigation, asset retirement obligations and other items. Provisions are recorded under other liabilities in the consolidated statement of financial position.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, such as an insurer, a separate asset is recognised if it is virtually certain that reimbursement will be received.

k) Stated capital

The Group classified a financial instrument that the Group issues as a financial asset, financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments issued by the Group are classified as equity instruments when there is no contractual obligation to transfer cash or other financial assets. Incremental costs directly attributable to the issue of equity instruments are included in equity as a deduction from the proceeds. Shares issued for cash are accounted for at the issue price less any transaction costs of the issue.

l) Dividends

Dividends that are proposed and declared during the period are accounted for as an appropriation of retained earnings in the consolidated statement of changes in equity. Dividends that are proposed and declared after the consolidated statement of financial position are disclosed as a subsequent event.

m) Employee benefits

The Group's employees participate in a defined benefit pension plan and a defined contribution pension plan of RBC.

Defined benefit plan

Employees become eligible for membership in the defined benefit pension plan (the Plan) after completing a probationary period and receive their benefits after retirement. The Plan's benefits are determined based on years of service, contributions and average earnings at retirement. Due to the long-term nature of the Plan, the calculation of benefit expenses and obligations depends on various assumptions such as discount rates, expected rates of return on assets, projected salary increases, retirement age, mortality and termination rates. The accrued pension obligation is retained by and recorded in the books of RBC. The Group recognises its proportionate share of pension costs as an expense during the period, after which the Group has no further obligations to the Plan.

Finance Corporation of Bahamas Limited

Notes to the consolidated financial statements October 31, 2025

2. Material accounting policies (continued)

m) Employee benefits (continued)

Defined contribution plan

Under the defined contribution plan, an employee may contribute up to 10% of their salary and the Group matches half of the employee's contribution up to 3% of the employee's salary.

Contributions made by the employee are immediately vested and contributions made by the Group become vested after the completion of ten years of service. Expenses for services rendered by the employees and related to the defined contribution plan are recognised as an expense during the period. The Group has no further payment obligations once the recognised contributions have been paid.

n) Taxation

On November 28, 2024, The Bahamas enacted its Domestic Minimum Top-Up Tax Act, 2024 (the DMTT Act) which implements a domestic minimum top-up tax (DMTT) of 15% effective January 1, 2024 for qualifying multinational entities in The Bahamas. Based on the legislation, the DMTT Act becomes effective for the Bank's fiscal year beginning November 1, 2024. The impact is reflected in Note 18.

Pillar Two income taxes may arise in or in relation to jurisdictions where the operations of a multinational enterprise such as Royal Bank of Canada, the ultimate parent entity, have an effective tax rate below 15%. The jurisdiction in which the Group operates has introduced a domestic minimum tax, and therefore, the Group's effective tax rate has increased from 0% to 15%. Pillar Two tax payments become due subsequent to the year end and as such there have been no actual tax payments under Pillar Two for the current year.

o) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, which is the person or group responsible for allocating resources and assessing performance of the operating segments, has been identified as the management of the Group.

Income and expenses directly associated with each segment are included in determining business segment performance. The Group has identified the following business segments: banking and insurance brokerage services.

p) Corresponding Figures

Corresponding figures shown in Note 6, Note 8, Note 10, Note 16, Note 17, 24(a), Note 24(b) and Note 26 were amended to conform with the current year's presentation.

Finance Corporation of Bahamas Limited

Notes to the consolidated financial statements October 31, 2025

3. Cash and Cash Equivalents

	2025	2024
	(\$)	(\$)
Treasury bills	14,005,150	19,394,094
Due from banks	<u>19,096,481</u>	<u>16,027,792</u>
	<u>33,101,631</u>	<u>35,421,886</u>

Due from banks are deposits held with other banks on demand or for fixed periods up to three months. Treasury bills have original maturities up to three months. Due from banks are non-interest bearing. Treasury bills earn interest rates ranging from 2.99% to 3.24% (2024: 2.93% to 3.06%).

Allowance for credit losses for treasury bills at FVOCI was \$15,166 (2024: \$36,723).

4. Balance with central bank

In accordance with regulations governing banks in the Bahamas, the total balance with central bank includes a mandatory reserve deposit. The mandatory reserve deposit is not available for use in the Group's daily operations and is based on a ratio to customers' deposits. All balances with the Central Bank of The Bahamas are non-interest bearing. Fluctuations in the balance with the Central Bank are generally due to movement in securities and customers' deposits.

	2025	2024
	(\$)	(\$)
Mandatory reserve	12,480,288	12,672,563
Unrestricted cash balance	<u>12,490,370</u>	<u>13,504,894</u>
	<u>24,970,658</u>	<u>26,177,457</u>

Finance Corporation of Bahamas Limited

Notes to the consolidated financial statements October 31, 2025

5. Loans

	2025	2024
	(\$)	(\$)
Retail	582,124	738,895
Home equity and other mortgages	120,891,772	126,263,666
Residential mortgages	524,879,763	524,124,086
Government insured mortgages	138,944	224,045
Gross loans	646,492,603	651,350,692
Allowance for credit losses	(38,730,232)	(45,101,061)
Unamortised loan origination fees and cost (net)	(385,436)	(809,765)
Net loans	<u>607,376,935</u>	<u>605,439,866</u>

Loans categorized by performance are as follows:

Stage 1	542,660,734	525,071,166
Stage 2	57,704,936	70,789,367
Stage 3	46,126,933	55,490,159
	<u>646,492,603</u>	<u>651,350,692</u>

Loans categorized by maturity are as follows:

Current (due within one year)	11,798,494	14,878,262
Non-current (due after one year)	634,694,109	636,472,430
	<u>646,492,603</u>	<u>651,350,692</u>

Loans classified as stage 3 represent 7.13% (2024: 8.52%) of the total loans portfolio. The allowance for impairment losses represents 5.99% (2024: 6.92%) of the total loans portfolio and the stage 3 allowance represents 56.78% (2024: 56.74%) of the total stage 3 loans.

Finance Corporation of Bahamas Limited

Notes to the consolidated financial statements October 31, 2025

5. Loans (continued)

Allowance for credit losses

Allowance for credit losses consists of the following:

	For the year ended October 31, 2025				
	Balance at beginning of period	Provision for/ (release of) credit losses	Net recoveries	Other	Balance at end of year
	(\$)	(\$)	(\$)	(\$)	(\$)
Retail	51,516	3,126,350	(3,159,560)	(1,542)	16,764
Mortgages	45,049,545	(10,983,543)	4,183,968	463,498	38,713,468
	45,101,061	(7,857,193)	1,024,408	461,956	38,730,232
Undrawn loan commitments	41,908	(11,717)	-	-	30,191
	For the year ended October 31, 2024				
	Balance at beginning of period	Provision for/ (release of) credit losses	Net recoveries	Other	Balance at end of year
	(\$)	(\$)	(\$)	(\$)	(\$)
Retail	36,341	2,423,755	(2,408,047)	(533)	51,516
Mortgages	56,597,130	(15,677,453)	4,300,649	(170,781)	45,049,545
	56,633,471	(13,253,698)	1,892,602	(171,314)	45,101,061
Undrawn loan commitments	44,319	(2,411)	-	-	41,908

The tables below reconcile the opening and closing allowance for credit losses for loans and commitment by stage. Reconciling items include the following:

- Model Changes reflects the impact of updates during the year to the models used to derive an estimate of credit losses. There were no updates to the existing models during the reporting period or the prior period.
- Transfers between stages: which are presumed to occur before any corresponding remeasurements.
- Purchases and originations: which reflect the newly recognised assets and the related allowance during the period.
- Derecognitions and maturities: which reflect the assets and related allowance derecognised during the period without a credit loss being incurred.
- Remeasurements for allowances: which comprise of the impact of changes in model inputs or assumptions, including changes in forward-looking macroeconomic conditions; partial repayments and additional draws on existing facilities; changes in the measurement following a transfer between stages; and unwinding of the time value discount due to the passage of time. For gross carrying amounts, this represents additional draws, repayments, and the accrual of interest under the effective interest method.
- Write-offs represent the closure/ elimination of a loan balance when there is no realistic prospect of recovery.
- Recoveries are the collection of cash or cash equivalents for a loan balance previously written-off.
- Other: This category includes the unwinding of the impact of time delays in collecting principal and/or interest (time value of money).

Finance Corporation of Bahamas Limited

Notes to the consolidated financial statements October 31, 2025

5. Loans (continued)

Allowance for credit losses (continued)

Retail

	For the year ended October 31, 2025			
	Allowance for Credit Losses			
	Performing		Impaired	
	Stage 1	Stage 2	Stage 3	Total
	(\$)	(\$)	(\$)	(\$)
Balance at beginning of period	4,178	23,136	24,202	51,516
Provision for credit losses:				
Transfers in (out) to Stage 1	20,822	(20,822)	-	-
Transfers in (out) to Stage 2	(14)	14	-	-
Transfers in (out) to Stage 3	(1)	-	1	-
Purchases and originations	44	-	-	44
Derecognitions and maturities	(1,025)	(1,142)	(1,164)	(3,331)
Remeasurements	(19,301)	221	3,148,717	3,129,637
Write-offs	-	-	(3,122,924)	(3,122,924)
Recoveries	-	-	(36,636)	(36,636)
Other	-	-	(1,542)	(1,542)
Balance at end of period	4,703	1,407	10,654	16,764

Mortgages

	For the year ended October 31, 2025			
	Allowance for Credit Losses			
	Performing		Impaired	
	Stage 1	Stage 2	Stage 3	Total
	(\$)	(\$)	(\$)	(\$)
Balance at beginning of period	3,987,464	9,603,575	31,458,506	45,049,545
Provision for credit losses:				
Transfers in (out) to Stage 1	3,585,375	(3,585,375)	-	-
Transfers in (out) to Stage 2	(91,933)	6,679,326	(6,587,393)	-
Transfers in (out) to Stage 3	(45,118)	(1,387,254)	1,432,372	-
Purchases and originations	424,110	-	-	424,110
Derecognitions and maturities	(139,014)	(212,547)	(2,176,684)	(2,528,245)
Remeasurements	(3,402,690)	(2,882,420)	(2,594,298)	(8,879,408)
Write-offs	-	-	(2,520,931)	(2,520,931)
Recoveries	-	-	6,704,899	6,704,899
Other	-	-	463,498	463,498
Balance at end of period	4,318,194	8,215,305	26,179,969	38,713,468

