

BANK OF THE BAHAMAS LIMITED
Unaudited Condensed Consolidated Interim Financial Statements
For the Period Ended March 31, 2015

BANK OF THE BAHAMAS LIMITED

UNAUDITED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at March 31, 2015 with comparative figures as at June 30, 2014

(Expressed in Bahamian Dollars)

	March 31, 2015	June 30, 2014
ASSETS		
Cash and account with The Central Bank	\$ 56,739,691	\$ 25,712,146
Due from banks	34,011,118	26,628,530
Investment securities	31,520,492	35,094,083
Loans and advances to customers, net	579,251,644	660,550,561
Investment property	4,340,000	3,882,873
Other assets	12,906,158	4,954,376
Notes Receivable	100,000,000	-
Property and equipment	9,914,411	11,772,812
Intangible assets, net	2,085,415	2,474,056
TOTAL	\$ 830,768,929	\$ 771,069,437
LIABILITIES		
Deposits from customers and banks	706,059,235	\$ 679,231,606
Other liabilities	14,489,750	15,250,689
Deferred loan fees	6,211,406	6,849,971
Total liabilities	726,760,391	701,332,266
EQUITY		
Share capital	49,238,935	52,638,935
Share premium	54,004,621	54,004,621
Treasury shares	(1,318,224)	(1,318,224)
Reserves	4,808,803	4,612,395
Special Retained Earnings	54,622,532	-
Accumulated deficit	(57,348,129)	(40,200,556)
Total equity	104,008,538	69,737,171
TOTAL	\$ 830,768,929	\$ 771,069,437

BANK OF THE BAHAMAS LIMITED

UNAUDITED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended March 31, 2015
with comparatives for the nine months ended March 31, 2014
(Expressed in Bahamian Dollars)

	Three Months		Nine Months	
	2015	2014	2015	2014
Interest and similar income	\$ 10,592,747	\$ 12,175,602	\$ 31,926,377	\$ 39,335,098
Interest and similar expenses	4,032,831	4,188,702	12,604,688	14,084,834
Net Interest income	<u>6,559,916</u>	<u>7,986,900</u>	<u>19,321,689</u>	<u>25,250,264</u>
Fees and commission income	1,055,987	1,148,443	3,404,293	3,276,635
Fees and commission expense	415,141	209,076	1,151,488	427,093
Net fees and commission income	<u>640,846</u>	<u>939,367</u>	<u>2,252,805</u>	<u>2,849,542</u>
Other operating income	196,696	784,710	1,490,231	1,994,194
Total operating income	7,397,458	9,710,977	23,064,725	30,094,000
Credit loss expense, net	(6,480,375)	(2,311,357)	(15,276,128)	(13,272,002)
Net operating Income	<u>917,083</u>	<u>7,399,620</u>	<u>7,788,597</u>	<u>16,821,998</u>
Operating expenses	8,169,283	8,700,983	24,936,170	24,239,757
Net loss	<u>\$ (7,252,200)</u>	<u>\$ (1,301,363)</u>	<u>\$ (17,147,573)</u>	<u>\$ (7,417,758)</u>
Other comprehensive income				
Net gain/(loss) on available-for-sale financial assets	(6,225)	(17,573)	196,408	123,755
Total comprehensive loss for the period	<u>(7,258,425)</u>	<u>(1,318,936)</u>	<u>\$ (16,951,165)</u>	<u>\$ (7,294,003)</u>
EARNINGS PER SHARE CALCULATION:				
NET LOSS	\$ (7,252,200)	\$ (1,301,363)	\$ (17,147,573)	\$ (7,417,758)
PREFERENCE SHARE DIVIDEND	-	(1,231,250)	-	(2,462,500)
NET LOSS AVAILABLE TO COMMON SHAREHOLDERS	<u>\$ (7,252,200)</u>	<u>\$ (2,532,613)</u>	<u>\$ (17,147,573)</u>	<u>\$ (9,880,259)</u>
WEIGHTED AVERAGE NUMBER OF COMMON SHARES	<u>21,387,924</u>	<u>21,387,924</u>	<u>21,387,924</u>	<u>21,406,701</u>
LOSS PER SHARE	<u>\$ (0.34)</u>	<u>\$ (0.12)</u>	<u>\$ (0.80)</u>	<u>\$ (0.46)</u>

BANK OF THE BAHAMAS LIMITED

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended March 31, 2015

with comparatives for the nine months ended March 31, 2014

(Expressed in Bahamian Dollars)

