

BANK OF THE BAHAMAS LIMITED

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BANK OF THE BAHAMAS LIMITED

(A COMPANY INCORPORATED UNDER THE LAWS OF THE COMMONWEALTH OF THE BAHAMAS)

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS

To be held Friday, November 30, 2018

- **NOTICE OF ANNUAL GENERAL MEETING**

 - **PROXY FORM**

 - **PROXY STATEMENT**

 - **MINUTES OF THE LAST ANNUAL GENERAL MEETING OF SHAREHOLDERS HELD ON
DECEMBER 29, 2017**

 - **ANNUAL REPORT 2018 (INCORPORATING THE CONSOLIDATED FINANCIAL STATEMENTS OF
THE COMPANY FOR THE YEAR ENDED JUNE 30, 2018)**

 - **PROPOSAL TO AMEND AND RESTATE THE EXISTING MEMORANDUM AND ARTICLES OF
ASSOCIATION OF BANK OF THE BAHAMAS LIMITED**
-

Date of Issue of Proxy Statement and Form of Proxy: November 8, 2018

NOTICE OF ANNUAL GENERAL MEETING

- TIME & DATE** 6:00 p.m., Friday, November 30, 2018
- PLACE** British Colonial Hilton, Windsor Room, Bay Street, Nassau, Bahamas
- ITEMS OF BUSINESS**
- (1) To announce the results of the examination of proxies; declare a quorum present and proceed to business;
 - (2) To read and approve the Minutes of the last Annual General Meeting, held on December 29, 2017;
 - (3) To receive and approve the Chairman's Report.
 - (4) To receive and approve the audited financial statements and the reports of the Directors and Auditors thereon;
 - (5) To elect Directors for the ensuing year and fix the remuneration of the Directors;
 - (6) To consider and approve a resolution ratifying and confirming all acts, transactions and proceedings of the Directors and Officers of the Company;
 - (7) To approve the appointment of KPMG as Auditors of the Company, and authorize the Directors to fix their remuneration;
 - (8) To approve a resolution to amend and restate the existing Amended and Restated Memorandum of Association and the existing Amended and Restated Articles of the Company to consolidate in each document all the amendments made over the past few years and to make such ancillary consequential revisions as may be required as a result of the amendments, as set forth in the accompanying Proxy Statement;
 - (9) To approve a resolution authorizing and empowering the Directors to execute any and all documents and/or resolutions to give effect to the amendments including authorising the Secretary of the Company to file with and supply all necessary information to the Securities Commission and the Registrar of Companies in connection therewith.
- OTHER BUSINESS**
- (1) To vote in their discretion upon any other business which may properly come before the Meeting or any adjournment thereof
- RECORD DATE** Only holders of the outstanding voting common shares of the Company of record as at the close of business on November 1, 2018 are entitled to vote at the Meeting.
- FINANCIAL STATEMENTS** The Company's 2018 Audited Financial Statements are included in the Company's 2018 Annual Report, which you are invited to view online at the Company's website at www.bankbahamas.com.

**PROXY
VOTING**

It is important that your shares be represented and voted at the Meeting. You can vote your shares by appearing in person or by completing and returning the Proxy form enclosed. You can revoke a Proxy at any time prior to its exercise at the Meeting by following the instructions in the accompanying Proxy statement. You must return your Proxy not later than 48 hours before the time appointed for holding the Meeting.

By order of the Board of Directors

Secretary, Laura A. Williams
November 8, 2018

BANK OF THE BAHAMAS LIMITED
Shirley & Charlotte Streets
P. O. Box N-7118
Nassau, Bahamas.

PROXY STATEMENT

We are providing these Proxy materials in connection with the solicitation, by the Board of Directors of **Bank of The Bahamas Limited**, of proxies to be voted at the Company's 2018 Annual General Meeting of Shareholders and at any Meeting following adjournment thereof.

Shareholders are advised that no shareholder proposal has been filed. Further no action is proposed by the Board of Directors, which would create the possibility of a "dissenting shareholder" under Section 159 of The Companies Act, 1992. The Board of Directors is not aware of any solicitation of proxies by a person or group adverse to present management of this Company.

You are cordially invited to attend the Annual General Meeting on Friday, November 30, 2018 beginning at 6:00 p.m. Shareholders will be admitted beginning at 5.00 p.m. The Meeting will be held at the British Colonial Hilton, Bay Street, Nassau, Bahamas.