Finance Corporation of Bahamas Limited

Notes to the consolidated financial statements October 31, 2025

5. Loans (continued)

Allowance for credit losses (continued)

Total

	For the year ended October 31, 2025			
	Allowance for Credit Losses			
	Performing		Impaired	
	Stage 1 (\$)	Stage 2 (\$)	Stage 3 (\$)	Total (\$)
Balance at beginning of period	3,991,642	9,626,711	31,482,708	45,101,061
Provision for credit losses:				
Transfers in (out) to Stage 1	3,606,197	(3,606,197)	-	-
Transfers in (out) to Stage 2	(91,947)	6,679,340	(6,587,393)	-
Transfers in (out) to Stage 3	(45,119)	(1,387,254)	1,432,373	-
Purchases and originations	424,154	-	-	424,154
Derecognitions and maturities	(140,039)	(213,689)	(2,177,848)	(2,531,576)
Remeasurements	(3,421,991)	(2,882,199)	554,419	(5,749,771)
Write-offs	-	-	(5,643,855)	(5,643,855)
Recoveries	-	-	6,668,263	6,668,263
Other	-	-	461,956	461,956
Balance at end of period	4,322,897	8,216,712	26,190,623	38,730,232

Retail

	For the year ended October 31, 2024			
	Allowance for Credit Losses			
	Performing		Impaired	
	Stage 1 (\$)	Stage 2 (\$)	Stage 3 (\$)	Total (\$)
Balance at beginning of period	4,163	31,957	221	36,341
Provision for credit losses:				
Transfers in (out) to Stage 1	5,402	(5,402)	-	-
Transfers in (out) to Stage 2	(79)	79	-	-
Transfers in (out) to Stage 3	(16)	(5,246)	5,262	-
Purchases and originations	155	-	-	155
Derecognitions and maturities	(118)	(724)	(218)	(1,060)
Remeasurements	(5,329)	2,472	2,427,517	2,424,660
Write-offs	-	-	(2,266,111)	(2,266,111)
Recoveries	-	-	(141,936)	(141,936)
Other	-	-	(533)	(533)
Balance at end of period	4,178	23,136	24,202	51,516

Finance Corporation of Bahamas Limited

Notes to the consolidated financial statements October 31, 2025

5. Loans (continued)

Allowance for credit losses (continued)

Mortgages

	For the year ended October 31, 2024			
	Allowance for Credit Losses			
	Performing		Impaired	
	Stage 1	Stage 2	Stage 3	Total
	(\$)	(\$)	(\$)	(\$)
Balance at beginning of period	3,933,461	11,942,444	40,721,225	56,597,130
Provision for credit losses:				
Transfers in (out) to Stage 1	3,624,436	(3,624,436)	-	-
Transfers in (out) to Stage 2	(84,298)	6,732,208	(6,647,910)	-
Transfers in (out) to Stage 3	(33,807)	(1,419,712)	1,453,519	-
Purchases and originations	373,191	-	-	373,191
ons and maturities	(134,557)	(363,170)	(1,792,654)	(2,290,381)
Remeasurements	(3,690,962)	(3,663,759)	(6,405,542)	(13,760,263)
Write-offs	-	-	(4,681,437)	(4,681,437)
Recoveries	-	-	8,982,086	8,982,086
Other	-	-	(170,781)	(170,781)
Balance at end of period	3,987,464	9,603,575	31,458,506	45,049,545

Total

	For the year ended October 31, 2024			
	Allowance for Credit Losses			
	Performing		Impaired	
	Stage 1	Stage 2	Stage 3	Total
	(\$)	(\$)	(\$)	(\$)
Balance at beginning of period	3,937,624	11,974,401	40,721,446	56,633,471
Provision for credit losses:				
Transfers in (out) to Stage 1	3,629,838	(3,629,838)	-	-
Transfers in (out) to Stage 2	(84,377)	6,732,287	(6,647,910)	-
Transfers in (out) to Stage 3	(33,823)	(1,424,958)	1,458,781	-
Purchases and originations	373,346	-	-	373,346
ons and maturities	(134,675)	(363,894)	(1,792,872)	(2,291,441)
Remeasurements	(3,696,291)	(3,661,287)	(3,978,025)	(11,335,603)
Write-offs	-	-	(6,947,548)	(6,947,548)
Recoveries	-	-	8,840,150	8,840,150
Other	-	-	(171,314)	(171,314)
Balance at end of period	3,991,642	9,626,711	31,482,708	45,101,061

Finance Corporation of Bahamas Limited

Notes to the consolidated financial statements October 31, 2025

5. Loans (continued)

Allowance for credit losses (continued)

Based on the Group collections policies, substantially all of the amounts written off during the year are still subject to enforcement activities.

Key inputs and assumptions:

The measurement of expected credit losses is a complex calculation that involves a number of interrelated inputs and assumptions. The key drivers of changes in expected losses under the IFRS 9 model include the Group's internal historical default rates, changes in credit quality and real GDP growth rate.

The Group's base scenario considers the existing economic conditions in The Bahamas and the moderating of real GDP growth rates in 2024-2026 as the economies revert to their steady state. The downside scenarios consider potential recessions with different levels of severity. The upside scenario reflects slightly stronger economic growth than the base scenario.

In arriving at the real GDP growth rates, the Group incorporated external agencies such as the International Monetary Fund (IMF) and Central Bank's projections as well as the actual historic results of GDP growth in The Bahamas.

To assess the reasonableness of the GDP rates used by the Bank, if the Group amended Year 1 of the calendar quarter forecast of relevant GDP growth rates used in the base case model to estimate the allowance for credit losses, the base case allowance for credit losses will move as follows:

- A 100 basis points increase will lower the allowance for credit losses by \$433,658 (2024: \$471,601).
- A 100 basis points decrease will increase the allowance for credit losses by \$446,147 (2024: \$484,045).

Further details on the key inputs and assumptions used at October 31, 2025 are provided in Note 2(c).

The following table compares the Group's probability-weighted estimate of expected credit losses for performing loans to expected credit losses estimated in the Group base case scenarios. Results reflect the Stage 1 and Stage 2 allowance for credit losses (ACL).

	As at October 31,	
	2025	2024
	(\$)	(\$)
ACL on performing loans ⁽¹⁾		
Carrying value	12,539,609	13,618,353
Base Scenario	11,078,675	12,393,774

⁽¹⁾Represents Stage 1 and Stage 2 ACL on loans, acceptances, and commitments.

Finance Corporation of Bahamas Limited

Notes to the consolidated financial statements October 31, 2025

5. Loans (continued)

Allowance for credit losses (continued)

Key inputs and assumptions:

The following table illustrates the impact of staging on the Group ACL by comparing the Group allowance if all performing loans were in Stage 1 to the actual ACL recorded on these assets.

	Performing loans ⁽¹⁾	
	2025	2024
	(\$)	(\$)
ACL - all performing loans in Stage 1 ⁽¹⁾	4,780,447	4,527,239
Impact of staging	<u>7,759,162</u>	<u>9,091,114</u>
Stage 1 and 2 ACL	<u>12,539,609</u>	<u>13,618,353</u>

⁽¹⁾Represents Stage 1 and Stage 2 ACL on loans, acceptances, and commitments.

Loan modifications

Relief provided to customers has been on a case-by-case basis as requested by the customers. In some cases, the original terms of the associated loans are renegotiated or otherwise modified, resulting in changes to the contractual terms of the loans that affect the contractual cash flows. The terms were not substantially different and as such the original loans were not derecognised. For the year ended October 31, 2025, the amortised cost of stage 2 and stage 3 loans whose contractual terms were modified was \$20,452,049 (2024: \$11,112,891) before modification, resulting in no material modification gains or losses.

6. Securities

The following table presents the carrying value of securities at the end of the year.

Securities at amortised cost

	2025	2024
	(\$)	(\$)
Bahamas Government Debt Securities	34,887,469	25,490,700
Locally issued corporate bonds	<u>1,698,899</u>	<u>2,482,200</u>
	36,586,368	27,972,900
Allowance for expected credit losses	<u>(1,110,008)</u>	<u>(1,295,635)</u>
	<u>35,476,360</u>	<u>26,677,265</u>

Securities mainly comprise Bahamas Government Registered Stocks and Bahamian Corporate Bonds which have floating interest rates ranging from 3.25% to 5.875% (2024: 4.406% to 5.875). All securities are comprised of level 2 securities in the fair value hierarchy (Note 25).

Finance Corporation of Bahamas Limited

Notes to the consolidated financial statements October 31, 2025

6. Securities (continued)

The following table represents the contractual maturities of the carrying values of securities held at the end of the year.

