



The prolonged impact of the financial crises and resulting recession continues to negatively impact the Bank's financial results. Profitability for the Bank is largely dependent on the performance of the loan portfolio and the overall results highlight the ongoing challenges with systematically high loan delinquencies and reduced values on collateral holdings characteristic of the current economic environment.

Consequently, the Bank recognized a reduction in interest income caused by an increase in non-performing loans and loan restructures. In tandem with this experience, and in conformity with sound banking practices, the Bank increased its loans loss provision by \$4.7 million during the review quarter resulting in a year-to-date total of approximately \$11 million. Operating expenses continue to be managed soundly and are below previous period levels. Largely as a result of the foregoing, the Bank experienced a net comprehensive loss of \$5.975 million for the six month reporting period.

Although overall results are being adversely impacted by current economic conditions, the Bank continues to maintain a strong balance sheet with total assets of approximately \$894 million as of December 31, 2013. The capital adequacy ratios remain robust and the total risk adjusted capital ratio ended at 21.79%, well above The Central Bank's required guidelines.

Sustainable growth is a primary focus for the Bank and despite the challenged economic environment, our outlook remains positive for the medium to long term. In this context, the Bank has recently achieved positive results from credit remediation solutions and anticipates improved financial performance in the medium term. The Bank continues to make the requisite operational adjustments as it seeks to enhance its capacity especially in the area of human capital and workflow processes. We remain satisfied that our efforts will materialize in financial improvements in the very short term.

We thank our BOB team of employees, senior management, directors, shareholders and most importantly our individual and institutional customers who have remained loyal in their continued support of the Bank.



Paul J.I. McWeeney
Managing Director

BANK OF THE BAHAMAS LIMITED
Unaudited Condensed Consolidated Interim Financial Statements
For the Period Ended December 31, 2013

BANK OF THE BAHAMAS LIMITED

UNAUDITED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at December 31, 2013 with comparative figures as at June 30, 2013

(Expressed in Bahamian Dollars)

	December 31, 2013	June 30, 2013
ASSETS		
Cash and account with The Central Bank	\$ 52,762,850	\$ 47,762,093
Due from banks	28,371,263	25,573,666
Investment securities	65,131,868	60,780,439
Loans and advances to customers, net	725,815,845	735,088,784
Investment property	3,882,873	3,882,873
Other assets	2,861,444	3,165,142
Property and equipment	12,065,525	10,683,370
Intangible assets, net	2,783,165	3,120,016
TOTAL	\$ 893,674,833	\$ 890,056,383
LIABILITIES		
Deposits from customers and banks	742,315,276	723,241,226
Other borrowed funds	-	5,000,000
Other liabilities	13,114,933	12,088,778
Deferred loan fees	7,055,775	7,543,798
Total liabilities	762,485,984	747,873,802
EQUITY		
Share capital	52,638,935	56,038,935
Share premium	54,004,621	54,004,621
Treasury shares	(1,318,224)	(930,809)
Reserves	4,650,179	4,508,851
Retained earnings	21,213,338	28,560,983
Total equity	131,188,849	142,182,581
TOTAL	\$ 893,674,833	\$ 890,056,383

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

For the six months ended December 31, 2013
with comparatives for the six months ended December 31, 2012
(Expressed in Bahamian Dollars)

