

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

BANK OF THE BAHAMAS LIMITED

UNAUDITED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at December 31st, 2015 with comparative figures as at June 30, 2015

(Expressed in Bahamian Dollars)

	Note	December 31, 2015	June 30, 2015
ASSETS			
Cash and account with The Central Bank	7	\$ 51,702,797	\$ 47,466,356
Due from banks	7	40,278,511	37,429,012
Investment securities		31,251,288	31,547,284
Loans and advances to customers, net		544,931,984	569,410,985
Investment property		4,340,000	4,340,000
Other assets		10,814,780	10,853,990
Notes Receivable		100,000,000	100,000,000
Property and equipment		8,503,495	9,055,871
Intangible assets, net		778,354	1,049,403
TOTAL		\$ 792,601,209	\$ 811,152,901
LIABILITIES			
Deposits from customers and banks		\$ 684,748,691	\$ 697,382,511
Other liabilities		17,706,066	16,488,911
Deferred loan fees		6,347,423	6,495,342
Total liabilities		708,802,180	720,366,764
EQUITY			
Share capital		45,838,935	49,238,935
Share premium		54,004,621	54,004,621
Treasury shares		(1,318,224)	(1,318,224)
Reserves		4,999,499	4,835,596
Special Retained Earnings		54,622,532	54,622,532
Accumulated deficit		(74,348,334)	(70,597,323)
Total equity		83,799,029	90,786,137
TOTAL		\$ 792,601,209	\$ 811,152,901

BANK OF THE BAHAMAS LIMITED

UNAUDITED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

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

	Three Months		Six Months	
	2015	2014	2015	2014
Interest and similar income	\$ 10,175,069	\$ 10,799,455	\$ 21,023,192	\$ 21,333,630
Interest and similar expenses	3,929,715	4,297,335	7,803,656	8,571,857
Net Interest income	<u>6,245,354</u>	<u>6,502,120</u>	<u>13,219,536</u>	<u>12,761,773</u>
Fees and commission income	1,469,090	1,155,721	2,856,210	2,348,306
Fees and commission expense	199,048	430,089	430,768	736,347
Net fees and commission income	<u>1,270,042</u>	<u>725,632</u>	<u>2,425,442</u>	<u>1,611,959</u>
Other operating income	597,737	704,851	2,610,829	1,293,535
Total operating income	8,113,133	7,932,603	18,255,807	15,667,267
Credit loss expense, net	(3,579,922)	(5,083,057)	(6,134,460)	(8,795,753)
Net operating income	<u>4,533,211</u>	<u>2,849,546</u>	<u>12,121,347</u>	<u>6,871,514</u>
Operating expenses	7,924,857	8,546,965	15,872,358	16,766,887
Net loss	<u>\$ (3,391,646)</u>	<u>\$ (5,697,419)</u>	<u>\$ (3,751,011)</u>	<u>\$ (9,895,374)</u>
Other comprehensive income				
Net gain on available-for-sale financial assets	124,346	197,039	163,903	202,633
Total comprehensive loss for the period	<u>(3,267,300)</u>	<u>(5,500,380)</u>	<u>\$ (3,587,108)</u>	<u>\$ (9,692,741)</u>
EARNINGS PER SHARE CALCULATION:				
NET LOSS	\$ (3,391,646)	\$ (5,697,419)	\$ (3,751,011)	\$ (9,895,374)
PREFERENCE SHARE DIVIDEND	-	-	-	-
NET LOSS AVAILABLE TO				
COMMON SHAREHOLDERS	<u>\$ (3,391,646)</u>	<u>\$ (5,697,419)</u>	<u>\$ (3,751,011)</u>	<u>\$ (9,895,374)</u>
WEIGHTED AVERAGE NUMBER OF				
COMMON SHARES	<u>21,387,924</u>	<u>21,387,924</u>	<u>21,387,924</u>	<u>21,387,924</u>
LOSS PER SHARE	<u>\$ (0.16)</u>	<u>\$ (0.27)</u>	<u>\$ (0.18)</u>	<u>\$ (0.46)</u>

BANK OF THE BAHAMAS LIMITED

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended December 31, 2015

with comparatives for the six months ended December 31, 2014

(Expressed in Bahamian Dollars)

