

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

BANK OF THE BAHAMAS LIMITED

UNAUDITED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at March 31, 2014 with comparative figures as at June 30, 2013

(Expressed in Bahamian Dollars)

| | March 31, 2014 | June 30, 2013 |
|--|-----------------------|-----------------------|
| ASSETS | | |
| Cash and account with The Central Bank | \$ 55,882,067 | \$ 47,762,093 |
| Due from banks | 28,095,217 | 25,573,666 |
| Investment securities | 35,114,295 | 60,780,439 |
| Loans and advances to customers, net | 718,430,719 | 735,088,784 |
| Investment property | 3,882,873 | 3,882,873 |
| Other assets | 3,708,430 | 3,165,142 |
| Property and equipment | 11,708,626 | 10,683,370 |
| Intangible assets, net | 2,634,465 | 3,120,016 |
| TOTAL | \$ 859,456,692 | \$ 890,056,383 |
| LIABILITIES | | |
| Deposits from customers and banks | 710,953,608 | \$ 723,241,226 |
| Other borrowed funds | - | 5,000,000 |
| Other liabilities | 13,129,357 | 12,088,778 |
| Deferred loan fees | 6,735,065 | 7,543,798 |
| Total liabilities | 730,818,030 | 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 | 4,632,606 | 4,508,851 |
| Retained earnings | 18,680,724 | 28,560,983 |
| Total equity | 128,638,662 | 142,182,581 |
| TOTAL | \$ 859,456,692 | \$ 890,056,383 |

BANK OF THE BAHAMAS LIMITED

UNAUDITED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

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

| | Three Months | | Nine Months | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2014 | 2013 | 2014 | 2013 |
| Interest and similar income | \$ 12,175,602 | \$ 16,296,144 | \$ 39,335,098 | \$ 49,121,621 |
| Interest and similar expenses | 4,188,702 | 5,556,413 | 14,084,834 | 16,627,518 |
| Net Interest income | <u>7,986,900</u> | <u>10,739,731</u> | <u>25,250,264</u> | <u>32,494,103</u> |
| Fees and commission income | 1,148,443 | 1,066,861 | 3,276,635 | 3,053,121 |
| Fees and commission expense | 209,076 | 133,541 | 427,093 | 341,078 |
| Net fees and commission income | <u>939,367</u> | <u>933,320</u> | <u>2,849,542</u> | <u>2,712,043</u> |
| Other operating income | 784,710 | 687,985 | 1,994,194 | 2,028,695 |
| Total operating income | 9,710,977 | 12,361,036 | 30,094,000 | 37,234,841 |
| Credit loss expense, net | (2,311,357) | (8,977,280) | (13,272,002) | (15,370,325) |
| Net operating Income | <u>7,399,620</u> | <u>3,383,756</u> | <u>16,821,998</u> | <u>21,864,516</u> |
| Operating expenses | 8,700,983 | 7,599,699 | 24,239,757 | 23,349,504 |
| Net loss | <u>\$ (1,301,363)</u> | <u>\$ (4,215,943)</u> | <u>\$ (7,417,758)</u> | <u>\$ (1,484,988)</u> |
| Other comprehensive income | | | | |
| Net (loss)/gain on available-for-sale financial assets | (17,573) | 56,184 | 123,755 | 173,990 |
| Total comprehensive loss for the period | <u>(1,318,936)</u> | <u>(4,159,759)</u> | <u>\$ (7,294,003)</u> | <u>\$ (1,310,998)</u> |
| EARNINGS PER SHARE CALCULATION: | | | | |
| NET LOSS | \$ (1,301,363) | \$ (4,215,943) | \$ (7,417,758) | \$ (1,484,988) |
| PREFERENCE SHARE DIVIDEND | (1,231,250) | (1,231,248) | (2,462,500) | (2,462,498) |
| NET LOSS AVAILABLE TO COMMON SHAREHOLDERS | <u>\$ (2,532,613)</u> | <u>\$ (5,447,191)</u> | <u>\$ (9,880,259)</u> | <u>\$ (3,947,486)</u> |
| WEIGHTED AVERAGE NUMBER OF COMMON SHARES | <u>21,387,924</u> | <u>15,464,069</u> | <u>21,406,701</u> | <u>15,482,964</u> |
| LOSS PER SHARE | <u>\$ (0.12)</u> | <u>\$ (0.35)</u> | <u>\$ (0.46)</u> | <u>\$ (0.25)</u> |

BANK OF THE BAHAMAS LIMITED

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended March 31, 2014

with comparatives for the nine months ended March 31, 2013

(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 | - | - | - | - | (1,484,988) | (1,484,988) |
| Purchase of treasury shares | - | - | (283,116) | - | - | (283,116) |
| Other comprehensive income | - | - | - | 173,990 | - | 173,990 |
| Dividends on preference shares | - | - | - | - | (2,462,498) | (2,462,498) |
| Balance at March 31, 2013 | \$ 50,015,990 | \$ 28,587,866 | \$ (814,884) | \$ 4,440,886 | \$ 30,830,822 | \$ 113,060,680 |
| Balance at June 30, 2013 | \$ 56,038,935 | \$ 54,004,621 | \$ (930,809) | \$ 4,508,851 | \$ 28,560,983 | \$ 142,182,581 |
| Net loss | - | - | - | - | (7,417,758) | (7,417,758) |
| Redemption of preference shares | (3,400,000) | - | - | - | - | (3,400,000) |
| Purchase of treasury shares | - | - | (387,415) | - | - | (387,415) |
| Other comprehensive income | - | - | - | 123,755 | - | 123,755 |
| Dividends on preference shares | - | - | - | - | (2,462,500) | (2,462,500) |
| Balance at March 31, 2014 | \$ 52,638,935 | \$ 54,004,621 | \$ (1,318,224) | \$ 4,632,606 | \$ 18,680,724 | \$ 128,638,662 |

