

**BANK OF THE BAHAMAS LIMITED**  
**Unaudited Condensed Consolidated Interim Financial Statements**  
**For the Period Ended December 31, 2014**

# BANK OF THE BAHAMAS LIMITED

## UNAUDITED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at December 31, 2014 with comparative figures as at June 30, 2014

(Expressed in Bahamian Dollars)

	December 31, 2014	June 30, 2014
<b>ASSETS</b>		
Cash and account with The Central Bank	\$ 34,762,132	\$ 25,712,146
Due from banks	38,103,240	26,628,530
Investment securities	31,526,717	35,094,083
Loans and advances to customers, net	597,250,238	660,550,561
Investment property	3,882,873	3,882,873
Other assets	13,490,518	4,954,376
Notes Receivable	100,000,000	-
Property and equipment	11,093,615	11,772,812
Intangible assets, net	2,216,309	2,474,056
<b>TOTAL</b>	<b>\$ 832,325,642</b>	<b>\$ 771,069,437</b>
<b>LIABILITIES</b>		
Deposits from customers and banks	698,891,227	\$ 679,231,606
Other liabilities	15,745,239	15,250,689
Deferred loan fees	6,422,214	6,849,971
<b>Total liabilities</b>	<b>721,058,681</b>	<b>701,332,266</b>
<b>EQUITY</b>		
Share capital	49,238,935	52,638,935
Share premium	54,004,621	54,004,621
Treasury shares	(1,318,224)	(1,318,224)
Reserves	4,815,028	4,612,395
Special Retained Earnings	54,622,532	-
Accumulated deficit	(50,095,930)	(40,200,556)
<b>Total equity</b>	<b>111,266,962</b>	<b>69,737,171</b>
<b>TOTAL</b>	<b>\$ 832,325,642</b>	<b>\$ 771,069,437</b>

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

For the six months ended December 31, 2014  
with comparatives for the six months ended December 31, 2013  
(Expressed in Bahamian Dollars)

	Three Months		Six Months	
	2014	2013	2014	2013
Interest and similar income	\$ 10,799,455	\$ 11,522,274	\$ 21,333,630	\$ 27,159,496
Interest and similar expenses	4,297,335	4,759,635	8,571,857	9,896,131
Net Interest income	<u>6,502,120</u>	<u>6,762,639</u>	<u>12,761,773</u>	<u>17,263,365</u>
Fees and commission income	1,155,721	1,085,272	2,348,306	2,128,192
Fees and commission expense	430,089	110,184	736,347	218,017
Net fees and commission income	<u>725,632</u>	<u>975,088</u>	<u>1,611,959</u>	<u>1,910,175</u>
Other operating income	704,851	551,923	1,293,535	1,209,484
Total operating income	7,932,603	8,289,651	15,667,267	20,383,023
Credit loss expense, net	(5,083,057)	(4,734,210)	(8,795,753)	(10,960,645)
Net operating Income	<u>2,849,546</u>	<u>3,555,441</u>	<u>6,871,514</u>	<u>9,422,378</u>
Operating expenses	8,546,965	7,727,646	16,766,887	15,538,773
Net loss	<u>\$ (5,697,419)</u>	<u>\$ (4,172,205)</u>	<u>\$ (9,895,374)</u>	<u>\$ (6,116,395)</u>
<b>Other comprehensive income</b>				
Net gain on available-for-sale financial assets	197,039	119,185	202,633	141,328
Total comprehensive loss for the period	<u>(5,500,380)</u>	<u>(4,053,020)</u>	<u>\$ (9,692,741)</u>	<u>\$ (5,975,067)</u>
<b>EARNINGS PER SHARE CALCULATION:</b>				
<b>NET LOSS</b>	\$ (5,697,419)	\$ (4,172,205)	\$ (9,895,374)	\$ (6,116,395)
<b>PREFERENCE SHARE DIVIDEND</b>	-	-	-	(1,231,250)
<b>NET LOSS AVAILABLE TO</b>				
<b>COMMON SHAREHOLDERS</b>	<u>\$ (5,697,419)</u>	<u>\$ (4,172,205)</u>	<u>\$ (9,895,374)</u>	<u>\$ (7,347,645)</u>
<b>WEIGHTED AVERAGE NUMBER OF</b>				
<b>COMMON SHARES</b>	21,387,924	21,416,090	21,387,924	21,416,090
<b>LOSS PER SHARE</b>	<u>\$ (0.27)</u>	<u>\$ (0.19)</u>	<u>\$ (0.46)</u>	<u>\$ (0.34)</u>

## BANK OF THE BAHAMAS LIMITED

### UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended December 31, 2014

with comparatives for the six months ended December 31, 2013

(Expressed in Bahamian Dollars)

	<u>Share Capital</u>	<u>Share Premium</u>	<u>Treasury Shares</u>	<u>Reserves</u>	<u>Retained Earnings/ Accumulated Deficit</u>	<u>Special Retained Earnings</u>	<u>Total</u>
<b>Balance, June 30, 2013</b>	\$ 56,038,935	\$ 54,004,621	\$ (930,809)	\$ 4,508,851	\$ 28,546,353	\$ -	\$ 142,167,951
Net loss	-	-	-	-	(6,116,395)	-	(6,116,395)
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)
Redemption of preference shares	(3,400,000)	-	-	-	-	-	(3,400,000)
<b>Balance at December 31, 2013</b>	<b>\$ 52,638,935</b>	<b>\$ 54,004,621</b>	<b>\$ (1,318,224)</b>	<b>\$ 4,650,179</b>	<b>\$ 21,198,708</b>	<b>\$ -</b>	<b>\$ 131,174,219</b>
Balance at 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
<b>Balance at December 31, 2014</b>	<b>\$ 49,238,935</b>	<b>\$ 54,004,621</b>	<b>\$ (1,318,224)</b>	<b>\$ 4,815,028</b>	<b>\$ (50,095,930)</b>	<b>\$ 54,622,532</b>	<b>\$ 111,266,962</b>

