

BANK OF THE BAHAMAS LIMITED
Unaudited Condensed Consolidated Interim Financial Statements
For the Period Ended March 31, 2016

BANK OF THE BAHAMAS LIMITED

UNAUDITED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at March 31, 2016 with comparative figures as at June 30, 2015

(Expressed in Bahamian Dollars)

	Note	March 31, 2016	June 30, 2015
ASSETS			
Cash and account with The Central Bank	7	\$ 75,714,138	\$ 47,466,356
Due from banks	7	39,391,909	37,429,012
Investment securities		31,234,425	31,547,284
Loans and advances to customers, net		533,611,619	569,410,985
Investment property		4,340,000	4,340,000
Other assets		9,096,750	10,853,990
Notes Receivable		100,000,000	100,000,000
Property and equipment		8,191,038	9,055,871
Intangible assets, net		642,830	1,049,403
TOTAL		\$ 802,222,709	\$ 811,152,901
LIABILITIES			
Deposits from customers and banks		\$ 698,763,550	\$ 697,382,511
Other liabilities		16,575,313	16,488,911
Deferred loan fees		6,204,214	6,495,342
Total liabilities		721,543,077	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		4,982,636	4,835,596
Special Retained Earnings		54,622,532	54,622,532
Accumulated deficit		(77,450,868)	(70,597,323)
Total equity		80,679,632	90,786,137
TOTAL		\$ 802,222,709	\$ 811,152,901

BANK OF THE BAHAMAS LIMITED

UNAUDITED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended March 31, 2016
with comparatives for the nine months ended March 31, 2015
(Expressed in Bahamian Dollars)

	Three Months		Nine Months	
	2016	2015	2016	2015
Interest and similar income	\$ 9,788,184	\$ 10,592,747	\$ 30,811,376	\$ 31,926,377
Interest and similar expenses	3,892,202	4,032,831	11,695,858	12,604,688
Net Interest income	<u>5,895,982</u>	<u>6,559,916</u>	<u>19,115,518</u>	<u>19,321,689</u>
Fees and commission income	1,475,672	1,055,987	4,331,882	3,404,293
Fees and commission expense	188,158	415,141	618,926	1,151,488
Net fees and commission income	<u>1,287,514</u>	<u>640,846</u>	<u>3,712,956</u>	<u>2,252,805</u>
Other operating income	760,546	196,696	3,371,375	1,490,231
Total operating income	7,944,042	7,397,458	26,199,849	23,064,725
Credit loss expense, net	(3,085,568)	(6,480,375)	(9,220,028)	(15,276,128)
Net operating income	<u>4,858,474</u>	<u>917,083</u>	<u>16,979,821</u>	<u>7,788,597</u>
Operating expenses	7,961,008	8,169,283	23,833,366	24,936,170
Net loss	<u>\$ (3,102,534)</u>	<u>\$ (7,252,200)</u>	<u>\$ (6,853,545)</u>	<u>\$ (17,147,573)</u>
Other comprehensive income				
Net gain/(loss) on available-for-sale financial assets	(16,863)	(6,225)	147,040	196,408
Total comprehensive loss for the period	<u>\$ (3,119,397)</u>	<u>\$ (7,258,425)</u>	<u>\$ (6,706,505)</u>	<u>\$ (16,951,165)</u>
EARNINGS PER SHARE CALCULATION:				
NET LOSS	\$ (3,102,534)	\$ (7,252,200)	\$ (6,853,545)	\$ (17,147,573)
PREFERENCE SHARE DIVIDEND	-	-	-	-
NET LOSS AVAILABLE TO				
COMMON SHAREHOLDERS	<u>\$ (3,102,534)</u>	<u>\$ (7,252,200)</u>	<u>\$ (6,853,545)</u>	<u>\$ (17,147,573)</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>\$ (0.15)</u>	<u>\$ (0.34)</u>	<u>\$ (0.32)</u>	<u>\$ (0.80)</u>

BANK OF THE BAHAMAS LIMITED

UNAUDITED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the nine months ended March 31, 2016

with comparatives for the nine months ended March 31, 2015

(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	-	-	-	-	(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
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	-	-	-	-	(6,853,545)	-	(6,853,545)
Other comprehensive income	-	-	-	147,040	-	-	147,040
Redemption of preference shares	(3,400,000)	-	-	-	-	-	(3,400,000)
Balance at March 31, 2016	\$ 45,838,935	\$ 54,004,621	\$ (1,318,224)	\$ 4,982,636	\$ (77,450,868)	\$ 54,622,532	\$ 80,679,632