This financial year of **Bank of The Bahamas Limited** began on July 1, 2017 and ended June 30, 2018. References in this Proxy statement to the year 2018 or financial year 2018 refer to the above-mentioned period.

We are mailing this Proxy Statement, accompanying forms of Proxy, and voting instructions on November 8, 2018 to holders of record of the Company's voting common shares as at the close of business on November 1, 2018.

You are invited to view the Company's Annual Report online at the Company's website at www.Bankbahamas.com. The presentation of this information online replaces the mailing of physical copies of the Annual Report. However, should you require a printed copy of the Annual Report, you may obtain one free of charge by contacting us or by contacting The Bahamas Central Securities Depository, the Company's Registrar and Transfer Agent.

PROXIES AND VOTING PROCEDURES

Because there are shareholders unable to attend the Meeting in person, it is necessary that they be represented by Proxy.

The Board of Directors and the management of the Company do not contemplate the solicitation of proxies otherwise than by mail and through advertisements in the press and other public media.

Proxy Submission

Each shareholder has the right to appoint a person or company (who need not be a shareholder), to represent the shareholder at the Meeting. The Proxy may be someone other than the persons designated in the Proxy form that accompanies this statement. A shareholder who wishes to name a different Proxy holder may do so by striking out the names of the persons so designated in the Proxy

form and inserting the name of the person such shareholder has chosen as their Proxy holder in the blank space provided for that purpose in the form of a Proxy. A Proxy must be in writing and must be executed by the shareholder or by an attorney authorized in writing. **The Proxy must arrive by mail or be delivered by hand to the offices of Bahamas Central Securities Depository, British Colonial Hilton Centre of Commerce, Bay Street, P.O. Box N 9307, Nassau, Bahamas or to the Secretary of the Company no later than 5:00 p.m. on November 28, 2018.**

Revocation of Proxy

A shareholder who executes and returns the accompanying form of Proxy may revoke it by an instrument in writing (i) executed by such shareholder or their duly authorized attorney and (ii) deposited at the offices of **Bahamas Central Securities Depository** at any time up to and including the last business day preceding the day of the Meeting, or deposited with the Chairman of the Meeting on the day of the Meeting prior to the commencement thereof.

Voting by Proxy

A shareholder who is entitled to vote may do so at the Meeting. Alternatively, a shareholder may be represented by his or her Proxy holder who has a properly completed proxy form that has been properly deposited prior to the Meeting and which has not been revoked. If you do not indicate how your shares should be voted on in a matter included in the Proxy form, the shares represented by your Proxy holder will be voted in the affirmative for each proposal. Where a Proxy form confers discretionary authority as to any matters that may properly come before the Meeting or any adjournments thereof, the shares represented by your Proxy holder will be voted as the Board of Directors recommends.

If any other matters are properly presented at the annual Meeting for consideration, including, among other things, consideration of a motion to adjourn the Meeting to another time or place, the persons named as proxies and acting thereunder will have discretion to vote on those matters according to their best judgment to the same extent as the person delivering the Proxy would have been entitled to vote. At the date this Proxy statement went to press, the Company does not anticipate that any other matters will be raised at the Meeting.

SHAREHOLDERS ENTITLED TO VOTE AND VOTING SECURITIES

Holders of voting common shares at the close of business on the record date, being November 1, 2018, are entitled to notice of and to vote at the Annual General Meeting in respect of matters properly brought before the Meeting.

In 2013, the Company created a separate class of 10,000,000 non-voting common shares. The National Insurance Board owns 6,022,945 non-voting common shares. The issuance of these shares allowed the Company to meet new capital standards resulting from Basel III regulations and directives of The Central Bank of The Bahamas, the Company's regulator.

In the prior fiscal year, 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 (Note 16). 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 (Note 16). As a result of these transactions, the ownership interest of the Government and NIB in the Bank increased. As at June 30,

2018 and 2017, the Government and The National Insurance Board (“NIB”) owned approximately 82.6% of the issued common shares. The remaining common shares are owned by approximately 3,000 Bahamian shareholders.

There are no other individual shareholders that own 10% or more of the Company’s issued voting common shares.

QUORUM AND REQUIRED VOTE

The presence, in person or by Proxy, of shareholders holding or representing 30% in value of the subscribed and issued voting common shares of the Company is necessary to constitute a quorum at the Meeting.