	Three Months		Six Months	
	2013	2012	2013	2012
Interest and similar income	\$ 11,522,274	16,664,898	\$ 27,159,496	\$ 32,825,477
Interest and similar expenses	4,759,635	5,522,369	9,896,131	11,071,105
Net Interest income	<u>6,762,639</u>	<u>11,142,529</u>	<u>17,263,365</u>	<u>21,754,372</u>
Fees and commission income	1,085,272	1,039,870	2,128,192	1,986,260
Fees and commission expense	110,184	101,406	218,017	207,537
Net fees and commission income	<u>975,088</u>	<u>938,464</u>	<u>1,910,175</u>	<u>1,778,723</u>
Other operating income	551,922	665,498	1,209,484	1,340,710
Total operating income	8,289,651	12,746,491	20,383,023	24,873,805
Credit loss expense, net	(4,734,210)	(3,975,030)	(10,960,645)	(6,393,045)
Net operating Income	<u>3,555,441</u>	<u>8,771,461</u>	<u>9,422,378</u>	<u>18,480,760</u>
Operating expenses	7,727,646	8,100,915	15,538,773	15,749,805
Net (loss)/income	<u>\$ (4,172,205)</u>	<u>670,545</u>	<u>\$ (6,116,395)</u>	<u>\$ 2,730,955</u>
Other comprehensive income				
Net gain on available-for-sale financial assets	119,185	76,003	141,328	117,806
Total comprehensive (loss)/income for the period	<u>\$ (4,053,020)</u>	<u>\$ 746,548</u>	<u>\$ (5,975,067)</u>	<u>\$ 2,848,761</u>
EARNINGS PER SHARE CALCULATION:				
NET (LOSS)/INCOME	\$ (4,172,205)	\$ 670,545	\$ (6,116,395)	\$ 2,730,955
PREFERENCE SHARE DIVIDEND	-	-	(1,231,250)	(1,231,250)
NET (LOSS)/ INCOME AVAILABLE TO COMMON SHAREHOLDERS	<u>\$ (4,172,205)</u>	<u>\$ 670,545</u>	<u>\$ (7,347,645)</u>	<u>\$ 1,499,705</u>
WEIGHTED AVERAGE NUMBER OF COMMON SHARES	<u>21,416,090</u>	<u>15,492,412</u>	<u>21,416,090</u>	<u>15,492,412</u>
(LOSS)/EARNINGS PER SHARE	<u>\$ (0.19)</u>	<u>\$ 0.04</u>	<u>\$ (0.34)</u>	<u>\$ 0.10</u>

BANK OF THE BAHAMAS LIMITED

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended December 31, 2013

with comparatives for the six months ended December 31, 2012

(Expressed in Bahamian Dollars)

	Share Capital	Share Premium	Treasury Shares	Reserves	Retained Earnings	Total
Balance, June 30, 2012	\$ 50,015,990	\$ 28,587,866	\$ (531,768)	\$ 4,266,896	\$ 34,778,308	\$ 117,117,292
Net income	-	-	-	-	2,730,955	2,730,955
Purchase of treasury shares	-	-	(238,369)	-	-	(238,369)
Other comprehensive income	-	-	-	117,806	-	117,806
Dividends on preference shares	-	-	-	-	(1,231,250)	(1,231,250)
Balance at December 31, 2012	\$ 50,015,990	\$ 28,587,866	\$ (770,137)	\$ 4,384,702	\$ 36,278,013	\$ 118,496,434
Balance at June 30, 2013	\$ 56,038,935	\$ 54,004,621	\$ (930,809)	\$ 4,508,851	\$ 28,560,983	\$ 142,182,581
Net loss	-	-	-	-	(6,116,395)	(6,116,395)
Redemption of preference shares	(3,400,000)	-	-	-	-	(3,400,000)
Purchase of treasury shares	-	-	(387,415)	-	-	(387,415)
Other comprehensive income	-	-	-	141,328	-	141,328
Dividends on preference shares	-	-	-	-	(1,231,250)	(1,231,250)
Balance at December 31, 2013	\$ 52,638,935	\$ 54,004,621	\$ (1,318,224)	\$ 4,650,179	\$ 21,213,338	\$ 131,188,849

BANK OF THE BAHAMAS LIMITED

UNAUDITED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six months ended December 31, 2013
with comparatives for the six months ended December 31, 2012
(Expressed in Bahamian Dollars)

