

**BANK OF THE BAHAMAS LIMITED**  
**Unaudited Condensed Consolidated Interim Financial Statements**  
**For the Period Ended September 30, 2017**

# BANK OF THE BAHAMAS LIMITED

## UNAUDITED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at September 30, 2017 with comparative figures as at June 30, 2017

(Expressed in Bahamian Dollars)

	September 30, 2017	June 30, 2017
<b>ASSETS</b>		
Cash and account with The Central Bank	\$ 148,337,064	\$ 97,969,652
Due from banks	39,744,484	47,981,770
Investment securities	41,508,129	41,392,518
Loans and advances to customers, net	390,170,237	448,124,914
Non-current assets held for sale	925,000	925,000
Investment property	6,463,000	6,463,000
Other assets	9,360,846	8,873,414
Property and equipment, net	2,799,350	3,056,345
Computer software, net	960,899	1,026,580
Notes receivable	211,824,903	100,000,000
<b>TOTAL</b>	<b><u>\$ 852,093,912</u></b>	<b><u>\$ 755,813,193</u></b>
<b>LIABILITIES</b>		
Deposits from customers and banks	\$ 646,017,256	\$ 663,903,707
Other liabilities	22,982,949	22,167,898
Deferred loan fees	5,710,037	5,833,983
<b>Total liabilities</b>	<b><u>674,710,242</u></b>	<b><u>691,905,588</u></b>
<b>EQUITY</b>		
Share capital	64,010,505	64,010,505
Share premium	81,950,384	81,950,384
Treasury shares	(1,318,224)	(1,318,224)
Reserves	5,321,340	5,140,730
Special retained earnings	167,260,336	54,622,532
Accumulated deficit	(139,840,671)	(140,498,322)
<b>Total equity</b>	<b><u>177,383,670</u></b>	<b><u>63,907,605</u></b>
<b>TOTAL</b>	<b><u>\$ 852,093,912</u></b>	<b><u>\$ 755,813,193</u></b>

# BANK OF THE BAHAMAS LIMITED

## UNAUDITED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the three months ended September 30, 2017

with comparatives for the three months ended September 30, 2016

(Expressed in Bahamian Dollars)

	Three Months	
	2017	2016
Interest and similar income	\$ 9,105,229	\$ 9,930,843
Interest and similar expenses	2,418,768	3,711,945
Net interest income	<u>6,686,461</u>	<u>6,218,898</u>
Fees and commission income	1,961,740	1,607,915
Fees and commission expense	115,106	68,346
Net fees and commission income	<u>1,846,634</u>	<u>1,539,569</u>
Other operating income	905,906	626,358
Total operating income	9,439,001	8,384,825
Credit loss expense, net	(1,590,426)	(4,386,508)
Net operating income	<u>7,848,575</u>	<u>3,998,317</u>
Operating expenses	7,190,924	7,511,702
Net income/(loss)	<u>657,651</u>	<u>\$ (3,513,385)</u>
<b>Other comprehensive income</b>		
Net gain on available-for-sale financial assets	180,610	134,433
Total comprehensive income/(loss) for the year	<u>\$ 838,261</u>	<u>\$ (3,378,952)</u>
<b>EARNINGS PER SHARE CALCULATION:</b>		
NET INCOME/(LOSS)	\$ 657,651	\$ (3,513,385)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES	<u>42,959,494</u>	<u>26,326,195</u>
INCOME/(LOSS) PER SHARE	<u>\$ 0.02</u>	<u>\$ (0.13)</u>

# BANK OF THE BAHAMAS LIMITED

## UNAUDITED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the three months ended September 30, 2017

with comparatives for the three months ended September 30, 2016

(Expressed in Bahamian Dollars)

