

BANK OF THE BAHAMAS LIMITED
Unaudited Condensed Consolidated Interim Financial Statements
For the Period Ended September 30, 2016

BANK OF THE BAHAMAS LIMITED

UNAUDITED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at September 30, 2016 with comparative figures as at June 30, 2016

(Expressed in Bahamian Dollars)

| | September 30, 2016 | June 30, 2016 |
|--|-----------------------|-----------------------|
| ASSETS | | |
| Cash and account with The Central Bank | \$ 62,269,080 | \$ 150,891,387 |
| Due from banks | 39,751,031 | 42,486,741 |
| Investment securities | 41,332,452 | 31,198,019 |
| Loans and advances to customers, net | 507,446,013 | 509,884,153 |
| Investment property | 4,340,000 | 4,340,000 |
| Other assets | 7,369,640 | 6,296,220 |
| Notes receivable | 100,000,000 | 100,000,000 |
| Property and equipment | 6,399,900 | 6,828,711 |
| Intangible assets, net | 1,392,256 | 1,498,596 |
| TOTAL | \$ 770,300,372 | \$ 853,423,827 |
| LIABILITIES | | |
| Deposits from customers and banks | \$ 645,234,417 | \$ 764,352,914 |
| Other liabilities | 18,711,474 | 18,830,999 |
| Deferred loan fees | 6,125,964 | 6,149,778 |
| Total liabilities | 670,071,855 | 789,333,691 |
| EQUITY | | |
| Share capital | 60,653,749 | 45,838,935 |
| Share premium | 78,707,140 | 54,004,621 |
| Treasury shares | (1,318,224) | (1,318,224) |
| Reserves | 5,080,663 | 4,946,230 |
| Special retained earnings | 54,622,532 | 54,622,532 |
| Accumulated deficit | (97,517,343) | (94,003,958) |
| Total equity | 100,228,517 | 64,090,136 |
| TOTAL | \$ 770,300,372 | \$ 853,423,827 |

BANK OF THE BAHAMAS LIMITED

UNAUDITED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the three months ended September 30, 2016
with comparatives for the three months ended September 30, 2015
(Expressed in Bahamian Dollars)

| | Three Months | |
|---|-----------------------|---------------------|
| | 2016 | 2015 |
| Interest and similar income | \$ 9,930,843 | \$ 10,848,123 |
| Interest and similar expenses | 3,711,945 | 3,873,941 |
| Net Interest income | 6,218,898 | 6,974,182 |
| Fees and commission income | 1,616,938 | 1,387,120 |
| Fees and commission expense | 77,369 | 231,720 |
| Net fees and commission income | 1,539,569 | 1,155,400 |
| Other operating income | 626,358 | 2,013,092 |
| Total operating income | 8,384,825 | 10,142,674 |
| Credit loss expense, net | (4,386,508) | (2,554,538) |
| Net operating income | 3,998,317 | 7,588,136 |
| Operating expenses | 7,511,702 | 7,947,501 |
| Net loss | \$ (3,513,385) | \$ (359,365) |
| Other comprehensive income | | |
| Net gain on available-for-sale financial assets | 134,433 | 39,557 |
| Total comprehensive loss for the period | \$ (3,378,952) | \$ (319,808) |
| EARNINGS PER SHARE CALCULATION: | | |
| NET LOSS | \$ (3,513,385) | \$ (359,365) |
| WEIGHTED AVERAGE NUMBER OF COMMON SHARES | 26,326,195 | 21,387,924 |
| LOSS PER SHARE | \$ (0.13) | \$ (0.02) |

BANK OF THE BAHAMAS LIMITED

UNAUDITED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the three months ended September 30, 2016

with comparatives for the three months ended September 30, 2015

(Expressed in Bahamian Dollars)

| | Share Capital | Share Premium | Treasury Shares | Reserves | Accumulated Deficit | Special Retained Earnings | Total |
|--------------------------------------|----------------------|----------------------|-----------------------|---------------------|------------------------|------------------------------|-----------------------|
| 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 | - | - | - | - | (359,365) | - | (359,365) |
| Other comprehensive income | - | - | - | 39,557 | - | - | 39,557 |
| Balance at September 30, 2015 | \$ 49,238,935 | \$ 54,004,621 | \$ (1,318,224) | \$ 4,875,153 | \$ (70,956,688) | \$ 54,622,532 | \$ 90,466,329 |
| Balance at June 30, 2016 | \$ 45,838,935 | \$ 54,004,621 | \$ (1,318,224) | \$ 4,946,230 | \$ (94,003,958) | \$ 54,622,532 | \$ 64,090,136 |
| Net loss | - | - | - | - | (3,513,385) | - | (3,513,385) |
| Other comprehensive income | - | - | - | 134,433 | - | - | 134,433 |
| Issuance of ordinary shares | 14,814,814 | 24,702,519 | - | - | - | - | 39,517,333 |
| Balance at September 30, 2016 | \$ 60,653,749 | \$ 78,707,140 | \$ (1,318,224) | \$ 5,080,663 | \$ (97,517,343) | \$ 54,622,532 | \$ 100,228,517 |

