

**BANK OF THE BAHAMAS LIMITED**  
**Unaudited Condensed Consolidated Interim Financial Statements**  
**For the Period Ended March 31, 2017**

# BANK OF THE BAHAMAS LIMITED

## UNAUDITED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at March 31, 2017 with comparative figures as at June 30, 2016

(Expressed in Bahamian Dollars)

|  | March 31,<br>2017     | June 30,<br>2016      |
|--|-----------------------|-----------------------|
| <b>ASSETS</b>                          |                       |                       |
| Cash and account with The Central Bank | \$ 45,285,067         | \$ 150,891,387        |
| Due from banks                         | 41,267,138            | 42,486,741            |
| Investment securities                  | 41,429,691            | 31,198,018            |
| Loans and advances to customers, net   | 498,519,554           | 509,884,153           |
| Investment property                    | 4,340,000             | 4,340,000             |
| Other assets                           | 7,925,109             | 6,296,220             |
| Property and equipment                 | 5,814,788             | 6,828,712             |
| Intangible assets, net                 | 1,123,199             | 1,498,596             |
| Notes receivable                       | 100,000,000           | 100,000,000           |
| <b>TOTAL</b>                           | <b>\$ 745,704,546</b> | <b>\$ 853,423,827</b> |
| <b>LIABILITIES</b>                     |                       |                       |
| Deposits from customers and banks      | \$ 620,707,397        | \$ 764,352,914        |
| Other liabilities                      | 19,408,846            | 18,830,998            |
| Contingent convertible bond            | 10,000,000            | -                     |
| Deferred loan fees                     | 6,174,261             | 6,149,779             |
| <b>Total liabilities</b>               | <b>656,290,504</b>    | <b>789,333,691</b>    |
| <b>EQUITY</b>                          |                       |                       |
| Share capital                          | 57,253,749            | 45,838,935            |
| Share premium                          | 78,707,140            | 54,004,621            |
| Treasury shares                        | (1,318,224)           | (1,318,224)           |
| Reserves                               | 5,177,902             | 4,946,230             |
| Special retained earnings              | 54,622,532            | 54,622,532            |
| Accumulated deficit                    | (105,029,057)         | (94,003,958)          |
| <b>Total equity</b>                    | <b>89,414,042</b>     | <b>64,090,136</b>     |
| <b>TOTAL</b>                           | <b>\$ 745,704,546</b> | <b>\$ 853,423,827</b> |

**BANK OF THE BAHAMAS LIMITED****UNAUDITED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME**

For the nine months ended March 31, 2017  
with comparatives for the nine months ended March 31, 2016  
(Expressed in Bahamian Dollars)

|  | Three Months          |                       | Nine Months            |                       |
|--|-----------------------|-----------------------|------------------------|-----------------------|
|  | 2017                  | 2016                  | 2017                   | 2016                  |
| Interest and similar income                            | \$ 9,207,909          | \$ 9,788,184          | \$ 29,056,174          | \$ 30,811,376         |
| Interest and similar expenses                          | 2,933,645             | 3,892,202             | 10,020,165             | 11,695,858            |
| Net interest income                                    | <u>6,274,264</u>      | <u>5,895,982</u>      | <u>19,036,009</u>      | <u>19,115,518</u>     |
| Fees and commission income                             | 1,773,121             | 1,475,672             | 4,976,855              | 4,331,882             |
| Fees and commission expense                            | 104,023               | 188,158               | 246,154                | 618,926               |
| Net fees and commission income                         | <u>1,669,098</u>      | <u>1,287,514</u>      | <u>4,730,701</u>       | <u>3,712,956</u>      |
| Other operating income                                 | 811,167               | 760,546               | 2,046,457              | 3,371,375             |
| Total operating income                                 | 8,754,529             | 7,944,042             | 25,813,167             | 26,199,849            |
| Credit loss expense, net                               | (6,621,587)           | (3,085,568)           | (13,858,282)           | (9,220,028)           |
| Net operating income                                   | <u>2,132,942</u>      | <u>4,858,474</u>      | <u>11,954,885</u>      | <u>16,979,821</u>     |
| Operating expenses                                     | 7,668,919             | 7,961,008             | 22,979,984             | 23,833,366            |
| Net loss   | <u>(5,535,977)</u>    | <u>(3,102,534)</u>    | <u>(11,025,099)</u>    | <u>(6,853,545)</u>    |
| <b>Other comprehensive income</b>                      |                       |                       |                        |                       |
| Net gain/(loss) on available-for-sale financial assets | 170,996               | (16,863)              | 231,672                | 147,040               |
| Total comprehensive loss for the period                | <u>\$ (5,364,981)</u> | <u>\$ (3,119,397)</u> | <u>\$ (10,793,427)</u> | <u>\$ (6,706,505)</u> |
| <b>EARNINGS PER SHARE CALCULATION:</b>                 |                       |                       |                        |                       |
| <b>NET LOSS</b>  | \$ (5,535,977)        | \$ (3,102,534)        | \$ (11,025,099)        | \$ (6,853,545)        |
| <b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES</b>        | <u>32,910,557</u>     | <u>21,387,924</u>     | <u>32,910,557</u>      | <u>21,387,924</u>     |
| <b>LOSS PER SHARE</b>                                  | <u>\$ (0.17)</u>      | <u>\$ (0.15)</u>      | <u>\$ (0.34)</u>       | <u>\$ (0.32)</u>      |