	As of October 31, 2025					
	Within 3	3 months to	1 year to 5	5 years to 10	Over 10	Total
	months	1 year	years	years	years	
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Amortised cost						
Cost	-	2,861,316	21,614,862	5,205,869	5,794,313	35,476,360
Fair value	-	2,877,047	21,818,536	5,550,228	6,400,296	36,646,107
Total carrying value of investments	-	2,861,316	21,614,862	5,205,869	5,794,313	35,476,360
	As of October 31, 2024					
	Within 3	3 months to	1 year to 5	5 years to 10	Over 10	Total
	months	1 year	years	years	years	
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Amortised cost						
Cost	361,509	10,374,961	6,523,570	5,243,735	4,173,490	26,677,265
Fair value	364,006	10,462,667	6,852,631	5,723,971	4,682,665	28,085,940
Total carrying value of investments	361,509	10,374,961	6,523,570	5,243,735	4,173,490	26,677,265

The movement in securities during the year is as follows:

	2025	2024
	(\$)	(\$)
Balance, beginning of year	26,677,265	27,450,976
Purchases	19,164,922	7,182,800
Amortisation of premium	260,546	-
Maturities	(10,812,000)	(8,697,600)
Changes in allowance for credit losses	185,627	741,089
Balance, end of year	35,476,360	26,677,265

Finance Corporation of Bahamas Limited

Notes to the consolidated financial statements October 31, 2025

6. Securities (continued)

Allowance for credit losses on securities

Significant changes in the gross carrying amount of securities at amortised cost that contributed to changes in the allowance include the following:

	2025	2024
	(\$)	(\$)
Stage 1	19,425,469	7,182,800
Stage 2	17,160,899	20,790,100
Total securities	36,586,368	27,972,900
Allowance for credit losses	(1,110,008)	(1,295,635)
Securities net of expected credit losses	<u>35,476,360</u>	<u>26,677,265</u>

The following table reconciles the opening and closing allowance for debt securities at amortised cost by stage. Reconciling items include the following:

- Transfers between stages: which are presumed to occur before any corresponding remeasurement of the allowance.
- Purchases and originations: which reflect the allowance related to assets newly recognised during the period.
- Derecognitions and maturities: which reflect the allowance related to assets derecognised during the period without a credit loss being incurred.
- Remeasurements: which comprise the impact of changes in model inputs or assumptions, including changes in forward-looking macroeconomic conditions; partial repayments and additional draws on existing facilities; changes in the measurement following a transfer between stages; and unwinding of the time value discount due to the passage of time.
- Write-offs represent the closure/elimination of a security balance when there is no realistic prospect of recovery.

Finance Corporation of Bahamas Limited

Notes to the consolidated financial statements October 31, 2025

6. Securities (continued)

Allowance for credit losses on securities (continued)

	For the period ended October 31, 2025			
	Performing		Impaired	Total
	Stage 1	Stage 2	Stage 3	
	(\$)	(\$)	(\$)	(\$)
Balance at beginning of year	46,646	1,248,989	-	1,295,635
Provision for credit losses				
Purchase and originations	211,637	-	-	211,637
Derecognitions and maturities	(2,281)	(1,763)	-	(4,044)
Remeasurements	(113,152)	(280,068)	-	(393,220)
Balance at end of year	142,850	967,158	-	1,110,008

	For the period ended October 31, 2024			
	Performing		Impaired	Total
	Stage 1	Stage 2	Stage 3	
	(\$)	(\$)	(\$)	(\$)
Balance at beginning of year	54,748	1,981,976	-	2,036,724
Provision for credit losses				
Purchase and originations	128,827	-	-	128,827
Derecognitions and maturities	(57,383)	(228)	-	(57,611)
Remeasurements	(79,546)	(732,759)	-	(812,305)
Balance at end of year	46,646	1,248,989	-	1,295,635

There were no transfers between stages or write-offs during the year.

Finance Corporation of Bahamas Limited

Notes to the consolidated financial statements October 31, 2025

7. Premises and Equipment

	Leasehold improvements (\$)	Computer equipment & software (\$)	Work in progress (\$)	Total (\$)
Year ended October 31, 2025				
Opening net book value	-	523	268,138	268,661
Additions	-	-	613	613
Depreciation charge	-	(523)	-	(523)
Closing net book value	-	-	268,751	268,751
At October 31, 2025				
Cost	105,007	235,714	-	340,721
Accumulated depreciation	(105,007)	(235,714)	-	(340,721)
Net book value	-	-	-	-
Year ended October 31, 2024				
Opening net book value	-	17,426	-	17,426
Additions	-	-	268,138	268,138
Depreciation charge	-	(16,903)	-	(16,903)
Closing net book value	-	523	268,138	268,661
At October 31, 2024				
Cost	105,007	247,934	268,138	621,079
Accumulated depreciation	(105,007)	(247,411)	-	(352,418)
Net book value	-	523	268,138	268,661

Computer equipment and software includes fully depreciated computer software with a cost of \$194,673 and net book value of \$Nil (2024: \$194,673). During the year, the Group disposed of \$12,220 (2024: \$Nil) of computer equipment that were fully depreciated.

Finance Corporation of Bahamas Limited

Notes to the consolidated financial statements October 31, 2025

8. Other Assets

	2025	2024
	(\$)	(\$)
Prepayments and other	634,228	835,465
Accrued interest receivable	1,601,194	1,851,891
In-transit	117,906	248,335
	<u>2,353,328</u>	<u>2,935,691</u>
Allowance for credit losses	(6)	(13)
	<u><u>2,353,322</u></u>	<u><u>2,935,678</u></u>

All other assets are due within one year.

9. Customers' deposits

	2025	2024
	(\$)	(\$)
Term deposits	133,495,833	148,897,908
Savings	93,842,446	88,729,795
Current accounts	15,172,436	15,530,644
	<u>242,510,715</u>	<u>253,158,347</u>

Deposits categorised by customer type are as follows:

	2025	2024
	(\$)	(\$)
Consumer	202,243,483	197,877,872
Private sector	40,267,232	55,280,475
	<u>242,510,715</u>	<u>253,158,347</u>

Deposits categorised by maturity are as follows:

Current (due within one year)	242,490,845	253,156,347
Non-current (due after one year)	19,870	2,000
	<u>242,510,715</u>	<u>253,158,347</u>

Deposits carry fixed interest rates ranging from 0.0% to 3.34% (2024: 0.00% to 3.15%) per annum, but the fixed interest rates are determined based on variable market rates and can be adjusted based on changes in market rates.

Finance Corporation of Bahamas Limited

Notes to the consolidated financial statements October 31, 2025

10. Other Liabilities

	2025	2024
	(\$)	(\$)
Accruals and payables	1,895,984	1,842,306
Taxation payable (see note 18)	2,917,708	-
Dividend payable to third party	9,333,335	1,266,667
Interest payable	353,952	341,815
Staff related liabilities	168,676	150,193
In-transit and other	68,909	833,047
	<u>14,738,564</u>	<u>4,434,028</u>

All other liabilities are due within one year.

11. Pension Plans

Employees of the Group participate in a defined benefit pension plan of Royal Bank of Canada (the Plan). Employees become eligible for membership after completing a probationary period on a contributory or non-contributory basis. The Plan provides pensions based on years of service, contribution to the Plan and average earnings at retirement. The Plan also covers a portion of the current medical insurance premiums for retirees. RBC funds the Plan in accordance with actuarially determined amounts required to satisfy employee benefit entitlements under current pension regulations. The most recent actuarial valuation performed was completed on January 1, 2025 at which time the actuarial present valued accrued pension benefits exceeded the actuarial valuation of net assets.

The principal assumptions used for the purpose of the actuarial valuation are as follows:

	October 31, 2025	October 31, 2024
Discount rate	5.20%	5.60%
Expected return on plan assets	5.75%	6.16%
Rate of increase in future compensation	1.00% - 6.50%	1.00%-6.50%

The Group's employees also participate in a defined contribution plan of Royal Bank of Canada. Under the defined contribution plan, an employee may contribute up to 10% of their salary and the Group matches half of the employee's contribution up to 3% of the employee's salary. Contributions made by the employee are immediately vested and contributions made by the Group become vested after the completion of ten years of service.

Royal Bank of Canada charges the Group for its share of the amount of funding required in the Plan. This cost is recognised as an expense in the consolidated statement of comprehensive income after which no further obligation is required of the Group. During the year, the Group's pension expenses arising from the Plan was \$539,218 (2024: \$672,462) and the defined contribution plan was \$17,383 (2024: \$19,126).

Finance Corporation of Bahamas Limited

Notes to the consolidated financial statements October 31, 2025

12. Stated Capital & Reserves

Stated capital consist of the following:

	2025	2024
	(\$)	(\$)
27,500,000 common shares at par value B\$0.20	<u>5,500,000</u>	<u>5,500,000</u>
Issued and fully paid: 26,666,670 common shares	<u>5,333,334</u>	<u>5,333,334</u>

Other components of equity comprise:

	Investment Revaluation Reserve	Expected Credit Losses FVOCI	Total
Year Ended			
October 31, 2025	(\$)	(\$)	(\$)
Balance at beginning of year	(4,009)	36,723	32,714
Allowance for credit losses FVOCI	-	(21,557)	(21,557)
Net change in fair value	<u>(1,736)</u>	<u>-</u>	<u>(1,736)</u>
Balance at end of year	<u>(5,745)</u>	<u>15,166</u>	<u>9,421</u>

	Investment Revaluation Reserve	Expected Credit Losses FVOCI	Total
Year Ended			
October 31, 2024	(\$)	(\$)	(\$)
Balance at beginning of year	(5,048)	47,729	42,681
Allowance for credit losses FVOCI	-	(11,006)	(11,006)
Net change in fair value	<u>1,039</u>	<u>-</u>	<u>1,039</u>
Balance at end of year	<u>(4,009)</u>	<u>36,723</u>	<u>32,714</u>

13. Earnings per Share

The calculation of basic and diluted earnings per share is based on the profit attributable to the equity shareholders divided by the weighted average number of ordinary shares outstanding during the period.

	2025	2024
	(\$)	(\$)
Total earnings for the year attributable to the equity shareholders	<u>19,751,614</u>	<u>31,707,238</u>
Weighted average number of ordinary shares in issue	<u>26,666,670</u>	<u>26,666,670</u>
Basic and diluted earnings per share	<u>0.74</u>	<u>1.19</u>

Finance Corporation of Bahamas Limited

Notes to the consolidated financial statements October 31, 2025

14. Interest Income

	2025	2024
	(\$)	(\$)
Loans	34,734,965	35,575,216
Securities and treasury bills	<u>1,900,410</u>	<u>1,767,480</u>
	<u><u>36,635,375</u></u>	<u><u>37,342,696</u></u>

Included in interest income is interest attributable to the time value of money component of non-performing loans of \$1,065,411 (2024: \$1,338,601).