	Share Capital	Share Premium	Treasury Shares	Reserves	Special Retained Earnings	Accumulated Deficit	Total
<b>Balance at June 30, 2016</b>	\$ 45,838,935	\$ 54,004,621	\$ (1,318,224)	\$ 4,946,230	\$ 54,622,532	\$ (94,003,958)	\$ 64,090,136
<i>Total comprehensive loss:</i>							
Net loss for the year	-	-	-	-	-	(3,513,385)	(3,513,385)
<i>Other comprehensive income:</i>							
Net gain on available-for-sale financial assets	-	-	-	134,433	-	-	134,433
<i>Transactions with owners of the Bank:</i>							
Issuance of ordinary shares	14,814,814	24,702,519	-	-	-	-	39,517,333
<b>Balance at September 30, 2016</b>	<b>\$ 60,653,749</b>	<b>\$ 78,707,140</b>	<b>\$ (1,318,224)</b>	<b>\$ 5,080,663</b>	<b>\$ 54,622,532</b>	<b>\$ (97,517,343)</b>	<b>\$ 100,228,517</b>
<b>Balance at June 30, 2017</b>	\$ 64,010,505	\$ 81,950,384	\$ (1,318,224)	\$ 5,140,730	\$ 54,622,532	\$ (140,498,322)	\$ 63,907,605
<i>Total comprehensive income:</i>							
Net income for the year	-	-	-	-	-	657,651	657,651
<i>Other comprehensive income:</i>							
Net gain on available-for-sale financial assets	-	-	-	180,610	-	-	180,610
<i>Transactions with owners of the Bank:</i>							
Special retained earnings	-	-	-	-	112,637,804	-	112,637,804
<b>Balance at September 30, 2017</b>	<b>\$ 64,010,505</b>	<b>\$ 81,950,384</b>	<b>\$ (1,318,224)</b>	<b>\$ 5,321,340</b>	<b>\$ 167,260,336</b>	<b>\$ (139,840,671)</b>	<b>\$ 177,383,670</b>

# BANK OF THE BAHAMAS LIMITED

## UNAUDITED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the three months ended September 30, 2017  
with comparatives for the three months ended September 30, 2016  
(Expressed in Bahamian Dollars)

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income/(loss)	\$ 657,651	\$ (3,513,385)
Adjustments for:		
Depreciation and amortization	391,592	652,566
Loss on disposal of fixed assets	883	-
Net provision for loan losses	1,590,426	4,386,508
	<u>2,640,552</u>	<u>1,525,689</u>
Change in operating assets and liabilities	530,693	(4,128,419)
Decrease/(increase) in loans and advances to customers, net	7,177,152	(1,948,368)
Decrease in deposits from customers and banks	(17,886,451)	(119,118,497)
Net cash used in operating activities	<u>(7,538,054)</u>	<u>(123,669,595)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Acquisition of property and equipment	(95,600)	(87,915)
Acquisition of computer software	-	(29,500)
Purchase of investment securities	-	(10,000,000)
Proceeds from disposal of property and equipment	25,800	-
Proceeds from maturity of investment securities	65,000	-
Net cash used in investing activities	<u>(4,800)</u>	<u>(10,117,415)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Redemption of notes receivable	50,000,000	-
Issuance of ordinary shares	-	39,517,333
Net cash provided by financing activities	<u>50,000,000</u>	<u>39,517,333</u>
Net increase/(decrease) in cash and cash equivalents	42,457,146	(94,269,677)
Cash and cash equivalents, beginning of year	121,464,402	166,554,048
<b>Cash and cash equivalents, end of period</b>	<u><b>\$ 163,921,548</b></u>	<u><b>\$ 72,284,371</b></u>

### SUPPLEMENTAL INFORMATION:

Interest received	\$ 8,434,588	\$ 9,724,351
Interest paid	3,013,589	4,285,605

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

For the year ended September 30, 2017  
(Expressed in Bahamian Dollars)

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**1. General Information**

Bank of The Bahamas Limited (the “Bank”), incorporated under the laws of The Commonwealth of The Bahamas, is licensed under the provisions of the Banks 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. Pursuant to a rights offering in September 2016, the Government of The Commonwealth of The Bahamas (the “Government”) acquired the majority of an additional 14,814,814 ordinary voting shares issued by the Bank. The Government also purchased \$10 million of convertible bonds pursuant to the Bank’s private placement in December 2016. Effective June 30, 2017, this bond was converted to 6,756,756 ordinary voting shares. As a result of these transactions, the ownership interest of the Government and The National Insurance Board (“NIB”) in the Bank increased. The Government and NIB own approximately 82.6% 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, corner of Shirley and Charlotte Street, Nassau, Bahamas. The registered office is located at Sassoon House, corner of Shirley Street and Victoria Avenue, Nassau, 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, 2017 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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**3. Dividends**

Dividends to the Bank's shareholders are recognized as a liability in the period in which they are declared by the Board of Directors and approved by the Bank's Regulator. Due to the Bank's accumulated deficit position, commencing July 2014 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 semi-annual disbursements to the preference shareholders. There is no obligation for the Bank to repay the amount remitted. Since December 2016, the Government discontinued the semi-annual disbursements to the preference shareholders.