As the Government of The Commonwealth of The Bahamas and the National Insurance Board jointly own 68.67% of the voting common shares issued and outstanding, and both entities will be represented at the Meeting, the meeting of the quorum requirement will not be an issue.

CORPORATE GOVERNANCE

Duties of the Board

The Board of Directors of the Company has the obligation to oversee the conduct of the business of the Company and to supervise senior management that is responsible for the day-to-day conduct of the business. Any responsibility that is not delegated to a committee of the Board or senior management remains with the full Board.

The Board of Directors deals with all matters that materially impact the Company. The determination as to whether Board approval needs to be sought on a particular matter is the responsibility of the Chairman and the Managing Director.

Composition of the Board of Directors

The Board of Directors of the Company is currently comprised of 6 members, including the Managing Director. Of the 6 members, 5 are not executives of the Company.

DIRECTOR AND EXECUTIVE SHAREHOLDINGS

The following tables detail the interest of the Directors and Executives of Bank of The Bahamas Limited through direct, indirect and related party holdings as at November 1, 2018:

Name	Number of Common Shares
Wayne Aranha	-
Ruth Bowe-Darville	-
Phaedra Mackey-Knowles	-
Kirk Antoni	-
Timothy Brown	2,900
Kenrick L. Brathwaite, Sr.	-
Total for Directors	2,900

DIRECTOR AND EXECUTIVE SHAREHOLDINGS (Contd.)

Vanessa Taylor	-
Jihanne Hosmillo-Williams	-
Total for Executives	-
Total for Directors and Executives	-
Total Voting Common Shares Outstanding	36,936,549
Percent of Total Outstanding Shares	-

DIRECTOR AND EXECUTIVE COMPENSATION

Aggregate compensation of \$225,000.00 for the fiscal year ended 30 June 2018 was approved at the AGM held on December 29, 2017, which amount was payable to five Directors and also included the Chairman's remuneration. Total compensation paid out in respect of the fiscal year ending June 30, 2018 (July 1, 2017 to June 30, 2018) was \$94,833.34. The following table details the dates of Board members who served during the period from July 1, 2017 to June 30, 2018:

Name of Director	Date Appointed/Elected	Resigned
Wayne Aranha	May 2017	currently serving
Ruth Bowe-Darville	June 2017	currently serving
Kirk Antoni	June 2017	currently serving
Timothy Brown	August 2017	currently serving
Phaedra Mackey-Knowles	January 2018	currently serving

It is proposed that the total compensation for the non-executive Directors for the fiscal year ending June 30, 2019 be set at \$225,000.

Information as to director and executive compensation is set forth in the following charts, which list compensation bands and the number of directors and executives who were or are compensated at each such band level:

CASH REMUNERATION

For the year ended June 30, 2018

	Directors (number)	Executives (number)	Remuneration waived or deferred
\$0 to \$500,000	5	4	
\$500,000 to \$1,000,000			
\$1,000,000 to \$2,000,000			
more than \$2,000,000			

DIRECTOR AND EXECUTIVE COMPENSATION (Contd.)

CASH REMUNERATION

For the current year (proposed):

	Directors (number)	Executives (number)	Remuneration waived or deferred
\$0 to \$500,000	4	4	
\$500,000 to \$1,000,000			
\$1,000,000 to \$2,000,000			
more than \$2,000,000			

NON-CASH REMUNERATION *

For the year ended June 30, 2018

	Directors (number)	Executives (number)	Remuneration waived or deferred
\$0 to \$500,000	0	4	
\$500,000 to \$1,000,000			
\$1,000,000 to \$2,000,000			
more than \$2,000,000			

NON-CASH REMUNERATION *

For the current year (proposed):

	Directors (number)	Executives (number)	Remuneration waived or deferred
\$0 to \$500,000	0	4	
\$500,000 to \$1,000,000			
\$1,000,000 to \$2,000,000			
more than \$2,000,000			

* Non-cash remuneration includes bonuses, securities, options, insurance, pensions, the payment of expenses including automobiles, reimbursements of any kind, non-cash gifts, forgiveness of debts and extension of loans.

INDEBTEDNESS OF MANAGEMENT

No Directors or members of Executive Management are indebted to the Company outside of the normal course of business or as disclosed herein.