15. Interest Expense

	2025	2024
	(\$)	(\$)
Customers' deposits	1,820,963	1,671,004
Due to affiliated companies	<u>7,347,428</u>	<u>5,517,300</u>
	<u><u>9,168,391</u></u>	<u><u>7,188,304</u></u>

16. Non-Interest Income

The Group derives revenue at a point in time within the following categories:

	2025	2024
	(\$)	(\$)
<i>Non-interest income at a point in time:</i>		
Transaction service fees and commission	63,630	103,944
Foreign exchange earnings	345	2,058
Other service charges and fees	<u>1,535,606</u>	<u>1,582,483</u>
	<u>1,599,581</u>	<u>1,688,485</u>
	<u><u>1,599,581</u></u>	<u><u>1,688,485</u></u>

Finance Corporation of Bahamas Limited

Notes to the consolidated financial statements October 31, 2025

17. Non-Interest Expenses

	2025	2024
	(\$)	(\$)
Salaries and employees benefits	1,776,450	1,880,914
Premises and equipment expenses	430,273	452,674
Depreciation and amortisation	523	16,903
Business and miscellaneous fees	4,664,047	4,194,962
Deposit insurance premium	243,523	279,036
Professional fees	271,349	227,090
Audit fees	195,087	201,568
Management and internal fees	6,094,144	6,055,479
Other operating expense	218,358	832,812
	<u>13,893,754</u>	<u>14,141,438</u>

The following table shows an analysis of salaries and employee benefits.

	2025	2024
	(\$)	(\$)
Wages and salaries including bonuses	1,524,856	1,579,312
Defined contribution pension expense	17,383	49,164
Other staff benefits and insurance premiums	234,211	252,438
	<u>1,776,450</u>	<u>1,880,914</u>

The Protection of Depositors Act, 1999 as amended, in The Bahamas requires that the Group pay an annual premium to the Deposit Insurance Fund based on insurable deposit liabilities outstanding. Effective January 1, 2024, the premium rate increased to one-tenth of one percent (2024: one-tenth of one percent). During the year, the Group paid \$243,523 (2024: \$279,036) into the fund.

In connection with the audit of the financial statements, the following fees were paid or are payable to PricewaterhouseCoopers (PwC) and other PwC network firms:

	2025	2024
	(\$)	(\$)
Audit of the financial statements for the year ended	195,087	201,568
	<u>195,087</u>	<u>201,568</u>

Finance Corporation of Bahamas Limited

Notes to the consolidated financial statements October 31, 2025

18. Taxation

(a) Income tax expense

	2025	2024
	(\$)	(\$)
The taxation charge comprises:		
Net income before taxation	23,237,193	31,707,238
Taxable income	<u>23,237,193</u>	<u>31,707,238</u>
Top up taxation at 15% (2024: Nil)	<u>3,485,579</u>	<u>-</u>
Bahamas income tax at 15.0%, (2024: nil) comprising of:		
QDMTT	3,485,579	-
Income tax withheld	<u>-</u>	<u>-</u>
Total	<u>3,485,579</u>	<u>-</u>

(b) Income tax payable

The domestic top up tax payable at 31 October, 2025 was determined as follows:

	2025	2024
	(\$)	(\$)
Domestic minimum top up tax	3,485,579	-
less: Business license fees	<u>(567,871)</u>	<u>-</u>
	<u>2,917,708</u>	<u>-</u>

Finance Corporation of Bahamas Limited

Notes to the consolidated financial statements October 31, 2025

19. Dividends

During the year, dividends were declared to shareholders of record on the dates specified as follows:

	\$ per share (\$)	Amount (\$)
Declaration Date		
January 21, 2025	1.40	37,333,338
April 10, 2025	1.40	37,333,338
July 17, 2025	1.40	37,333,338
October 29, 2025	1.40	37,333,338
	<u>5.60</u>	<u>149,333,352</u>
	\$ per share (\$)	Amount (\$)
Declaration Date		
January 22, 2024	0.20	5,333,334
April 25, 2024	0.18	4,800,001
July 18, 2024	0.18	4,800,001
October 17, 2024	0.19	5,066,667
	<u>0.75</u>	<u>20,000,003</u>

Dividends of \$5.60 per share were declared during the fiscal year ended 2025. Dividends amounting to \$37,333,338 (2024: \$5,066,667) were payable at year end.

20. Contingent Liabilities

Various legal proceedings are pending that challenge certain practices or actions of the Group. Many of these proceedings are loan-related and are in reaction to steps taken by the Group to collect delinquent loans and enforce rights in collateral securing such loans. Management considers that the aggregate liability resulting from these proceedings will not be material. As at October 31, 2025, there were no material legal proceedings outstanding against the Group for which a provision was required to be made (2024:nil).

Finance Corporation of Bahamas Limited

Notes to the consolidated financial statements October 31, 2025

21. Credit Commitments

These represent the undrawn credit facilities for which the Group is potentially liable at year end. These include undrawn facilities on loans and overdrafts. These amounts are not reflected in the consolidated statement of financial position.

The following table breaks down the Group's main credit exposure of credit commitments as categorised by industry sectors of counterparties:

	<u>Gross maximum exposure</u>	
	<u>2025</u>	<u>2024</u>
	(\$)	(\$)
Personal	4,331,832	5,026,851
Other	1,000	1,000
	<u>4,332,832</u>	<u>5,027,851</u>

22. Related Party Balances and Transactions

Related parties include the immediate parent and ultimate parent company, Royal Bank of Canada, associated companies, key management personnel, the Board of Directors (Directors), close family members of key management personnel and Directors, and entities which are, directly or indirectly, controlled by, jointly controlled by or significantly influenced by key management personnel, Directors or their close family members.

Key management personnel are defined as those persons having authority and responsibility for planning, directing, and controlling the activities of the Bank directly or indirectly. They include the senior executives called the Operating Committee (OC) (formerly Executive Management Committee (EMC)). The OC is comprised of the Chief Executive Officer, Caribbean Banking and those individuals that report to him, including the Chief Financial Officer, Head Human Resources, Chief Risk Officer, and heads of business and functional units. The OC is ultimately responsible for all material decisions. The OC is also responsible for establishing the overall strategic direction of the Bank and, in that regard, sets global parameters for the Bank within which the board of directors and management exercise their respective discretion to make decisions concerning the strategic direction and day-to-day management. The Directors of RBC Royal Bank (Bahamas) Limited do not plan, direct, or control the activities of The Bank; they oversee the management of the business and provide stewardship.

These consolidated financial statements include the following balances and transactions with related parties not otherwise disclosed in these consolidated financial statements:

The Group has technical service and license agreements with its Immediate Parent. During the year \$5,198,260 (2024: \$5,602,293) was expensed in reference to these agreements and is included in general and administrative expense in the consolidated statement of comprehensive income. The Group also paid for various technical and back-office services to other affiliated entities \$890,846 (2024: \$843,035) for services rendered. The Group continues to pursue opportunities for outsourcing with related parties to improve operational efficiency.

Finance Corporation of Bahamas Limited

Notes to the consolidated financial statements October 31, 2025

22. Related Party Balances and Transactions (continued)

Nostro and clearing accounts are maintained with the Immediate Parent, which acts as a clearing agent for the Group. These balances are included in cash and cash equivalents and was \$19,096,481 (2024: \$15,712,036). These deposits are non-interest bearing and are held as a part of the Group's liquidity reserve requirement.

Included in due to affiliated companies are balances that are medium term lending arrangements with terms up to three years and bearing interest at effective rates of 2.27% and 3.34% (2024: 2.27% and 3.15%).

The amounts below include balances and transactions with related parties not otherwise disclosed elsewhere in the consolidated financial statements and were made on substantially the same terms as for comparable transactions with third parties:

	2025 (\$)	2024 (\$)
Cash and Cash equivalents		
Immediate parent	19,096,481	15,712,036
Due from affiliated company:		
Royal Bank of Canada	94,645	-
Loans:		
Directors and key management personnel	972,546	1,003,765
Customers' deposits:		
Directors and key management personnel	2,878,531	2,868,150
Due to affiliated companies		
Immediate parent - other payables	280,765,206	168,146,969
Immediate parent - dividend payable	28,000,003	3,800,000
Other related parties	641,842	790,466
Interest income		
Directors and key management personnel	34,605	43,064
Non-interest expense		
Other related parties	6,483,994	6,445,328
Interest expense		
Immediate parent	7,347,428	5,517,300
Directors and key management personnel	15,893	14,535
Dividend paid		
Immediate parent	87,800,012	16,000,003
Staff costs		
Salaries and other short term benefits	230,624	184,780

Finance Corporation of Bahamas Limited

Notes to the consolidated financial statements October 31, 2025

23. Categorisation of Financial Assets and Liabilities

Consolidated statement of financial position

	2025	2024
	(\$)	(\$)
Assets		
Financial assets at fair value through other comprehensive income		
Cash and cash equivalents	14,005,150	19,394,094
Financial assets at amortised cost:		
Cash and cash equivalents	19,096,481	16,027,792
Balance with central banks	24,970,658	26,177,457
Loans	607,376,935	605,439,866
Securities	35,476,360	26,677,265
Due from affiliated company	94,645	-
Other assets	<u>1,605,627</u>	<u>2,175,544</u>
Total financial assets	<u><u>702,625,856</u></u>	<u><u>695,892,018</u></u>
Liabilities		
Financial liabilities at amortised cost:		
Customers' deposits	242,510,715	253,158,347
Due to affiliated companies	309,407,051	172,737,435
Other liabilities	<u>10,755,314</u>	<u>4,283,835</u>
Total financial liabilities	<u><u>562,673,080</u></u>	<u><u>430,179,617</u></u>

24. Financial risk management

Risk is inherent in the Group's activities, but it is managed through a process of ongoing identification, measurement and monitoring subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual company within the Group is accountable for the risk exposures relating to its responsibilities. The Group is exposed to credit risk, liquidity risk, operational risk and market risk, the latter being subdivided into trading and non-trading risks.