## BANK OF THE BAHAMAS LIMITED

### UNAUDITED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the nine months ended March 31, 2017

with comparatives for the nine months ended March 31, 2016

(Expressed in Bahamian Dollars)

|                                  | Share<br>Capital     | Share<br>Premium     | Treasury<br>Shares    | Reserves            | Accumulated<br>Deficit  | Special<br>Retained Earnings | Total                |
|----------------------------------|----------------------|----------------------|-----------------------|---------------------|-------------------------|------------------------------|----------------------|
| <b>Balance at June 30, 2015</b>  | \$ 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)          |
| <b>Balance at March 31, 2016</b> | <b>\$ 45,838,935</b> | <b>\$ 54,004,621</b> | <b>\$ (1,318,224)</b> | <b>\$ 4,982,636</b> | <b>\$ (77,450,868)</b>  | <b>\$ 54,622,532</b>         | <b>\$ 80,679,632</b> |
| <b>Balance at June 30, 2016</b>  | \$ 45,838,935        | \$ 54,004,621        | \$ (1,318,224)        | \$ 4,946,230        | \$ (94,003,958)         | \$ 54,622,532                | \$ 64,090,136        |
| Net loss                         | -                    | -                    | -                     | -                   | (11,025,099)            | -                            | (11,025,099)         |
| Other comprehensive income       | -                    | -                    | -                     | 231,672             | -                       | -                            | 231,672              |
| Issuance of ordinary shares      | 14,814,814           | 24,702,519           | -                     | -                   | -                       | -                            | 39,517,333           |
| Redemption of preference shares  | (3,400,000)          | -                    | -                     | -                   | -                       | -                            | (3,400,000)          |
| <b>Balance at March 31, 2017</b> | <b>\$ 57,253,749</b> | <b>\$ 78,707,140</b> | <b>\$ (1,318,224)</b> | <b>\$ 5,177,902</b> | <b>\$ (105,029,057)</b> | <b>\$ 54,622,532</b>         | <b>\$ 89,414,042</b> |

# BANK OF THE BAHAMAS LIMITED

## UNAUDITED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the nine months ended March 31, 2017  
with comparatives for the nine months ended March 31, 2016  
(Expressed in Bahamian Dollars)

|   | <b>March<br/>2017</b>       | <b>March<br/>2016</b>       |
|---|-----------------------------|-----------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                |                             |                             |
| Net loss  | \$ (11,025,099)             | \$ (6,853,545)              |
| Adjustments for:  |                             |                             |
| Depreciation and amortization                               | 1,838,319                   | 1,943,013                   |
| Net provision for loan losses                               | 13,858,282                  | 9,220,028                   |
|   | <u>4,671,502</u>            | <u>4,309,496</u>            |
| Change in operating assets and liabilities                  | 1,718,910                   | 1,480,723                   |
| (Increase)/decrease in loans and advances to customers, net | (2,493,683)                 | 26,579,338                  |
| (Decrease)/increase in deposits from customers and banks    | (143,645,517)               | 1,381,039                   |
| Net cash (used in)/provided by operating activities         | <u>(139,748,788)</u>        | <u>33,750,596</u>           |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                |                             |                             |
| Acquisition of property and equipment                       | (416,718)                   | (671,607)                   |
| Acquisition of intangible assets                            | (32,280)                    | -                           |
| Purchase of investment securities                           | (10,000,000)                | -                           |
| Proceeds from maturity of investment securities             | -                           | 459,900                     |
| Net cash used in investing activities                       | <u>(10,448,998)</u>         | <u>(211,707)</u>            |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>                |                             |                             |
| Issuance of ordinary shares                                 | 39,517,333                  | -                           |
| Redemption of preference shares                             | (3,400,000)                 | (3,400,000)                 |
| Issuance of contingent convertible bond                     | 10,000,000                  | -                           |
| Net cash provided by/(used in) financing activities         | <u>46,117,333</u>           | <u>(3,400,000)</u>          |
| Net (decrease)/increase in cash and cash equivalents        | (104,080,453)               | 30,138,889                  |
| Cash and cash equivalents, beginning of year                | 166,554,048                 | 58,436,878                  |
| <b>Cash and cash equivalents, end of period</b>             | <u><b>\$ 62,473,595</b></u> | <u><b>\$ 88,575,767</b></u> |

### SUPPLEMENTAL INFORMATION:

|                   |               |               |
|-------------------|---------------|---------------|
| Interest received | \$ 28,520,068 | \$ 29,908,840 |
| Interest paid     | \$ 10,671,059 | \$ 13,102,467 |

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

For the period ended March 31, 2017  
(Expressed in Bahamian Dollars)

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**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. During the period from 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 majority of the offering and the Bank issued a total of \$39,517,333 in voting shares to its shareholders 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 now 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 basis, except for available-for-sale financial assets and investment property which have been measured at fair value. The preparation of the consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank’s accounting policies.