	<u>Share Capital</u>	<u>Share Premium</u>	<u>Treasury Shares</u>	<u>Reserves</u>	<u>Retained Earnings/ Accumulated Deficit</u>	<u>Special Retained Earnings</u>	<u>Total</u>
Balance, June 30, 2013	\$ 56,038,935	\$ 54,004,621	\$ (930,809)	\$ 4,508,851	\$ 28,546,353	\$ -	\$ 142,167,951
Net loss	-	-	-	-	(7,417,758)	-	(7,417,758)
Purchase of treasury shares	-	-	(387,415)	-	-	-	(387,415)
Other comprehensive income	-	-	-	123,755	-	-	123,755
Dividends on preference shares	-	-	-	-	(2,462,500)	-	(2,462,500)
Redemption of preference shares	(3,400,000)	-	-	-	-	-	(3,400,000)
Balance at March 31, 2014	\$ 52,638,935	\$ 54,004,621	\$ (1,318,224)	\$ 4,632,606	\$ 18,666,095	\$ -	\$ 128,624,033
Balance at June 30, 2014	\$ 52,638,935	\$ 54,004,621	\$ (1,318,224)	\$ 4,612,395	\$ (40,200,556)	\$ -	\$ 69,737,171
Net loss	-	-	-	-	(17,147,573)	-	(17,147,573)
Other comprehensive income	-	-	-	196,408	-	-	196,408
Redemption of preference shares	(3,400,000)	-	-	-	-	-	(3,400,000)
Special Retained Earnings	-	-	-	-	-	54,622,532	54,622,532
Balance at March 31, 2015	\$ 49,238,935	\$ 54,004,621	\$ (1,318,224)	\$ 4,808,803	\$ (57,348,129)	\$ 54,622,532	\$ 104,008,538

BANK OF THE BAHAMAS LIMITED

UNAUDITED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the nine months ended March 31, 2015
with comparatives for the nine months ended March 31, 2014
(Expressed in Bahamian Dollars)

	March 2015	March 2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (17,147,573)	\$ (7,417,758)
Adjustments for:		
Depreciation and amortization	2,002,980	2,204,291
Gain on revaluation of investment property	(457,127)	-
Loss on revaluation of fixed assets	888,853	-
Net provision for loan losses	15,276,128	13,272,001
	563,261	8,058,534
Change in operating assets and liabilities	(9,839,458)	(4,305,202)
Decrease in loans and advances to customers, net	20,645,320	3,386,064
Increase/(decrease) in deposits from customers and banks	26,827,629	(12,287,618)
Net cash provided by/(used in) operating activities	38,196,752	(5,148,222)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	(611,982)	(2,637,661)
Acquisition of intangible assets	(32,807)	(106,335)
Purchase of investment securities	-	(4,210,100)
Proceeds from maturity of investment securities	3,770,000	30,000,000
Net cash provided by investing activities	3,125,211	23,045,904
CASH FLOWS FROM FINANCING ACTIVITIES:		
Dividends on preference shares	-	(2,462,500)
Redemption of preference shares	(3,400,000)	(3,400,000)
Purchase of treasury shares	-	(387,415)
Net cash used in financing activities	(3,400,000)	(6,249,915)
Net increase in cash and cash equivalents	37,921,963	11,647,767
Cash and cash equivalents, beginning of year	26,928,676	45,662,497
Cash and cash equivalents, end of period	\$ 64,850,639	\$ 57,310,264

SUPPLEMENTAL INFORMATION:

Interest received	\$ 31,945,775	\$ 45,564,849
Interest paid	\$ 13,446,366	\$ 16,081,523
Dividends paid	\$ -	\$ 2,462,500

BANK OF THE BAHAMAS LIMITED
Selected Explanatory Notes to the Unaudited Condensed Consolidated Financial Statements

For the period ended March 31, 2015
(Expressed in Bahamian Dollars)

1. General Information

Bank of The Bahamas Limited (the “Bank”), trading as Bank of The Bahamas International, is incorporated under the laws of The Commonwealth of The Bahamas. The Bank is licensed under the provisions of the Bank and Trust Companies Regulations Act 2000. The Bank is also licensed as an authorized dealer pursuant to the Exchange Control Regulations Act. The Bank is the holder of a broker dealer license from the Securities Commission.

The Bank’s shares are publicly traded and listed on The Bahamas International Securities Exchange. The Government of The Commonwealth of The Bahamas (the “Government”) and The National Insurance Board own approximately 65% of the issued common shares. The remaining common shares are owned by approximately 3,000 Bahamian shareholders. The Bank’s head office is located at Claughton House, Shirley and Charlotte Streets. The registered office is located at Sassoon House, Shirley Street, Victoria Avenue, Nassau, The Bahamas.

2. Significant Accounting Policies

The significant accounting policies and methods of computation followed in the preparation of these interim consolidated financial statements are the same as those followed in the preparation of the annual consolidated financial statements of the Bank for the year ended June 30, 2014 with the exception of those noted below. The annual consolidated financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”) and under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities and investment property that are required to be remeasured at estimated fair value.

3. Dividends per Share

Dividends are typically paid out of retained earnings. Due to the Bank’s negative retained earnings position, on July 21, 2014, and January 9, 2015 the Government in its capacity as the major shareholder of the Bank agreed to deploy a part of its treasury deposits directly to the paying agent for disbursement to the preference shareholders in the amount of \$1.1 million and \$1.1 million respectively. There is no obligation for the Bank to repay the amounts remitted. The Bank declared and paid preference shares dividends from retained earnings of \$Nil (2014: \$2,462,500) during the period.