MANAGEMENT'S INTEREST IN TRANSACTIONS

No Director, executive officer, or senior officer of the Company, or proposed nominee for election as a director of the Company, has held or currently holds a material interest in any transaction entered into with or by the Company or its subsidiaries at any time during the year 2018.

RELATED PARTY TRANSACTIONS

Related parties include all Ministries and Departments of the Government, Government Corporations, Subsidiaries and Agencies as well as directors and key management personnel of the Bank. All transactions with related parties are based on rates and terms used in the normal course of business, except for reduced rates for borrowings by the Bank's personnel.

Special Purpose Vehicle:

During October 2014, the Government created a special purpose vehicle, Bahamas Resolve Limited ("Resolve"), that is owned and controlled by the Government. At that time, the Bank sold certain of its non-performing loans to Resolve, resulting in the following:

- Non-performing loans with a face value of \$100.0 million and a net book value of approximately \$45.4 million were derecognized.
- \$100.0 million in unsecured promissory notes (the "Notes") were received for the non-performing loans and was recognized as an asset.
- The net difference of approximately \$54.6 million between the Notes received and 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 Notes had final maturity date of October 30, 2024 and bore interest at the Bahamian Prime rate less 0.50%, with interest payable semi-annually on the 30th day of April and the 30th day of October. The Government, however, redeemed \$50.0 million, \$19.0 million, \$19.0 million and \$12.0 of the Notes on August 31, 2017, November 30, 2017, February 28, 2018, and May 18, 2018, respectively.

On August 31, 2017, Resolve 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, effective August 31, 2017, September 18, 2017 and November 14, 2017. The results are as follows:

- A portfolio of non-performing loans principal amount of \$134.5 million, with a total net book value of approximately \$50.6 million and accrued interest receivable of \$33.2 million, were derecognized.
- \$167.7 million in unsecured promissory note was received for these loans and was recognized as an asset.
- The net difference of approximately \$117.1 million between the promissory note 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. An additional \$0.4 million in fees and charges were recognized in special retained earnings.
 - The promissory note with final maturity date of August 31, 2022 bears fixed interest at 3.5%, payable semi-annually on the 28th day of February and the 31st day of August, commencing in August 2018. As at June 30, 2018, accrued interest receivable amount, to \$4,878,391.

RELATED PARTY TRANSACTIONS (Cont'd)

The Bank has transferred all of its rights relating to the non-performing loans to Resolve and the Bank will have no rights to future cash flows from the non-performing loans. Resolve and not the Bank will bear all the risks and rewards of the non-performing loans subsequent to the transaction and Resolve and not the Bank will control the non-performing loans. The Bank will not have any continuing involvement in servicing the non-performing loans and the Bank's only rights will relate to the cash flows associated with the promissory notes. Further, the Bank will not be providing any form of future direct or indirect financing to the customers and loans transferred to Resolve and these customers will no longer be customers of the Bank.

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 promissory note and confirms that, in the event of default by Resolve, the Bank can seek to recover outstanding balances from the Government.

SHAREHOLDER FEEDBACK

The Company's communications policy is reviewed by the Board of Directors of the Company periodically and provides that communications with all constituents will be made in a timely, accurate and effective manner. The Company communicates regularly with its Shareholders through press releases, and annual and quarterly reports. At the Company's Shareholders' Meetings, a full opportunity is afforded to permit Shareholders to ask questions concerning the Company's activities. Investor and Shareholder concerns are addressed on an on-going basis through the office of the Corporate Secretary and the Bank's Registrar and Transfer Agent.

RESOLUTIONS OF THE MEETING AND EXPLANATORY NOTES

At the Meeting, shareholders will be asked to consider and ratify the following resolutions:

ITEMS OF BUSINESS

- 1. Examination of Proxies and Establishment of Quorum**
- 2. Approval of Minutes of last Annual General Meeting**

The Minutes of the last Annual General Meeting of the shareholders held on December 29, 2017 at the British Colonial Hilton Hotel, Bay Street, Nassau, The Bahamas, are included in the Proxy Statement. They may also be read at this Meeting unless such reading is waived by the shareholders at the Meeting. The purpose of this resolution is to allow shareholders the opportunity to scrutinize the Minutes and notify the Company should their recollection of the Meeting be different to that which is recorded in the Minutes.