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For the period ended March 31, 2017  
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**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. There is no obligation for the Bank to repay the amounts remitted. Subsequently, no further dividend payments were made. During the period, the Bank paid no dividends to ordinary shareholders.

**4. Provision for Loan Losses**

|                                       | March 31,<br>2017            | March 31,<br>2016           |
|---------------------------------------|------------------------------|-----------------------------|
| Balance as at June 30                 | \$ 94,836,742                | \$ 72,441,789               |
| Amount written-off                    | (3,122,884)                  | (2,080,468)                 |
| Net provision charged to expense      | 13,858,282                   | 9,220,028                   |
| <b>Provision at the end of period</b> | <b><u>\$ 105,572,140</u></b> | <b><u>\$ 79,581,349</u></b> |

**5. Contingent Convertible Bond**

The Bank offered a private placement of \$30,000,000 at 3.125% Fixed Rate Perpetual Contingent Convertible Bonds to accredited investors only. This private placement was offered in three tranches of \$10,000,000 each. The first tranche has been subscribed by and issued to the Government as at December 31, 2016. This private placement offering has ended and closed on February 28, 2017.

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**Selected Explanatory Notes to the Unaudited Condensed Consolidated Financial Statements**

For the period ended March 31, 2017  
(Expressed in Bahamian Dollars)

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**6. Commitments and Contingencies**

*Commitment*

The commitment for loans and advances at March 31, 2017 was \$6,049,778 (2016: \$8,330,922).

*Contingencies*

Litigation is a common occurrence in the banking industry due to the nature of the business undertaken. The Bank has legal counsels for managing legal claims. Once professional advice has been obtained and the amount of loss reasonably estimated, the Bank makes adjustments to account for any adverse effects which the claims may have on its financial standing. 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.

**BANK OF THE BAHAMAS LIMITED**  
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**Statements**

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**7. Regulatory Capital**

Regulatory capital consists of Tier 1 and Tier 2 capital. Total Tier 1 capital comprises of Common Equity Tier 1 and Additional Tier 1 capital.

| (in \$'000s)             | March 31,<br>2017     | March 31,<br>2016     |
|--------------------------|-----------------------|-----------------------|
| Tier 1 capital           | \$ 72,298             | \$ 50,839             |
| Tier 2 capital           | 27,653                | 31,642                |
| Total capital            | <u>\$ 99,951</u>      | <u>\$ 82,481</u>      |
| <br>Risk weighted assets | <br><u>\$ 517,137</u> | <br><u>\$ 590,937</u> |

Ratios

|  |       |        |
|--|-------|--------|
| CET1 must be at least 9.6% of total Risk Weighted Assets                         | 12.0% | 8.6%   |
| Total Tier 1 Capital must be at least 12.8% of Total Risk Weighted Assets        | 14.0% | 8.6%   |
| Total Capital must be at least 18.0% of Total Risk Weighted Assets (2015: 17.0%) | 19.3% | 14.0%  |
| CET1 must be at least 75% of Total Tier 1 Capital                                | 86.2% | 100.0% |
| Total Tier 1 Capital must be a minimum of 75% of Total Capital                   | 72.3% | 61.6%  |

Effective September 30, 2016, the minimum capital requirement for the ratio on Total Capital of Total Risk Weighted Assets increased from 17.0% to 18.0% for the Bank.

In accordance with Basel III, since December 2014, the Bank redeems annually \$3,400,000 of preference shares.

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(Expressed in Bahamian Dollars)

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**8. Cash and Cash Equivalents**

|  | March 31,<br>2017           | March 31,<br>2016           |
|--|-----------------------------|-----------------------------|
| Cash   | \$ 12,864,394               | \$ 13,821,741               |
| Deposits with the Central Bank- non-interest bearing   | 32,420,673                  | 61,892,397                  |
| Due from Banks   | 41,267,138                  | 39,391,909                  |
| Cash and due from Banks                                | <u>86,552,205</u>           | <u>115,106,047</u>          |
| Less: Mandatory reserve deposits with the Central Bank | <u>(24,078,610)</u>         | <u>(26,530,280)</u>         |
| <b>Total cash and cash equivalents</b>                 | <b><u>\$ 62,473,595</u></b> | <b><u>\$ 88,575,767</u></b> |

As at March 31, 2017 the Bank's statutory reserve deposits with The Central Bank of The Bahamas were above Central Bank's regulatory requirements.