BANK OF THE BAHAMAS LIMITED**Selected Explanatory Notes to the Unaudited Condensed Consolidated Financial Statements**

For the period ended March 31, 2015
(Expressed in Bahamian Dollars)

4. Provision for Loan Losses

	March 31, 2015	March 31, 2014
At beginning of year	\$ 96,095,481	\$ 30,749,745
Amount written-off	(3,364,757)	(3,269,786)
Amount written-back	(42,615,951)	-
Net recoveries	176,613	64,370
Provision charged to expense	15,099,515	13,207,631
Provision at the end of period	\$ 65,390,901	\$ 40,751,960

5. Commitments and Contingencies

Various legal proceedings are pending that challenge certain actions of the Bank. Most of these proceedings are loan-related and are reactions to steps taken by the Bank to collect delinquent loans and enforce its rights against collateral securing such loans. Management considers that the aggregate liability resulting from these proceedings will not be material.

The commitment for loans at March 31, 2015 was \$8,292,172 (2014: \$4,314,963).

6. Regulatory Capital

Regulatory capital consists of Tier 1 capital, which comprises share capital, reserves less goodwill, special retained earnings and retained earnings/(accumulated deficit) including current year's financial results. The other component of regulatory capital is Tier 2 capital, which comprises long term debt, revaluation reserves on available-for-sale securities and general provisions.

BANK OF THE BAHAMAS LIMITED**Selected Explanatory Notes to the Unaudited Condensed Consolidated Financial Statements**

For the period ended March 31, 2015

(Expressed in Bahamian Dollars)

6. Regulatory Capital (Continued)

The Central Bank of The Bahamas regulations requires that the Bank maintains Total Tier 1 Capital and Total Capital of Total Risk Weighted Assets ratios equal to or greater than 11.70% and 17.00% respectively. The Bank's risk adjusted tier 1 capital ratio and risk adjusted capital ratio as at March 31 2015 was 13.51% (2014: 13.95%) and 20.20% (2014: 20.21%) respectively.

(in \$'000s)	March 31, 2015	March 31, 2014
Tier 1 capital	\$ 70,509	\$ 91,304
Tier 2 capital	34,955	40,978
Total capital	<u>\$ 105,464</u>	<u>\$ 132,282</u>
Total qualifying assets	<u>\$ 897,236</u>	<u>\$ 900,673</u>
Risk weighted assets	<u>\$ 522,006</u>	<u>\$ 654,443</u>
Tier 1 capital ratio	7.86%	10.14%
Total capital ratio	11.75%	14.69%

Ratios

CET1 must be at least 8.50% of total Risk Weighted Assets	13.71%	14.12%
Total Tier 1 Capital must be at least 11.70% of Total Risk Weighted Assets	13.51%	13.95%
Total Capital must be at least 17% of Total Risk Weighted Assets	20.20%	20.21%
CET1 must be at least 75% of Total Tier 1 Capital	101.53%	101.18%
Total Tier 1 Capital must be a minimum of 75% of Total Capital	66.86%	69.02%

BANK OF THE BAHAMAS LIMITED
Selected Explanatory Notes to the Unaudited Condensed Consolidated Financial
Statements

For the period ended March 31, 2015
(Expressed in Bahamian Dollars)

7. Cash and Cash Equivalents

	March 31, 2015	March 31, 2014
Cash	\$ 13,112,186	\$ 9,647,031
Deposits with the Central Bank- non-interest bearing	43,627,505	46,235,036
Due from Banks	34,011,118	28,095,217
Cash and due from Banks	90,750,809	83,977,284
Less: Mandatory reserve deposits with the Central Bank	(25,900,170)	(26,667,020)
Total cash and cash equivalents	\$ 64,850,639	\$ 57,310,264

As at March 31, 2015 the Bank's statutory reserve deposits with The Central Bank were above Central Bank's regulatory requirements.

8. Notes Receivable and Special Retained Earnings

During October 2014, the Government created a Special Purpose Vehicle (SPV) that is owned and controlled by the Government. The Bank entered into a transaction with the SPV to derecognise from its consolidated statement of financial position certain of its non-performing loans amounting to approximately net \$45.4 million and to recognise as an asset \$100 million in unsecured promissory notes (the "Notes") with multiple maturities up to ten years and annual coupon interest payments of Bahamian Prime (-) 0.50% issued from the SPV. The net difference of approximately \$54.6 million between the Notes received and the derecognised assets is accounted for as Special Retained Earnings in its consolidated statement of financial position and is included as part of the Bank's regulatory capital.

BANK OF THE BAHAMAS LIMITED

Selected Explanatory Notes to the Unaudited Condensed Consolidated Financial Statements

For the period ended March 31, 2015

(Expressed in Bahamian Dollars)

9. Comparatives

Certain corresponding figures in the condensed consolidated financial statements have been reclassified to conform to the financial statement presentation adopted in the current year.