An important component of our risk management approach is to seek to ensure that top and emerging risks, as they evolve, are identified, managed and incorporated into our existing risk management assessment, measurement, monitoring and escalation processes and addressed in our risk frameworks and policies. These practices are intended to ensure a forward-looking risk assessment is maintained by management in the course of business development and as part of the execution of ongoing risk oversight responsibilities. Top and emerging risks are discussed by senior management and the Group on a regular basis. We have developed supplementary internal guidance to support identification and assessment of all material risks. Top and emerging risks encompass those that could materially impact our financial results, financial and operational resilience, reputation, business model or strategy, as well as those that may materially impact us as the risks evolve. The following represents our top and emerging risks:

Finance Corporation of Bahamas Limited

Notes to the consolidated financial statements October 31, 2025

24. Financial risk management (continued)

Information technology and cyber risks

Information technology (IT) risk and cyber risks remain top risks. There is a risk of cyberattacks, data breaches, cyber extortion and similar compromises, due to: (i) the size, scale and nature of our operations; (ii) our heavy reliance on the internet to conduct day-to-day business activities; and (iii) our intricate technological infrastructure. Resulting implications could include business interruptions, client service disruptions, financial loss, theft of intellectual property and confidential information, litigation, enhanced regulatory attention and penalties, as well as reputational damage. Furthermore, the adoption of emerging technologies, such as cloud computing, AI, including GenAI, and robotics, call for continued focus and investment to manage risks effectively.

Climate risk

Climate risk is the risk related to the global transition to a net-zero economy (transition risk) and the physical impacts of climate change (physical risk), which includes both chronic (longer-term) risks (e.g., rising sea levels and increases in average temperatures) and acute (event driven) risks (e.g., wildfires and floods). Both we and our clients may be exposed to climate related transition risk, including through emerging regulatory and legal requirements, changing business and consumer sentiment towards products and services, technological developments, and changes in stakeholder expectations. Additionally, we and our clients may be vulnerable to climate-related physical risk through disruptions to operations and services. We continue to make progress in our climate risk management capabilities by integrating climate risk considerations in our risk management processes. Our continued development of our climate risk measurement capabilities is expected to inform the enhancements to our climate risk management practices and advance the integration of climate risks into our policies and procedures.

Risk management structure

The Board of Directors is responsible for providing oversight over the management of risks. The OC is responsible for managing and monitoring risks.

Operating Committee (OC)

The OC is responsible for the overall risk management approach and for approving the risk strategies and principles. The main risks arising from the Group's financial instruments are credit risk, interest rate and market risk, liquidity risk, foreign currency risk and operational risk.

Risk Management Unit

A centralised Risk Management Unit provides oversight of the implementation and maintenance of risk related procedures to ensure an independent control process. The unit which is sub-divided into three departments (Group Market Risk, Group Credit Risk and Operational Risk), is also responsible for monitoring compliance with risk policies and limits across the Group in the three key areas of credit risk, market risk and operational risk. These units, are responsible for the independent oversight of risks, including monitoring the risk or exposures against limits and the assessment of risks of new products and structured transactions. These units also ensure the risks are completely captured in the risk measurement and reporting systems.

Finance Corporation of Bahamas Limited

Notes to the consolidated financial statements October 31, 2025

24. Financial risk management (continued)

Group Asset and Liability Committee (ALCO)

The Group ALCO is responsible for the oversight and monitoring of the financial resources of operating entities within the Group. The committee proactively assesses balance sheet strategies and dynamics in the context of:

- economic data and forecasts;
- business and enterprise strategies;
- risks;
- The Group's legal entity structure;
- market developments;
- accounting pronouncements and
- competitive and regulatory environments.

Considering these dynamics, the ALCO is responsible for reviewing, challenging, approving and recommending policies, frameworks, other relevant documents and benchmark limits pertaining to capital, interest rate risk in the banking book (IRRBB) for both on and off-balance sheet, structural foreign exchange risk, liquidity and funding management, and the Group's investment portfolio, which are all centrally managed by Treasury. For these areas, the ALCO also monitors key metrics and opportunities, providing strategic direction to Treasury and Business platforms.

The committee's mandate also includes the recommendation of policies covering investments, capital, funding and liquidity and market risk to the relevant Senior Management and the Board. In addition, the ALCO is responsible for the monitoring of compliance with risk policies and limits in the areas of credit risk and market risk.

Risk measurement and reporting systems

The Group's risks are measured using methods, which reflect the expected loss likely to arise in normal circumstances. Monitoring and controlling risks is primarily performed based on limits established by the Group. These limits reflect the business strategy and market environment of the Group as well as the level of risk that the Group is willing to accept, with additional emphasis on selected industries and geographies. Information compiled from all the business units is examined and processed in order to identify, analyse and control risks early. This data is presented and explained to the OC, the ALCO, and the head of each business unit. The reports include but are not limited to aggregate credit exposure, open currency positions, and liquidity ratios and risk profile changes. On a quarterly basis, senior management assesses the appropriateness of the allowance for credit losses.

For all levels throughout the Group, specifically tailored risk reports are prepared and distributed in order to ensure that all business units have access to necessary and up-to-date information.

Risk mitigation

As part of its overall risk management, the Group can use derivatives and other instruments to manage exposures resulting from changes in interest rates and foreign currencies.

The risk profile is assessed before entering into hedge transactions, which are authorised by the appropriate level of seniority within the Group. The effectiveness of hedges is assessed by GRM and Finance units (based on economic considerations rather than the IFRS hedge accounting regulations). The effectiveness of all the hedge relationships is monitored by The Group Market Risk Unit monthly. The Group did not hold any derivative instruments during the current or prior reporting periods.

The Group actively uses collateral to reduce its credit risks.

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Notes to the consolidated financial statements October 31, 2025

24. Financial risk management (continued)

(a) Credit risk

Credit risk is the risk that the Group will incur a loss because its customers, clients or counterparties failed to discharge their contractual obligations. The Group manages and controls credit risk by setting limits on the amount of exposure it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

The Group places its deposits with banks which are in good standing with the Central Bank of The Bahamas and other regulators in jurisdictions in which deposits are placed. Securities with credit risk predominately comprise debt securities issued by the Government of the Commonwealth of The Bahamas.

Credit risk rating

The Group has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral reviews. The Group has stringent lending criteria which include conservative debt service coverage, loan to value ratios and stability of earnings. These exposures are continuously monitored to identify any change in the credit worthiness of the borrower. The credit quality review process allows the Group to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

For debt securities and other instruments, external ratings such as Standard & Poor's ratings or their equivalents are used by the Group's risk management unit for managing credit risk exposure.

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary.

Collateral

The Group employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced, which is common practice. The Group implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation.

The principal collateral types for loans are:

- Mortgages over residential properties;
- Charges over business assets such as premises, inventory and accounts receivable;
- Charges over financial instruments such as debt securities and equities.

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement and monitors the market value of collateral obtained during its periodic review of loan accounts in arrears.

Finance Corporation of Bahamas Limited

Notes to the consolidated financial statements October 31, 2025

24. Financial risk management (continued)

(a) Credit risk (continued)

Credit-related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Documentary and commercial letters of credit – which are written undertakings by the Group on behalf of a customer authorizing a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions – are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan.

Maximum exposure to credit risk

The maximum exposure to credit risk before collateral held or other credit enhancements is as follows:

	2025	2024
<u>On statement of financial position</u>	(\$)	(\$)
Due from banks	19,096,481	16,027,792
Treasury bills	14,005,150	19,394,094
Balance with central banks	24,970,658	26,177,457
Loans	646,492,603	651,350,692
Securities	36,586,368	27,972,900
Due from affiliated company	94,645	-
Other assets	1,605,627	2,175,544
	<u>742,851,532</u>	<u>743,098,479</u>
<u>Off statement of financial position</u>		
Credit commitments	<u>4,332,832</u>	<u>5,027,851</u>
Total credit risk exposure	<u>747,184,364</u>	<u>748,126,330</u>

The above table represents a worst-case scenario of credit risk exposure to the Bank without taking account of any collateral held or other credit enhancement attached.

Concentrations of financial assets

The Group has a concentration of risk in respect of geographical area, as both customers and assets held as collateral are based in The Bahamas.

The following table shows the Group's maximum on balance sheet credit exposure categorised by industry sectors:

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Notes to the consolidated financial statements October 31, 2025

24. Financial risk management (continued)

(a) Credit risk (continued)

Concentrations of financial assets (continued)

	2025	2024
	(\$)	(\$)
Personal	646,348,943	647,614,483
Financial services	44,161,784	42,205,249
Tourism	143,679	152,849
Government	50,591,519	47,366,994
Other	1,605,607	5,758,904
	<u>742,851,532</u>	<u>743,098,479</u>

Concentration of risk is managed by client/counterparty and by industry sector. The maximum credit exposure to any client or counterparty as at the date of the consolidated statement of financial position was \$49,520,280 (2024: \$45,259,990) before taking account of collateral or other credit enhancements.

Renegotiated loans and advances that would otherwise be past due but not impaired or impaired totaled \$133,800,493 (2024: \$141,954,010).