BANK OF THE BAHAMAS LIMITED

UNAUDITED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the nine months ended March 31, 2016
with comparatives for the nine months ended March 31, 2015
(Expressed in Bahamian Dollars)

	March 2016	March 2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (6,853,545)	\$ (17,147,573)
Adjustments for:		
Depreciation and amortization	1,943,013	2,002,980
Gain on revaluation of investment property	-	(457,127)
Impairment losses	-	888,853
Net provision for loan losses	9,220,028	15,276,128
	<u>4,309,496</u>	<u>563,261</u>
Change in operating assets and liabilities	1,480,723	(9,839,458)
Decrease in loans and advances to customers, net	26,579,338	20,645,320
Increase in deposits from customers and banks	1,381,039	26,827,629
Net cash provided by operating activities	<u>33,750,596</u>	<u>38,196,752</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	(671,607)	(611,982)
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>(211,707)</u>	<u>3,125,211</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	30,138,889	37,921,963
Cash and cash equivalents, beginning of year	58,436,878	26,928,676
Cash and cash equivalents, end of period	<u><u>\$ 88,575,767</u></u>	<u><u>\$ 64,850,639</u></u>

SUPPLEMENTAL INFORMATION:

Interest received	\$ 29,908,840	\$ 31,945,775
Interest paid	\$ 13,102,467	\$ 13,446,366

BANK OF THE BAHAMAS LIMITED

Selected Explanatory Notes to the Unaudited Condensed Consolidated Financial Statements

For the period ended March 31, 2016

(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 (2015: \$Nil) during the period.

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

For the period ended March 31, 2016

(Expressed in Bahamian Dollars)

4. Provision for Loan Losses

	March 31, 2016	March 31, 2015
At beginning of year	\$ 72,441,789	\$ 96,095,481
Amount written-off	(2,080,468)	(3,364,757)
Amount written back	-	(42,615,951)
Net recoveries	129,325	176,613
Provision charged to expense	9,090,703	15,099,515
Provision at the end of period	\$ 79,581,349	\$ 65,390,901

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 March 31, 2016 was \$8,330,922 (2015: \$14,735,217).

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, 2016
(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 March 31, 2016 was 8.60% (2015: 13.51%) and 13.96% (2015: 20.20%) respectively.

(in \$'000s)	March 31, 2016	March 31, 2015
Tier 1 capital	\$ 50,839	\$ 70,509
Tier 2 capital	31,642	34,955
Total capital	<u>\$ 82,481</u>	<u>\$ 105,464</u>
 Total qualifying assets	 <u>\$ 881,805</u>	 <u>\$ 897,236</u>
 Risk weighted assets	 <u>\$ 590,937</u>	 <u>\$ 522,006</u>
 Tier 1 capital ratio	 5.77%	 7.86%
Total capital ratio	9.35%	11.75%

Ratios

CET1 must be at least 9.60% of total Risk Weighted Assets	8.60%	13.51%
Total Tier 1 Capital must be at least 12.80% of Total Risk Weighted Assets	8.60%	13.51%
Total Capital must be at least 17.00% of Total Risk Weighted Assets	13.96%	20.20%
CET1 must be at least 75% of Total Tier 1 Capital	100.00%	100.00%
Total Tier 1 Capital must be a minimum of 75% of Total Capital	61.64%	66.86%

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

For the period ended March 31, 2016

(Expressed in Bahamian Dollars)

7. Cash and Cash Equivalents

	March 31, 2016	March 31, 2015
Cash	\$ 13,821,741	\$ 13,112,186
Deposits with the Central Bank- non-interest bearing	61,892,397	43,627,505
Due from Banks	<u>39,391,909</u>	<u>34,011,118</u>
Cash and due from Banks	115,106,047	90,750,809
Less: Mandatory reserve deposits with the Central Bank	<u>(26,530,280)</u>	<u>(25,900,170)</u>
Total cash and cash equivalents	<u>\$ 88,575,767</u>	<u>\$ 64,850,639</u>

As at March 31, 2016 the Bank's statutory reserve deposits with The Central Bank of The Bahamas were above Central Bank's regulatory requirements.