3. Approval of the Chairman's Report

The report of the Chairman for the year ended June 30, 2018 is included in the Company's 2018 Annual Report and is made available to shareholders on the Company's website for inspection.

4. Approval of Audited Financial Statements for the year ended June 30, 2018 and the reports of the Directors and Auditors thereon.

The Audited Financial Statements of the Company for the year ended June 30, 2018 and the reports of the Auditors and the Directors thereon were made available to shareholders on the Company's website. The purpose of this resolution is to allow shareholders the opportunity to review the Audited Financial Statements and to bring forward questions or observations they may have regarding the Company's financial performance during the period covered.

Arrangements have been made for one or more representatives of KPMG to attend the Meeting.

5. Election of Directors and Approval of Remuneration

The Articles of Association currently provide that the Board of Directors of the Company shall consist of a minimum of 5 and a maximum of 15 Directors, with the actual number of Directors to be determined from time to time by the Board of Directors or by the Shareholders at the Annual General Meeting.

Directors may be either elected annually by the shareholders at the Annual General Meeting of shareholders or, subject to the Articles of Association of the Company and applicable law, appointed by the Board of Directors or by shareholders holding a majority in nominal value of voting common shares entitled to vote, between Annual General Meetings. Each Director shall hold office until the close of the next Annual General Meeting of shareholders, having failed to be re-elected, or until he or she ceases to be a Director pursuant to the Articles of Association or by operation of law or until his or her resignation becomes effective.

All Directors, with the exception of the Managing Director, must retire at the end of the Annual General Meeting and are eligible for re-election. Pursuant to Article 117 of the Company, Mr. Kenrick L. Brathwaite, Sr. as the Managing Director, will not retire at this Meeting and therefore remains on the Board of the Company in such position.

The Board of Directors held twelve (12) Meetings during the Company's fiscal year 2018.

The persons designated as Proxy holders in the accompanying form of Proxy will vote common shares represented by such form of Proxy for the election of the nominees whose names are set forth herein, unless specifically directed to refrain from voting.

Five of the persons proposed for nomination as Directors, are retiring from office. Each is eligible to be re-elected as a Director and each has indicated a willingness to so serve.

In accordance with the Articles of Associations, nominations from shareholders for persons to serve as directors, other than those proposed by the Government and the National Insurance Board, must be received by the Secretary, not later than 1st October preceding the general meeting. Each Nominee must be approved by the Central Bank of The Bahamas. A nomination form must be completed for each nominee. The forms can be obtained from the Bank's Corporate Secretary or are available on the Bank's website www.bankbahamas.com.

If it becomes known at the Meeting that a nominee is for any reason unavailable to serve (which the Directors have no reason to believe to be the case), shareholders and the persons designated as Proxy holders in the accompanying form of Proxy shall have the right to exercise their discretion by voting for another qualified nominee.

Additionally, Bank of The Bahamas Limited is a regulated company under the Banks & Trust Companies Regulations Act 2000. As such, the prior approval of The Central Bank of The Bahamas is required before any person nominated and elected as a Director of a Bank in the Commonwealth of The Bahamas is eligible and authorized to so serve.

The following table sets forth the names of persons nominated by the Government and proposed for election as Directors, their principal occupation or employment and the date on which they became Directors of the Company.

Name and Position or Office	Principal Occupation	Director since	Term expires
Wayne J. Aranha, Director	Accountant	2017	annually
Ruth Bowe-Darville, Director	Attorney-at-law	2017	annually
Kirk Antoni, Director	Attorney-at-law	2017	annually
Timothy Brown, Director	Accountant	2017	annually
Phaedra Mackey-Knowles, Director	Chartered Financial Analyst and Certified Public Accountant	2018	annually

It is proposed that the total compensation for the non-executive Directors for the fiscal year ending June 30, 2019 not exceed \$225,000.