# BANK OF THE BAHAMAS LIMITED

## UNAUDITED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six months ended December 31, 2014  
with comparatives for the six months ended December 31, 2013  
(Expressed in Bahamian Dollars)

	<b>December, 2014</b>	<b>December, 2013</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss	\$ (9,895,374)	\$ (6,116,395)
Adjustments for:		
Depreciation and amortization	1,360,056	1,477,222
Net provision for loan losses	8,795,753	10,960,645
	<u>260,435</u>	<u>6,321,472</u>
Change in operating assets and liabilities	(9,388,191)	(4,782,461)
Decrease/(increase) in loans and advances to customers, net	9,127,102	(1,687,705)
Increase in deposits from customers and banks	19,659,621	19,074,050
Net cash provided by operating activities	<u>19,658,967</u>	<u>18,925,356</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Acquisition of property and equipment	(390,304)	(2,467,869)
Acquisition of intangible assets	(32,807)	(54,656)
Purchase of investment securities	-	(4,210,100)
Proceeds from maturity of investment securities	3,770,000	-
Net cash provided by/(used in) investing activities	<u>3,346,889</u>	<u>(6,732,625)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Dividends on preference shares	-	(1,231,250)
Redemption of preference shares	(3,400,000)	(3,400,000)
Purchase of treasury shares	-	(387,415)
Net cash used in financing activities	<u>(3,400,000)</u>	<u>(5,018,665)</u>
Net increase in cash and cash equivalents	19,605,856	7,174,066
Cash and cash equivalents, beginning of year	26,928,676	45,662,497
<b>Cash and cash equivalents, end of period</b>	<u><u>\$ 46,534,532</u></u>	<u><u>\$ 52,836,563</u></u>

### SUPPLEMENTAL INFORMATION:

Interest received	\$ 21,401,805	\$ 33,040,579
Interest paid	\$ 8,098,636	\$ 10,312,196
Dividends paid	\$ -	\$ 1,231,250

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

For the period ended December 31, 2014  
(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. 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 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, 2014 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 21, 2014, and January 9, 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 in the amount of \$1.1 million and \$1.1 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 (2013: \$1,231,250) during the period.

**BANK OF THE BAHAMAS LIMITED**  
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**4. Provision for Loan Losses**

	December 31, 2014	December 31, 2013
At beginning of year	\$ 96,095,481	\$ 30,749,745
Amount written-off	(43,376,780)	(2,591,719)
Net recoveries	149,513	29,757
Provision charged to expense	8,646,240	10,930,888
<b>Provision at the end of period</b>	<b><u>\$ 61,514,454</u></b>	<b><u>\$ 39,118,671</u></b>

**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, 2014 was \$6,131,027.48 (2013: \$5,027,881.45).

**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.

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**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 11.70% and 17.00% respectively. The Bank's risk adjusted tier 1 capital ratio and risk adjusted capital ratio as at December 31, 2014 was 13.53% (2013: 14.25%) and 20.18% (2013: 20.51%) respectively.

(in \$'000s)	December 31, 2014	December 31, 2013
Tier 1 capital	\$ 77,761	\$ 94,433
Tier 2 capital	38,248	41,425
Total capital	<u>\$ 116,009</u>	<u>\$ 135,859</u>
Total qualifying assets	<u>\$ 574,822</u>	<u>\$ 662,542</u>
Risk weighted assets	<u>\$ 574,822</u>	<u>\$ 662,542</u>
Tier 1 capital ratio	13.53%	14.25%
Total capital ratio	20.18%	20.51%
<u>Ratios</u>		
CET1 must be at least 8.50% of total Risk Weighted Assets	13.72%	14.42%
Total Tier 1 Capital must be at least 11.70% of Total Risk Weighted Assets	13.53%	14.25%
Total Capital must be at least 17% of Total Risk Weighted Assets	20.18%	20.51%
CET1 must be at least 75% of Total Tier 1 Capital	101.38%	101.14%
Total Tier 1 Capital must be a minimum of 75% of Total Capital	67.03%	69.51%



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**7. Cash and Cash Equivalents**

	December 31, 2014	December 31, 2013
Cash	\$ 14,644,974	\$ 12,029,251
Deposits with the Central Bank- non-interest bearing	20,117,158	40,733,599
Due from Banks	<u>38,103,240</u>	<u>28,371,263</u>
Cash and due from Banks	72,865,372	81,134,113
Less: Mandatory reserve deposits with the Central Bank	<u>(26,330,840)</u>	<u>(28,297,550)</u>
<b>Total cash and cash equivalents</b>	<b><u><u>\$ 46,534,532</u></u></b>	<b><u><u>\$ 52,836,563</u></u></b>

As at December 31, 2014 the Bank's statutory reserve deposits with The Central Bank were below Central Bank's regulatory requirements. This temporary non-compliance originated and was subsequently addressed as a result of normal business activity.

**8. Comparatives**

Certain corresponding figures in the condensed consolidated financial statements have been reclassified to conform to the financial statement presentation adopted in the current year.