	December 31, 2013	December 31, 2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (loss)/income	\$ (6,116,395)	\$ 2,730,955
Adjustments for:		
Depreciation and amortization	1,477,222	1,118,836
Net provision for loan losses	10,960,645	6,393,045
	<u>6,321,472</u>	<u>10,242,836</u>
Change in operating assets and liabilities	(4,782,460)	(18,922,530)
Increase in loans and advances to customers, net	(1,687,705)	(50,765,834)
Increase in deposits from customers and banks	19,074,050	53,898,933
Net cash provided by/(used in) operating activities	<u>18,925,357</u>	<u>(5,546,595)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	\$ (2,467,869)	\$ (2,418,348)
Acquisition of intangible assets	(54,656)	-
Purchase of investment securities	(4,210,100)	(10,000,000)
Proceeds from maturity of investment securities	-	4,000,000
Net cash used in investing activities	<u>(6,732,625)</u>	<u>(8,418,348)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Dividends on preference shares	\$ (1,231,250)	\$ (1,231,250)
Increase in interest payable on bonds	-	374,551
Redemption of preference shares	(3,400,000)	-
Purchase of treasury shares	(387,415)	(238,369)
Net cash used in financing activities	<u>(5,018,665)</u>	<u>(1,095,068)</u>
Net increase/(decrease) in cash and cash equivalents	7,174,066	(15,060,011)
Cash and cash equivalents, beginning of year	45,662,497	66,169,279
Cash and cash equivalents, end of period	<u>\$ 52,836,563</u>	<u>\$ 51,109,268</u>

SUPPLEMENTAL INFORMATION:

Interest received	\$ 33,040,579	\$ 29,596,776
Interest paid	\$ 10,312,196	\$ 11,305,196
Dividends paid	\$ 1,231,250	\$ 1,231,250

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

For the period ended December 31, 2013
(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 a 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 and The National Insurance Board own approximately 65% of the issued shares. The remaining shares are owned by approximately 4,000 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, 2013 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

The Bank declared and paid preference shares dividends of \$1,231,250 during the current period.

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

For the period ended December 31, 2013
(Expressed in Bahamian Dollars)

4. Provision for Loan Losses

	December 31, 2013	December 31, 2012
At beginning of year	\$ 30,138,433	\$ 26,117,805
Amount written-off	(2,591,719)	(933,970)
Net recoveries	29,757	(224,872)
Provision charged to expense	10,930,888	6,617,917
Provision at the end of period	<u>\$ 38,507,359</u>	<u>\$ 31,576,880</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 at December 31, 2013 was \$5,027,881 (2012: \$17,831,543).

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

For the period ended December 31, 2013
(Expressed in Bahamian Dollars)

6. Regulatory Capital

Regulatory capital consists of Tier 1 capital, which comprises share capital, less goodwill and retained earnings including current year profit or loss. The other component of regulatory capital is Tier 2 capital, which comprises of long term debt, revaluation reserves on available-for-sale securities and general reserves.

The Central Bank of The Bahamas regulations requires that the Bank maintains total capital and risk adjusted capital to asset ratio equal to or greater than 14% and 17% respectively. The Bank's total capital and risk adjusted capital ratio at December 31, 2013 was 15.19% (2012: 13.45%) and 21.79% (2012: 20.29%) respectively.

(in \$'000s)	December 31, 2013	December 31, 2012
Tier 1 capital	\$ 94,447	\$ 78,620
Tier 2 capital	41,425	42,012
Total capital	<u>\$ 135,872</u>	<u>\$ 120,632</u>
 Total qualifying assets	 <u>\$ 894,751</u>	 <u>\$ 897,068</u>
 Risk weighted assets	 <u>\$ 623,438</u>	 <u>\$ 594,456</u>
 Tier 1 capital ratio	 10.56%	 8.76%
Total capital ratio	15.19%	13.45%
 Risk adjusted tier 1 capital ratio	 15.15%	 13.23%
Risk adjusted total capital ratio	21.79%	20.29%

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

For the period ended December 31, 2013
(Expressed in Bahamian Dollars)

7. Cash and Cash Equivalents

	December 31, 2013	December 31, 2012
Cash	\$ 12,029,251	\$ 13,551,652
Deposits with the Central Bank- non-interest bearing	40,733,599	39,675,256
Due from Banks	<u>28,371,263</u>	<u>24,141,390</u>
Cash and due from Banks	81,134,113	77,368,298
Less: Mandatory reserve deposits with the Central Bank	<u>(28,297,550)</u>	<u>(26,259,030)</u>
Total cash and cash equivalents	<u>\$ 52,836,563</u>	<u>\$ 51,109,268</u>

8. Comparatives

Certain corresponding figures in the Consolidated Statement of Comprehensive Income for interest and similar income and other operating income have been reclassified to conform to the financial statement presentation adopted in the current year.