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Notes to the consolidated financial statements October 31, 2025

24. Financial risk management (continued)

(a) Credit risk (continued)

Credit quality by class of financial assets

	Stage 1 (\$)	Stage 2 (\$)	Stage 3 (\$)	Total (\$)
As at October 31, 2025				
Treasury bills	14,005,150	-	-	14,005,150
Balance with central banks	24,970,658	-	-	24,970,658
Due from banks	19,096,481	-	-	19,096,481
Due from affiliated company	94,645	-	-	94,645
Other assets	1,605,627	-	-	1,605,627
Loans :				
Personal loans	550,172	11,982	19,970	582,124
Mortgages	542,110,562	57,692,954	46,106,963	645,910,479
Loans (gross)	542,660,734	57,704,936	46,126,933	646,492,603
Securities:				
Government	19,425,469	15,462,000	-	34,887,469
Corporate bonds	-	1,698,899	-	1,698,899
Securities (gross)	19,425,469	17,160,899	-	36,586,368
Total	621,858,764	74,865,835	46,126,933	742,851,532
	Stage 1 (\$)	Stage 2 (\$)	Stage 3 (\$)	Total (\$)
As at October 31, 2024				
Treasury bills	19,394,094	-	-	19,394,094
Balance with central banks	26,177,457	-	-	26,177,457
Due from banks	16,027,792	-	-	16,027,792
Other assets	2,175,544	-	-	2,175,544
Loans :				
Personal loans	505,613	190,230	43,052	738,895
Mortgages	524,565,553	70,599,137	55,447,107	650,611,797
Loans (gross)	525,071,166	70,789,367	55,490,159	651,350,692
Securities:				
Government	7,182,800	18,307,900	-	25,490,700
Corporate bonds	-	2,482,200	-	2,482,200
Securities (gross)	7,182,800	20,790,100	-	27,972,900
Total	596,028,853	91,579,467	55,490,159	743,098,479

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Notes to the consolidated financial statements October 31, 2025

24. Financial risk management (continued)

(a) Credit risk (continued)

Credit risk exposure treasury bills, due from banks, and debt securities based on the Group's internal corporate rating system

The table below presents an analysis of treasury bills, debt securities and other bills and loans by internal and equivalent rating agency designation.

	Standard & Poor's Equivalent grades	2025 (\$)	2024 (\$)
Excellent			
AA	BB+ and higher	19,096,481	15,712,036
Very good			
A+	BB	-	315,756
Good			
A-	B+	14,005,150	-
B+	B	36,586,368	47,366,994
		<u>69,687,999</u>	<u>63,394,786</u>

Repossessed collateral

Repossessed collateral is sold as soon as practicable, with the proceeds used to reduce the outstanding indebtedness. Collateral is repossessed when the Group enforces its rights of the sale agreements over the collateral as a result of the counter-parties failure to honor their obligations to the Group. The Group's sales agreements enables the Group to commence Power of Sale proceedings where sale of the collateral is attempted first by public auction, and if unsuccessful, then through private treaty as a second option. At the beginning of the Power of Sale proceedings the Group obtains an appraisal of the collateral to certify the updated market value.

The following table represents the nature and value of repossessed collateral for overdue debts written off, as at the date of the consolidated financial statements:

	2025 (\$)	2024 (\$)
Land	4,579,500	6,742,800
Building	<u>72,530,901</u>	<u>79,075,972</u>
	<u>77,110,401</u>	<u>85,818,772</u>

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24. Financial risk management (continued)

(b) Liquidity risk

Liquidity and funding risk (Liquidity risk) is the risk that the Group may be unable to generate sufficient cash or its equivalents in a timely and cost effective manner to meet our commitments as they come due. Liquidity risk arises from mismatches in the timing and value of cash flows. The Bank's liquidity profile is structured to ensure that we have sufficient liquidity to satisfy current and prospective commitments in both normal and stressed conditions. Liquidity risk management activities are conducted in accordance with a comprehensive Liquidity Risk Management Framework (LRMF) that includes Liquidity Risk Policy (LRP), Pledging Policy (PP) and Contingency Plan. These policies are in addition to the Group's Ultimate Parent and will identify distinctions within the Caribbean. Additionally, the Liquidity Contingency Plan is intended to provide communication protocols and forums to give consideration to and support implementation of a predetermined suite of liquidity & funding options to effectively manage, anticipate and address increasing funding risks generated by stress events.

These policies are supported by management limits and authorities that govern the measurement and management of liquidity within our risk appetite. Liquidity risk objectives, policies and risk appetite are reviewed regularly, and updated as required to reflect changes in industry practice and relevant regulatory guidance.

Liquidity risk oversight and management is the responsibility of the Board, OC and the ALCO for the Group. The liquidity management process for the Group is carried out by the Treasury department of each business unit and monitored by Treasury and the ALCO. Liquidity risk management activities are subject to the three lines of defence governance model. Treasury, the first line of defence for all the management of liquidity risk, is subject to independent second line challenge and oversight by GRM. Internal Audit is the third line of defence. The three lines of defence are independent of the business whose activities generate liquidity risks.

The Group and the ALCO for the Group regularly reviews information on liquidity positions for each entity operating within the Group as well as on a consolidated level. As required, the ALCO reviews and recommends the liquidity risk management policies for relevant Board approvals and annually approves the Liquidity Contingency Plan.

A robust liquidity risk measurement process is maintained to support timely and frequent reporting of information for management of liquidity positions and oversight of risk. This reporting includes both internal and regulatory metrics and is used to monitor adherence with our risk appetite and limits and position relative to regulatory minimums. The results are monitored monthly by GRM, reported to the ALCO and Regulators. Internally, liquidity is measured monthly via the internally defined net cash flow under both 'Business As Usual' (BAU) and stressed assumptions. This includes the application of scenario-specific assumptions against our assets and liabilities, to project cash flows over varying time horizons and degrees of stress. As an example, government bonds generally can be quickly and easily converted to cash without significant loss of value regardless of their contractual maturity. Similarly, while relationship-based deposits contractually can be withdrawn immediately, in practice, these balances can be relatively stable sources of funding depending on several factors, such as the nature of the client and their intended use. Risk methodologies and underlying assumptions are periodically reviewed and validated to ensure their alignment with our operating environment, expected economic and market conditions, regulatory requirements, and generally accepted industry practices. Liquidity risk appetite sets limits on various metrics over a range of time horizons considering various levels of stress conditions in the development of appropriate contingency, recovery, and resolution plans. The Bank's liquidity risk

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Notes to the consolidated financial statements October 31, 2025

24. Financial risk management (continued)

(b) Liquidity risk (continued)

measurement and control activities cover the undermentioned risks.

Tactical (shorter-term) liquidity risk

To address potential immediate cash flows risks in times of stress, we use short-term net cash flow limits to control risk of material units, subsidiaries and currencies and perform stress testing assessments. Net cash flow positions are determined by applying results of core assumptions methodology i.e. internally derived risk assumptions and parameters to known and anticipated cash flows for all material unencumbered assets, liabilities and off-balance sheet activities. Encumbered assets are not considered a source of available liquidity.

Structural (longer-term) liquidity risk

To guide our secured and unsecured wholesale term funding activities, we employ an Internal Liquidity Mismatch Metric (ILM) to manage and control the structural alignment between long-term assets and longer-term funding sources from core deposits.

Contingency liquidity risk

Contingency liquidity risk planning assesses the impact of sudden stress events on our liquidity risk position and identifies a range of potential mitigating actions and plans. The Liquidity Contingency Plan (LCP), maintained and administered by Treasury, has been developed to guide our potential responses to liquidity crises. The contingency liquidity risk planning process identifies contingent funding needs and sources under various stress scenarios, and as result informs requirements for our earmarked unencumbered liquid asset portfolios. Also included in the LCP are regional liquidity contingency plans that guide our responses to liquidity crises.

Additionally, under the leadership of Treasury, the Group's Liquidity Crisis Teams (LCTs) meet at least annually or more frequently as required to assess our liquidity status, review the LCPs and discuss update market strategies. Under stress conditions, the Group's LCT provides linkages to the front line and other functions to support effective and coordinated crisis management and oversight. The Group's LCTs primary stakeholders informs the ALCO and the Board of the assessment of internal and external events and their potential implications on liquidity risk.

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Notes to the consolidated financial statements October 31, 2025

24. Financial risk management (continued)

(b) Liquidity risk (continued)

The amounts disclosed in the following table are the contractual undiscounted cash flows of all non-derivative financial assets and financial liabilities based on the estimated timing of when settlement of the amounts is expected to occur as of the balance sheet date and excludes any projected interest on loans or deposits. Cash flows related to gross loans are disclosed based on number of days in each period.

	Up to 3 months (\$)	Over 3 to 6 months (\$)	Over 6 to 12 months (\$)	Over 1 to 5 years (\$)	Over 5 years (\$)	Total (\$)
As at October 31, 2025						
Assets						
Cash and cash equivalents	33,101,631	-	-	-	-	33,101,631
Balance with central banks	24,970,658	-	-	-	-	24,970,658
Gross loans	20,256,209	14,749,545	30,181,059	194,756,694	386,549,096	646,492,603
Allowance for credit losses and unamortised loan fees and costs	-	-	-	-	-	(39,115,668)
Securities	35,476,360	-	-	-	-	35,476,360
Due from affiliated company	94,645	-	-	-	-	94,645
Other assets	1,605,627	-	-	-	-	1,605,627
Total financial assets	115,505,130	14,749,545	30,181,059	194,756,694	386,549,096	702,625,856
Liabilities						
Customers' deposits	161,623,774	19,589,494	61,277,577	19,870	-	242,510,715
Due to affiliated companies	29,407,051	-	192,000,000	88,000,000	-	309,407,051
Other liabilities	7,837,606	-	2,917,708	-	-	10,755,314
Total financial liabilities	198,868,431	19,589,494	256,195,285	88,019,870	-	562,673,080
Liquidity gap	(83,363,301)	(4,839,949)	(226,014,226)	106,736,824	386,549,096	
Cumulative gap	(83,363,301)	(88,203,250)	(314,217,476)	(207,480,652)	179,068,444	

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24. Financial risk management (continued)

(b) Liquidity risk (continued)

The amounts disclosed in the following table are the contractual undiscounted cash flows of all non-derivative financial assets and financial liabilities based on the estimated timing of when settlement of the amounts is expected to occur as of the balance sheet date and excludes any projected interest on loans or deposits. Cash flows related to gross loans are disclosed based on number of days in each period.