BANK OF THE BAHAMAS LIMITED

UNAUDITED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the three months ended September 30, 2016
with comparatives for the three months ended September 30, 2015
(Expressed in Bahamian Dollars)

| | September 2016 | September 2015 |
|---|-----------------------------|-----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net loss | \$ (3,513,385) | \$ (359,365) |
| Adjustments for: | | |
| Depreciation and amortization | 652,566 | 647,937 |
| Net provision for loan losses | 4,386,508 | 2,554,538 |
| | <u>1,525,689</u> | <u>2,843,110</u> |
| Change in operating assets and liabilities | (4,128,419) | 1,866,063 |
| (Increase)/decrease in loans and advances to customers, net | (1,948,368) | 6,064,312 |
| (Decrease)/increase in deposits from customers and banks | (119,118,497) | 9,117,886 |
| Net cash (used in)/provided by operating activities | <u>(123,669,595)</u> | <u>19,891,371</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Acquisition of property and equipment | (87,915) | (281,136) |
| Acquisition of intangible assets | (29,500) | - |
| Purchase of investment securities | (10,000,000) | - |
| Net cash used in investing activities | <u>(10,117,415)</u> | <u>(281,136)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Issuance of ordinary shares | 39,517,333 | - |
| Net cash provided by financing activities | <u>39,517,333</u> | <u>-</u> |
| Net (decrease)/increase in cash and cash equivalents | (94,269,677) | 19,610,235 |
| Cash and cash equivalents, beginning of year | 166,554,048 | 58,436,878 |
| Cash and cash equivalents, end of period | <u>\$ 72,284,371</u> | <u>\$ 78,047,113</u> |

SUPPLEMENTAL INFORMATION:

| | | |
|-------------------|--------------|---------------|
| Interest received | \$ 9,724,351 | \$ 10,782,117 |
| Interest paid | \$ 4,285,605 | \$ 5,488,157 |

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

For the period ended September 30, 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. In September 6 - 12, 2016, the Bank entered into an ordinary shares rights offering for an aggregate amount of \$40 million for 14,814,814 ordinary voting shares. For each 1.44 ordinary shares held as at record date of September 5, 2016, shareholders had the right to purchase an additional 1 share. At the end of the offer period, the major shareholder subscribed for the entire offering and the Bank issued a total of \$39,517,333 in voting shares to its major shareholder at a price of \$2.70 per share. Costs totaling \$482,667 related to this ordinary share offering were netted against the proceeds. As a result, the Government of The Commonwealth of The Bahamas (the “Government”) and The National Insurance Board own approximately 79% 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, 2016 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.

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

For the period ended September 30, 2016
(Expressed in Bahamian Dollars)

3. Dividends

Due to the Bank's accumulated deficit position, on July 15, 2016 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, 2016 in the amount of \$816,000 (2015: \$1,970,000). There is no obligation for the Bank to repay the amounts remitted. During the year, the Bank paid no dividends to ordinary shareholders during the reporting years.

4. Provision for Loan Losses

| | September 30, 2016 | September 30, 2015 |
|---------------------------------------|-----------------------------|-----------------------------|
| At beginning of year | \$ 94,836,742 | \$ 72,441,789 |
| Amount written-off | (473,033) | (62,629) |
| Net provision charged to expense | 4,386,508 | 2,554,538 |
| Provision at the end of period | <u>\$ 98,750,217</u> | <u>\$ 74,933,698</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 September 30, 2016 was \$5,231,482 (2015: \$6,711,733).

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

For the period ended September 30, 2016
(Expressed in Bahamian Dollars)

6. Regulatory Capital

Regulatory capital consists of Tier 1 capital, which comprises share capital, reserves less goodwill and other intangible assets, 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.

| (in \$'000s) | September 30, 2016 | September 30, 2015 |
|---|-----------------------|-----------------------|
| Tier 1 capital | \$ 69,541 | \$ 58,336 |
| Tier 2 capital | 31,071 | 35,002 |
| Total capital | <u>\$ 100,612</u> | <u>\$ 93,338</u> |
| | | |
| Total qualifying assets | <u>\$ 869,051</u> | <u>\$ 896,619</u> |
| | | |
| Risk weighted assets | <u>\$ 526,404</u> | <u>\$ 520,924</u> |
| | | |
| Tier 1 capital ratio | 8.0% | 6.5% |
| Total capital ratio | 11.6% | 10.4% |
| | | |
| <u>Ratios</u> | | |
| CET1 must be at least 9.6% of total Risk Weighted Assets | 13.2% | 11.1% |
| Total Tier 1 Capital must be at least 12.8% of Total Risk Weighted Assets | 13.2% | 11.1% |
| Total Capital must be at least 18.0% of Total Risk Weighted Assets | 19.1% | 17.8% |
| CET1 must be at least 75% of Total Tier 1 Capital | 100.0% | 100.0% |
| Total Tier 1 Capital must be a minimum of 75% of Total Capital | 69.1% | 62.4% |

Effective September 30, 2016, the minimum capital requirement for the ratio on Total Capital of Total Risk Weighted Assets increased to 18.0% for the Bank.

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

For the period ended September 30, 2016
(Expressed in Bahamian Dollars)

7. Cash and Cash Equivalents

| | September 30, 2016 | September 30, 2015 |
|--|-----------------------------|-----------------------------|
| Cash | \$ 11,118,006 | \$ 11,900,165 |
| Deposits with the Central Bank- non-interest bearing | 51,151,074 | 53,668,362 |
| Due from Banks | 39,751,031 | 38,463,886 |
| Cash and due from Banks | <u>102,020,111</u> | <u>104,032,413</u> |
| Less: Mandatory reserve deposits with the Central Bank | <u>(29,735,740)</u> | <u>(25,985,300)</u> |
| Total cash and cash equivalents | <u>\$ 72,284,371</u> | <u>\$ 78,047,113</u> |

As at September 30, 2016 the Bank's statutory reserve deposits with The Central Bank of The Bahamas were above Central Bank's regulatory requirements.