	Share Capital	Share Premium	Treasury Shares	Reserves	Accumulated Deficit	Special Retained Earnings	Total
Balance, June 30, 2014	\$ 52,638,935	\$ 54,004,621	\$ (1,318,224)	\$ 4,612,395	\$ (40,200,556)	\$ -	\$ 69,737,171
Net loss	-	-	-	-	(9,895,374)	-	(9,895,374)
Other comprehensive income	-	-	-	202,633	-	-	202,633
Redemption of preference shares	(3,400,000)	-	-	-	-	-	(3,400,000)
Special Retained Earnings	-	-	-	-	-	54,622,532	54,622,532
Balance at December 31, 2014	\$ 49,238,935	\$ 54,004,621	\$ (1,318,224)	\$ 4,815,028	\$ (50,095,930)	\$ 54,622,532	\$ 111,266,962
Balance at June 30, 2015	\$ 49,238,935	\$ 54,004,621	\$ (1,318,224)	\$ 4,835,596	\$ (70,597,323)	\$ 54,622,532	\$ 90,786,137
Net loss	-	-	-	-	(3,751,011)	-	(3,751,011)
Other comprehensive income	-	-	-	163,903	-	-	163,903
Redemption of preference shares	(3,400,000)	-	-	-	-	-	(3,400,000)
Balance at December 31, 2015	\$ 45,838,935	\$ 54,004,621	\$ (1,318,224)	\$ 4,999,499	\$ (74,348,334)	\$ 54,622,532	\$ 83,799,029

BANK OF THE BAHAMAS LIMITED

UNAUDITED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

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

	December 2015	December 2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (3,751,011)	\$ (9,895,374)
Adjustments for:		
Depreciation and amortization	1,295,017	1,360,056
Net provision for loan losses	6,134,460	8,795,753
	<u>3,678,466</u>	<u>260,435</u>
Change in operating assets and liabilities	1,245,915	(9,388,191)
Decrease in loans and advances to customers, net	18,344,541	9,127,102
(Decrease)/increase in deposits from customers and banks	(12,633,820)	19,659,621
Net cash provided by operating activities	<u>10,635,102</u>	<u>19,658,967</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	(471,592)	(390,304)
Acquisition of intangible assets	-	(32,807)
Proceeds from maturity of investment securities	459,900	3,770,000
Net cash (used in)/provided by investing activities	<u>(11,692)</u>	<u>3,346,889</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Redemption of preference shares	(3,400,000)	(3,400,000)
Net cash used in financing activities	<u>(3,400,000)</u>	<u>(3,400,000)</u>
Net increase in cash and cash equivalents	7,223,410	19,605,856
Cash and cash equivalents, beginning of year	58,436,878	26,928,676
Cash and cash equivalents, end of period	<u>\$ 65,660,288</u>	<u>\$ 46,534,532</u>

SUPPLEMENTAL INFORMATION:

Interest received	\$ 20,307,279	\$ 21,401,805
Interest paid	\$ 8,731,254	\$ 8,098,636

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

For the period ended December 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 Cloughton 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, 2015 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 10, 2015 and December 23, 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 as at June 30, 2015 and December 31, 2015 in the amount of \$0.985 million and \$0.985 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: \$Nil) during the period.

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

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

4. Provision for Loan Losses

	December 31, 2015	December 31, 2014
At beginning of year	\$ 72,441,789	\$ 96,095,481
Amount written-off	(2,054,320)	(43,376,780)
Net recoveries	107,880	149,513
Provision charged to expense	6,026,580	8,646,240
Provision at the end of period	<u>\$ 76,521,929</u>	<u>\$ 61,514,454</u>

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 and advances at December 31, 2015 was \$7,566,665 (2014: \$10,760,510).

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 December 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 12.80% and 17.00% respectively. The Bank's risk adjusted tier 1 capital ratio and risk adjusted capital ratio as at December 31, 2015 was 10.95% (2014: 13.53%) and 17.26% (2014: 20.18%) respectively.

(in \$'000s)	December 31, 2015	December 31, 2014
Tier 1 capital	\$ 54,585	\$ 77,761
Tier 2 capital	31,447	38,248
Total capital	<u>\$ 86,031</u>	<u>\$ 116,009</u>
Total qualifying assets	<u>\$ 869,123</u>	<u>\$ 894,916</u>
Risk weighted assets	<u>\$ 498,565</u>	<u>\$ 574,822</u>
Tier 1 capital ratio	6.28%	8.69%
Total capital ratio	9.90%	12.96%

Ratios

CET1 must be at least 9.60% of total Risk Weighted Assets	10.95%	13.72%
Total Tier 1 Capital must be at least 12.80% of Total Risk Weighted Assets	10.95%	13.53%
Total Capital must be at least 17% of Total Risk Weighted Assets	17.26%	20.18%
CET1 must be at least 75% of Total Tier 1 Capital	100.00%	101.38%
Total Tier 1 Capital must be a minimum of 75% of Total Capital	63.45%	67.03%

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

For the period ended December 31, 2015

(Expressed in Bahamian Dollars)

7. Cash and Cash Equivalents

	December 31, 2015	December 31, 2014
Cash	\$ 14,083,754	\$ 14,644,974
Deposits with the Central Bank- non-interest bearing	37,619,043	20,117,158
Due from Banks	40,278,511	38,103,240
Cash and due from Banks	91,981,308	72,865,372
Less: Mandatory reserve deposits with the Central Bank	(26,321,020)	(26,330,840)
Total cash and cash equivalents	\$ 65,660,288	\$ 46,534,532

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