	Up to 3 months (\$)	Over 3 to 6 months (\$)	Over 6 to 12 months (\$)	Over 1 to 5 years (\$)	Over 5 years (\$)	Total (\$)
As at October 31, 2024						
Assets						
Cash and cash equivalents	35,421,886	-	-	-	-	35,421,886
Balance with central banks	26,177,457	-	-	-	-	26,177,457
Gross loans	19,120,807	16,532,569	32,552,092	195,252,645	387,892,579	651,350,692
Allowance for credit losses and unamortised loan fees and costs	-	-	-	-	-	(45,910,826)
Securities	26,677,265	-	-	-	-	26,677,265
Other assets	2,175,544	-	-	-	-	2,175,544
Total financial assets	109,572,959	16,532,569	32,552,092	195,252,645	387,892,579	695,892,018
Liabilities						
Customers' deposits	159,468,030	23,791,183	69,897,134	2,000	-	253,158,347
Due to affiliated companies	4,737,435	40,000,000	80,000,000	48,000,000	-	172,737,435
Other liabilities	4,283,835	-	-	-	-	4,283,835
Total financial liabilities	168,489,300	63,791,183	149,897,134	48,002,000	-	430,179,617
Liquidity gap	(58,916,341)	(47,258,614)	(117,345,042)	147,250,645	387,892,579	
Cumulative gap	(58,916,341)	(106,174,955)	(223,519,997)	(76,269,352)	311,623,227	

Finance Corporation of Bahamas Limited

Notes to the consolidated financial statements October 31, 2025

24. Financial risk management (continued)

(b) Liquidity risk (continued)

Contingent liabilities and commitments

The following table presents the Group's cash flows from contingent liabilities and commitments by remaining period to contractual maturity from the date of the Consolidated statement of financial position:

	Up to 3 months (\$)	Over 3 to 6 months (\$)	Over 6 to 12 months (\$)	Over 1 to 5 years (\$)	Over 5 years (\$)	Total (\$)
At October 31, 2025						
Credit commitments	481,428	928,530	2,922,874	-	-	4,332,832
	<u>481,428</u>	<u>928,530</u>	<u>2,922,874</u>	<u>-</u>	<u>-</u>	<u>4,332,832</u>
	Up to 3 months (\$)	Over 3 to 6 months (\$)	Over 6 to 12 months (\$)	Over 1 to 5 years (\$)	Over 5 years (\$)	Total (\$)
At October 31, 2024						
Credit commitments	1,490,564	1,300,966	2,196,321	-	40,000	5,027,851
	<u>1,490,564</u>	<u>1,300,966</u>	<u>2,196,321</u>	<u>-</u>	<u>40,000</u>	<u>5,027,851</u>

The following table provides remaining contractual maturity analysis of the Group's financial liabilities. The amounts disclosed in the following table are the contractual undiscounted cash flows of all financial liabilities (e.g., par value or amount payable upon maturity). The amounts do not reconcile directly with those in the statement of financial position as the table incorporates only cash flows relating to payments at maturity and do not recognise premiums, discounts or mark-to-market adjustments.

	Due on demand (\$)	Up to one year (\$)	One to five years (\$)	Over 5 years (\$)	Total (\$)
As at October 31, 2025					
Liabilities					
Customers' deposits	109,014,882	134,577,569	19,870	-	243,612,321
Due to affiliated companies	29,407,051	192,000,000	88,000,000	-	309,407,051
Other liabilities	-	10,755,314	-	-	10,755,314
Total liabilities	<u>138,421,933</u>	<u>337,332,883</u>	<u>88,019,870</u>	<u>-</u>	<u>563,774,686</u>
	Due on demand (\$)	Up to one year (\$)	One to five years (\$)	Over 5 years (\$)	Total (\$)
As at October 31, 2024					
Liabilities					
Customers' deposits	104,260,439	150,044,848	1,999	-	254,307,286
Due to affiliated companies	4,185,467	124,338,488	51,281,753	-	179,805,708
Other liabilities	-	4,283,835	-	-	4,283,835
Total liabilities	<u>108,445,906</u>	<u>278,667,171</u>	<u>51,283,752</u>	<u>-</u>	<u>438,396,829</u>

Finance Corporation of Bahamas Limited

Notes to the consolidated financial statements October 31, 2025

24. Financial risk management (continued)

(c) Market risk

The Group takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices. The Group separates exposures to market risk into either trading or non-trading portfolios.

On a monthly basis, Treasury and Finance departments review and approve the valuation of all securities and trading liabilities sent by the Valuations department which is resident in RBC.

Non-trading portfolios primarily arise from the interest-rate management of the Group's retail and commercial banking assets and liabilities. Non-trading portfolios also consist of interest rate, foreign exchange and equity risks arising from the Bank's amortised and FVOCI securities.

The major measurement technique used by the Group to measure and control market risk is stress testing. The Group applies stress tests to provide an indication of the potential size of losses that could arise in extreme conditions. Group Risk Management performs a risk sensitivity analysis by applying possible foreign currency rate stress events on the Group's foreign currency trading portfolio in order to assess potential impacts to foreign exchange earnings.

(d) Currency risk

The Group's exposure to currency risk is negligible as its functional and presentation currency is the currency of the economic environment in which it operates, and assets and liabilities denominated in a currency other than Bahamian dollars form a very small part of its consolidated statement of financial position.

(e) Interest rate risk

Market risk controls – Interest Rate Risk in the Banking Book (IRRBB) positions

IRRBB arises primarily from traditional customer-originated banking products such as deposits and loans and includes related hedges and interest rate risk from securities held for liquidity management purposes. Factors contributing to IRRBB include mismatches between asset and liability repricing dates, relative changes in asset and liability rates in response to market rate scenarios, and other product features affecting the expected timing of cash flows, such as options to pre-pay loans. IRRBB sensitivities are regularly measured and reported, and subject to limits and controls with independent oversight from Group Risk Management (GRM). The Board approves the risk appetite for IRRBB, and the ALCO and GRM provide ongoing governance through IRRBB risk policies, limits and other controls. IRRBB reports are reviewed monthly by GRM, the ALCO, and quarterly by the Board.

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Notes to the consolidated financial statements October 31, 2025

24. Financial risk management (continued)

(e) Interest rate risk (continued)

Market risk controls – Interest Rate Risk in the Banking Book (IRRBB) positions

IRRBB measurement

To monitor and control IRRBB, we assess two primary metrics, Net Interest Income (NII) risk and Economic Value of Equity (EVE) risk, under a range of market shocks, scenarios, and time horizons. Market scenarios include currency-specific parallel and non-parallel yield curve changes, interest rate volatility shocks, and interest rate scenarios prescribed by regulators. In measuring NII risk, detailed banking book balance sheets are dynamically simulated to estimate the impact of market stress scenarios on projected NII. Assets, liabilities and off-balance sheet positions are simulated over various time horizons. The simulations incorporate maturities, renewals, and new originations along with prepayment behaviour. Product pricing and volumes are forecasted based on past experience to determine response expectations under a given market shock scenario. EVE risk captures the market value sensitivity to changes in rates. In measuring EVE risk, deterministic (single-scenario) and stochastic (multiple-scenario) valuation techniques are applied to spot position data. NII and EVE risks are measured for a range of market risk stress scenarios which include extreme but plausible changes in market rates and volatilities. IRRBB measures assume continuation of existing hedge strategies. Management of NII and EVE risk is complementary and supports our efforts to generate a sustainable high-quality NII stream. NII and EVE risks for all units are measured monthly. A number of assumptions affecting cash flows, product re-pricing and the administration of rates underlie the models used to measure NII and EVE risk. The key assumptions, fixed-rate loan prepayment behaviour and empirically based historical client behaviour with product pricing with consideration and possible forward-looking changes on non-maturity assets and liabilities (deposits). All models and assumptions used to measure IRRBB are subject to independent oversight by GRM.

Market risk measures – IRRBB Sensitivities

The following table summarises the Group's exposure to interest rate repricing risk. It includes the Group's financial instruments at carrying amounts categorised by the earlier of contractual repricing or maturity dates.

	EVE Risk		NII Risk	
	Bahamian Dollar (\$'000)	Foreign Currency (\$'000)	Bahamian Dollar (\$'000)	Foreign Currency (\$'000)
At October 31, 2025				
100 bps increase in rates	2,413	Nil	2,625	Nil
100 bps decrease in rates	2,413	Nil	2,625	Nil
	EVE Risk		NII Risk	
	Bahamian Dollar (\$'000)	Foreign Currency (\$'000)	Bahamian Dollar (\$'000)	Foreign Currency (\$'000)
At October 31, 2024				
100 bps increase in rates	1,795	Nil	1,302	Nil
100 bps decrease in rates	(1,842)	Nil	(1,302)	Nil

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24. Financial risk management (continued)

(e) Interest rate risk (continued)

The table below summarises the Bank's exposure to interest rate repricing risk. It includes the Bank's financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	Up to 1 year (\$)	Over 1 to 5 years (\$)	Over 5 years (\$)	Non-Interest Rate Sensitive (\$)	Total (\$)
At October 31, 2025					
Assets					
Cash and cash equivalents	14,005,150	-	-	19,096,481	33,101,631
Balance with central banks	-	-	-	24,970,658	24,970,658
Gross loans	602,470,939	-	-	44,021,664	646,492,603
Allowance for credit losses and unamortised loan fees and costs	-	-	-	(39,115,668)	(39,115,668)
Securities	35,476,360	-	-	-	35,476,360
Due from affiliated company	-	-	-	94,645	94,645
Other assets	-	-	-	1,605,627	1,605,627
Total financial assets	651,952,449	-	-	50,673,407	702,625,856
Liabilities					
Customers' deposits	133,475,963	19,870	-	109,014,882	242,510,715
Due to affiliated companies	193,170,205	88,000,000	-	28,236,846	309,407,051
Other liabilities	-	-	-	10,755,314	10,755,314
Total financial liabilities	326,646,168	88,019,870	-	148,007,042	562,673,080
Net repricing gap	325,306,281	(88,019,870)	-	-	-