BANK OF THE BAHAMAS LIMITED

UNAUDITED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

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

| | March 31, 2014 | March 31, 2013 |
|--|-----------------------------|-----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net loss | \$ (7,417,758) | \$ (1,484,988) |
| Adjustments for: | | |
| Depreciation and amortization | 2,204,291 | 1,643,643 |
| Net provision for loan losses | 13,272,002 | 15,370,325 |
| | <u>8,058,535</u> | <u>15,528,980</u> |
| Change in operating assets and liabilities | (4,305,202) | (28,475,927) |
| Increase in loans and advances to customers, net | 3,386,064 | (52,890,931) |
| (Decrease)/increase in deposits from customers and banks | (12,287,618) | 72,231,973 |
| Net cash (used in)/provided by operating activities | <u>(5,148,222)</u> | <u>6,394,095</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Acquisition of property and equipment | (2,637,661) | (2,868,843) |
| Acquisition of intangible assets | (106,335) | - |
| Purchase of investment securities | (4,210,100) | (10,160,000) |
| Proceeds from sale/maturity of investment securities | 30,000,000 | 4,000,000 |
| Net cash provided by/(used in) investing activities | <u>23,045,904</u> | <u>(9,028,843)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Dividends on preference shares | (2,462,500) | (2,462,498) |
| Increase in interest payable on bonds | - | 374,551 |
| Redemption of preference shares | (3,400,000) | - |
| Purchase of treasury shares | (387,415) | (283,116) |
| Net cash used in financing activities | <u>(6,249,915)</u> | <u>(2,371,063)</u> |
| Net increase/(decrease) in cash and cash equivalents | 11,647,768 | (5,005,811) |
| Cash and cash equivalents, beginning of year | 45,662,497 | 66,169,279 |
| Cash and cash equivalents, end of period | <u>\$ 57,310,265</u> | <u>\$ 61,163,468</u> |

SUPPLEMENTAL INFORMATION:

| | | |
|-------------------|---------------|---------------|
| Interest received | \$ 45,564,849 | \$ 44,414,052 |
| Interest paid | \$ 16,081,523 | \$ 16,970,254 |
| Dividends paid | \$ 2,462,500 | \$ 2,462,498 |

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

For the period ended March 31, 2014
(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 \$2,462,500 (2013: \$2,462,498) during the current period.

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

For the period ended March 31, 2014
(Expressed in Bahamian Dollars)

4. Provision for Loan Losses

| | March 31, 2014 | March 31, 2013 |
|---------------------------------------|---------------------------------|---------------------------------|
| At beginning of year | \$ 30,138,433 | \$ 26,117,805 |
| Amount written-off | (3,269,786) | (2,493,829) |
| Net recoveries | 64,370 | (391,412) |
| Provision charged to expense | 13,207,632 | 15,761,737 |
| Provision at the end of period | <u>\$ 40,140,649</u> | <u>\$ 38,994,301</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 March 31, 2014 was \$4,314,963 (2013: \$19,117,036).

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

For the period ended March 31, 2014
(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 March 31, 2014 was 15.44% (2013: 12.79%) and 21.63% (2013: 19.40%) respectively.

| (in \$'000s) | March 31, 2014 | March 31, 2013 |
|------------------------------------|---------------------------|---------------------------|
| Tier 1 capital | \$ 91,914 | \$ 73,128 |
| Tier 2 capital | \$ 40,978 | 42,216 |
| Total capital | <u>\$ 132,892</u> | <u>\$ 115,344</u> |
| | | |
| Total qualifying assets | <u>\$ 860,532</u> | <u>\$ 901,686</u> |
| | | |
| Risk weighted assets | <u>\$ 614,302</u> | <u>\$ 594,522</u> |
| | | |
| Tier 1 capital ratio | 10.68% | 8.11% |
| Total capital ratio | 15.44% | 12.79% |
| | | |
| Risk adjusted tier 1 capital ratio | 14.96% | 12.30% |
| Risk adjusted total capital ratio | 21.63% | 19.40% |

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

For the period ended March 31, 2014
(Expressed in Bahamian Dollars)

7. Cash and Cash Equivalents

| | March 31, 2014 | March 31, 2013 |
|--|------------------------------------|------------------------------------|
| Cash | \$ 9,647,031 | \$ 22,729,485 |
| Deposits with the Central Bank- non-interest bearing | 46,235,036 | 39,675,256 |
| Due from Banks | <u>28,095,217</u> | <u>25,818,127</u> |
| Cash and due from Banks | 83,977,284 | 88,222,868 |
| Less: Mandatory reserve deposits with the Central Bank | <u>(26,667,020)</u> | <u>(27,059,400)</u> |
| Total cash and cash equivalents | <u><u>\$ 57,310,264</u></u> | <u><u>\$ 61,163,468</u></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.