**4. Loans and advances to customers, net**

	2017	2016
Mortgage residential loans	\$ 258,657,226	\$ 283,858,565
Mortgage commercial loans	15,667,575	64,790,855
Commercial loans	96,316,471	178,237,512
Consumer loans	62,745,473	53,673,017
Credit cards	1,496,793	2,435,076
Business overdrafts	2,680,490	8,301,641
Personal overdrafts	451,219	592,791
Government guaranteed student loans	6,873,743	7,017,876
	<u>444,888,990</u>	<u>598,907,333</u>
<b>Less: Provision for loan losses</b>		
Provision at beginning of year	\$ 142,599,409	\$ 94,836,742
Amount written-off	(81,528,433)	(473,033)
Net provision charged to expense	<u>1,590,426</u>	<u>4,386,508</u>
<b>Provision at end of year</b>	62,661,402	98,750,217
Accrued interest receivable	7,942,649	7,288,897
<b>Loans and advances to customers, net</b>	<u><u>\$ 390,170,237</u></u>	<u><u>\$ 507,446,013</u></u>

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**5. Commitments and Contingencies**

*Commitment*

The commitment for loans and advances at September 30, 2017 was \$4,472,591 (2016: \$5,231,482).

*Contingencies*

Litigation is a common occurrence in the banking industry due to the nature of the business undertaken. The Bank has legal counsel 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 that have not been accrued for in the interim financial statements will not be material.

**6. 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)	2017	2016
Tier 1 capital	\$ 150,286	\$ 69,541
Tier 2 capital	26,779	31,071
Total capital	<u>\$ 177,066</u>	<u>\$ 100,612</u>
Risk weighted assets	<u>\$ 425,892</u>	<u>\$ 526,514</u>

Ratios

CET1 must be at least 9.6% of total Risk Weighted Assets	35.3%	13.2%
Total Tier 1 Capital must be at least 12.8% of Total Risk Weighted Assets	35.3%	13.2%
Total Capital must be at least 18.0% of Total Risk Weighted Assets	41.6%	19.1%
Total Tier 1 Capital must be a minimum of 75% of Total Capital	84.9%	69.1%



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**7. Cash and Cash Equivalents**

	2017	2016
Cash	\$ 13,308,773	\$ 11,118,006
Deposits with the Central Bank- non-interest bearing	135,028,291	51,151,074
Due from Banks	39,744,484	39,751,031
Cash and due from Banks	<u>188,081,548</u>	<u>102,020,111</u>
Less: Mandatory reserve deposits with the Central Bank	<u>(24,160,000)</u>	<u>(29,735,740)</u>
<b>Total cash and cash equivalents</b>	<b><u>\$ 163,921,548</u></b>	<b><u>\$ 72,284,371</u></b>

As at September 30, 2017 the Bank's statutory reserve deposits with The Central Bank of The Bahamas were above Central Bank's regulatory requirement

**8. Notes Receivable and Special Retained Earnings**

On August 31, 2017, Bahamas Resolve Limited ("Resolve"), a special purpose vehicle owned and controlled by the Government, purchased another portfolio of loans from the Bank at a price equivalent to the gross book value of those loans before provisions. This transaction consists of three tranches, with the first tranche effective August 31, 2017, the second tranche effective September 18, 2017 and the third tranche to be completed during November 2017. The results of tranches 1 and 2 are as follows:

- A portfolio of non-performing loans with principal amount of \$131 million and accrued interest receivable of \$31 million, with a total net book value of approximately \$49 million were derecognized.
- \$162 million in unsecured promissory notes was received for these loans and was recognized as an asset. The remaining \$5.7 million from the total \$167.7 million notes will be recognised during the third tranche.
- The net difference of approximately \$113 million between the Notes received and the net book value of the derecognised assets was recognized directly in equity as Special Retained Earnings and is considered to be a part of the Bank's regulatory capital.
- The Bank has transferred all of its rights and obligations relating to the non-performing loans to Resolve without recourse and will have no rights to future cash flows from the non-performing loans.

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**8. Notes Receivable and Special Retained Earnings** *(continued)*

- As a part of the transaction, the Bank received an irrevocable Letter of Support from the Government. The Letter of Support pledged the Government's support of Resolve to enable it to satisfy its obligations under the Notes and confirms that, in the event of default by Resolve, the Bank can seek to recover outstanding balances from the Government.
- The Notes bear fixed interest at 3.5%, payable semi-annually on the 28th day of February and the 31st day of August, commencing in 2018.

In addition, the Government has agreed to redeem the entire \$100 million of the promissory notes from the first Resolve transaction between August 2017 and May 2018. The first \$50 million principal redemption was made on August 31, 2017.