	Up to 1 year (\$)	Over 1 to 5 years (\$)	Over 5 years (\$)	Non-Interest Rate Sensitive (\$)	Total (\$)
At October 31, 2024					
Assets					
Cash and cash equivalents	19,394,094	-	-	16,027,792	35,421,886
Balance with central banks	-	-	-	26,177,457	26,177,457
Gross loans	596,657,022	-	-	54,693,670	651,350,692
Allowance for credit losses and unamortised loan fees and costs	-	-	-	(45,910,826)	(45,910,826)
Securities	26,677,265	-	-	-	26,677,265
Other assets	-	-	-	2,175,544	2,175,544
Total financial assets	642,728,381	-	-	53,163,637	695,892,018
Liabilities					
Customers' deposits	148,917,302	2,000	-	104,239,045	253,158,347
Due to affiliated companies	120,000,000	48,000,000	-	4,737,435	172,737,435
Other liabilities	-	-	-	4,283,835	4,283,835
Total financial liabilities	268,917,302	48,002,000	-	113,260,315	430,179,617
Net repricing gap	373,811,079	(48,002,000)	-	-	-

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24. Financial risk management (continued)

(e) Interest rate risk (continued)

Maturity and rate sensitivity

The table below summarises the Group's loans and securities categorised by the earlier of contractual repricing or maturity dates:

	Up to one year (\$)	One to five years (\$)	Over five years (\$)	Total (\$)
As at October 31, 2025				
<i>Loans:</i>				
Retail	582,124	-	-	582,124
Mortgages	645,910,479	-	-	645,910,479
Gross loans	646,492,603	-	-	646,492,603
<i>Securities:</i>				
Held-to-collect at amortized cost	36,586,368	-	-	36,586,368
Gross securities	36,586,368	-	-	36,586,368
As at October 31, 2024				
<i>Loans:</i>				
Retail	738,894	-	-	738,894
Mortgages	650,611,798	-	-	650,611,798
Gross loans	651,350,692	-	-	651,350,692
<i>Securities:</i>				
Held-to-collect at amortized cost	10,812,000	6,825,500	10,335,400	27,972,900
Gross securities	10,812,000	6,825,500	10,335,400	27,972,900

The following table summarises the Group's lending portfolio by interest rate sensitivity.

	Fixed Rate (\$)	Floating Rate (\$)	Non Rate Sensitive (\$)	Grand Total (\$)
As at October 31, 2025				
<i>Loans:</i>				
Retail	-	562,806	19,318	582,124
Mortgages	2,775,312	599,132,821	44,002,346	645,910,479
	2,775,312	599,695,627	44,021,664	646,492,603
As at October 31, 2024				
<i>Loans:</i>				
Retail	-	696,526	42,368	738,894
Mortgages	2,946,330	593,014,165	54,651,303	650,611,798
	2,946,330	593,710,691	54,693,671	651,350,692

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Notes to the consolidated financial statements October 31, 2025

24. Financial risk management (continued)

(f) Other price risk

Price risk is the risk that the fair values and/or amounts realised on sales of financial instruments may fluctuate significantly as a result of a change in market prices. This risk is considered to be minimal, as the Group's securities are represented in the vast majority by Government debt securities, which have limited trading and where trading is observed the prices continue to be at face value.

(g) Capital management

Capital management is a proactive process that ensures that the Group has and remains able to generate or raise sufficient capital on a timely and cost-effective basis to underpin its risks and ultimately protect depositors and other creditors from unexpected losses.

Capital adequacy is viewed in terms of both regulatory requirements: Tier 1 ratio, total capital ratio and single name credit exposure limits; as well as projected subsidiary capital levels based on anticipated business growth and earnings forecast and internal assessment of risk using a stress testing model. RBC Group Treasury prepares the annual capital plan incorporating the financial goals including the capital ratio targets in alignment with the operating business plan.

The Group is committed to maintaining a sound and prudent capital structure that:

- Exceeds, with an appropriate cushion, the minimum capital requirements for the level and quality of capital set by the regulator;
- Safeguards the Group's ability to continue as a going concern by maintaining capital levels that are sufficient to support all material risks and also to support potential unexpected increases in risk;
- Promotes an integrated and streamlined approach to managing regulatory capital that is both reflective of the Group's risk appetite and risk management practices and strongly supportive of growth strategies and performance management; and
- Reflects alignment with the Group's risk management frameworks and policies.

Capital adequacy and the use of regulatory capital are monitored by the Group's management, based on an internal risk assessment approach employing techniques based on the guidelines developed by the Basel Committee on Grouping Supervision as implemented by the Central Bank of The Bahamas. The required information is filed with the Central Bank on a monthly basis as prescribed. The Central Bank requires the Group to maintain a minimum total capital ratio of 17%. As of the date of the consolidated statement of financial position, the Group's total capital ratio was 28.93% (2024: 57.77%).

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25. Operating Segments

As disclosed in Note 1, the Group's business activities include the acceptance of deposits, buying and selling foreign currencies and mortgage lending in The Bahamas. Through its subsidiary, the Group provides insurance agency services solely to its mortgage customers. The following table includes a summary of financial information for these entities.

	2025		
	Banking	Insurance Brokerage Services	Consolidated
	(\$)	(\$)	(\$)
Assets	<u>700,249,641</u>	<u>3,392,661</u>	<u>703,642,302</u>
Liabilities	<u>565,682,866</u>	<u>973,464</u>	<u>566,656,330</u>
Income:			
Net interest income	27,466,984	-	27,466,984
Non-interest income	13,612,548	987,033	14,599,581
Elimination of inter-segment revenue	<u>(13,000,000)</u>	<u>-</u>	<u>(13,000,000)</u>
Total income	28,079,532	987,033	29,066,565
Non-interest expense	(13,513,835)	(379,919)	(13,893,754)
Release of provision for credit losses	<u>8,064,382</u>	<u>-</u>	<u>8,064,382</u>
Net income before taxation	22,630,079	607,114	23,237,193
Taxation expense	<u>(3,394,512)</u>	<u>(91,067)</u>	<u>(3,485,579)</u>
Net income	<u>19,235,567</u>	<u>516,047</u>	<u>19,751,614</u>
	2024		
	Banking	Insurance Brokerage Services	Consolidated
	(\$)	(\$)	(\$)
Assets	<u>681,168,977</u>	<u>15,751,836</u>	<u>696,920,813</u>
Liabilities	<u>429,481,124</u>	<u>848,686</u>	<u>430,329,810</u>
Income:			
Net interest income	30,154,392	-	30,154,392
Non-interest income	680,287	1,008,198	1,688,485
Total income	30,834,679	1,008,198	31,842,877
Non-interest expense	(13,784,236)	(357,202)	(14,141,438)
Release of provision for credit losses	<u>14,005,799</u>	<u>-</u>	<u>14,005,799</u>
Net income	<u>31,056,242</u>	<u>650,996</u>	<u>31,707,238</u>

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26. Fair Value of Financial Assets and Liabilities

The following fair value hierarchy table presents fair values of financial assets and liabilities that are carried at amortised cost, and therefore excludes financial instruments that are measured and disclosed at fair value on a recurring basis. The carrying amounts of certain financial instruments approximate their fair values due to the short-term nature and generally insignificant credit risk of the instruments: (i) loans and deposits with original maturity of less than three months or payable on demand; and (ii) certain receivables and payables in other assets and other liabilities.

As at October 31, 2025						
	Fair value always approximates carrying value (\$)	Fair value may not approximate carrying value (\$)	Total fair value (\$)	Fair value hierarchy		
				Level 1 (\$)	Level 2 (\$)	Level 3 (\$)
Cash and cash equivalents	19,096,481	-	19,096,481	-	-	-
Balance with central banks	24,970,658	-	24,970,658	-	-	-
Loans	-	635,882,336	635,882,336	-	-	635,882,336
Securities	-	36,646,107	36,646,107	-	36,646,107	-
Due from affiliated company	94,645	-	94,645	-	-	-
Other assets	1,605,627	-	1,605,627	-	-	-
Customers' deposits	161,623,775	80,916,315	242,540,090	-	-	80,916,315
Due to affiliated companies	309,407,051	-	309,407,051	-	-	-
Other Liabilities	10,755,314	-	10,755,314	-	-	-

As at October 31, 2024						
	Fair value always approximates carrying value (\$)	Fair value may not approximate carrying value (\$)	Total fair value (\$)	Fair value hierarchy		
				Level 1 (\$)	Level 2 (\$)	Level 3 (\$)
Cash and cash equivalents	16,027,792	-	16,027,792	-	-	-
Balance with central banks	26,177,457	-	26,177,457	-	-	-
Loans	-	637,993,471	637,993,471	-	-	637,993,471
Securities	-	28,085,940	28,085,940	-	28,085,940	-
Other assets	2,175,544	-	2,175,544	-	-	-
Customers' deposits	159,468,030	93,726,570	253,194,600	-	-	93,726,570
Due to affiliated companies	172,737,435	-	172,737,435	-	-	-
Other Liabilities	4,434,028	-	4,434,028	-	-	-

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26. Fair Value of Financial Assets and Liabilities (continued)

Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial assets and financial liabilities are determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes).
- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.
- Loans are similarly valued taking into account credit portfolio experience. The valuation model is reviewed on an annual basis and updated as necessary to reflect portfolio experience.

Disclosures of fair value for financial instruments that are measured and disclosed at fair value

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
As at October 31, 2025	(\$)	(\$)	(\$)	(\$)
Bahamas Government Debt Securities	-	34,887,469	-	34,887,469
Locally Issued Corporate Bonds	-	1,698,899	-	1,698,899
	-	36,586,368	-	36,586,368
As at October 31, 2024	(\$)	(\$)	(\$)	(\$)
Bahamas Government Debt Securities	-	25,490,700	-	25,490,700
Locally Issued Corporate Bonds	-	2,482,200	-	2,482,200
	-	27,972,900	-	27,972,900

There were no significant transfers between Level 1 and 2 in the respective period.

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27. Subsequent event

On January 20, 2026 the Group's directors approved a dividend in the amount of \$4,000,000 (\$0.15 per share) to all shareholders of record as at February 10, 2026 payable on February 17, 2026, subject to the required regulatory approval.