6. Ratification of Acts, Proceedings and Transactions of Directors and Officers

Directors and Officers of the Company owe a duty to the Company to act honestly and in good faith with a view to the best interests of the Company. By voting in favor of the following resolution shareholders will be (a) approving and adopting all of the acts of the Directors and Officers of the Company in the past fiscal year of the Company and (b) agreeing to the Company indemnifying and defending the Directors and Officers against any claims, actions and proceedings that may be brought against them as a result of any act performed or omitted to be done by any of them, acting in their respective capacities as Directors and Officers of the Company, except in the case of any fraudulent conduct on their part. The resolution as proposed reads:

“RESOLVED that the Company does hereby ratify, approve, sanction and confirm all acts, transactions and proceedings of the Directors, Officers and Employees of the Company, otherwise than in respect of fraud, from the previous fiscal year end of June 30, A.D. 2017 to the last fiscal year end June 30, 2018, A.D. and does fully and effectively

indemnify, save harmless and defend all Directors, Officers and Employees of the Company against any claims, actions and proceedings that may be brought against them as a result of any act performed or omitted to be done by any of them, acting in their respective capacities as Directors, Officers or Employees of the Company provided that such Directors, Officers and Employees acted honestly and in good faith with a view to the best interest of the Company and in the case of criminal or administrative action or proceeding that is enforced by a monetary penalty, had reasonable grounds for believing that his conduct is lawful.”

7. Appointment of Auditors

At the Meeting, the shareholders will be called upon to appoint KPMG, Chartered Accountants, 5th Floor, Montague Sterling Centre, East Bay Street, P. O. Box N-123, Nassau, Bahamas as the Auditors of the Company to serve until the close of the next Annual General Meeting of the Company, and to authorize the Directors to fix KPMG’s compensation therefor. To be effective, the resolution appointing KPMG as the Auditors of the Company must be approved by the majority of the votes cast by the holders of common shares present in person, or represented by Proxy, at the Meeting. The Audit Committee and the management of the Company recommend that the Shareholders vote for the appointment of KPMG.

As a condition of its engagement, KPMG will require that the Company indemnifies, releases and holds KPMG harmless in certain respects, including in particular that:

“KPMG’s maximum liability to the Bank for any reason relating to the Services under this letter shall be limited to the fees paid to KPMG for the Services or work product giving rise to liability, except to the extent finally determined by a court in The Bahamas to have resulted from fraudulent act(s) of KPMG.

In addition, the Bank agrees to indemnify and hold harmless KPMG and its personnel from any and all claims, liabilities, costs and expenses including Value Added Tax (VAT) (where appropriate) relating to KPMG’s Services under this letter, except to the extent finally determined by a court in The Bahamas to have resulted from fraudulent act(s) of KPMG.”

Additionally, KPMG’s terms of agreement will provide that:

“No action, legal or otherwise, regardless of form, arising under or relating to the Services, may be brought by either the Bank or KPMG more than one year after the cause of action has accrued, except that an action for non-payment of fees and outlays, including VAT thereon (where appropriate) may be brought by KPMG later than one year following the date of the last payment due, subject only to the relevant statutory limitation.”

Arrangements have been made for one or more representatives of KPMG to attend the Meeting.

8. Approve a resolution to amend and restate the existing Third Amended and Restated Memorandum and Articles of Association by consolidating in each document all amendments made over the years to both the Memorandum and Articles of Association.

Under the Basel III requirements Preference Shares were not considered part of regulatory capital. Therefore, the Bank in 2016 reclassified several classes of authorized but unissued preference shares as Common voting shares to ensure that the Bank's capital base remained in compliance with regulatory capital. This resulted in an amendment to both the Memorandum and Articles of Association by way of an attachment to the existing Memorandum and Articles of Association.

Also, in 2016 The Articles of Association were further amended to allow for nominations of directors by shareholders again by way of an attachment to the existing Memorandum and Articles of Association.

These amendments have not however been consolidated into the body of each of the existing Memorandum and Articles of Association, and best practice dictates that these changes should appear in a consolidated and updated form of Memorandum and Articles of Association.

The other main changes to the existing Articles of Association are:

- (a) to eliminate the requirement that the Managing Director be present in order for a meeting of the directors to be quorate; and
- (b) to allow the Company to send notices to shareholders by email given the current state of the general post office and the cost related to mailing physical documents.

For the reasons given shareholders will be asked to approve the following resolutions:

RESOLVED that:

1. the existing Amended and Restated Memorandum and Articles of Association of the Company be amended and restated in their entirety and replaced by the Fourth Amended and Restated Memorandum and Articles of Association in the form mailed out with the Proxy Materials for this Annual General Meeting and to make such ancillary consequential revisions as may be required as a result of the amendments; and
2. the Directors are authorised and empowered to execute any and all documents and/or resolutions to give effect to the amendments including authorizing the Secretary of the Company to file with and supply all necessary information to the Securities Commission and the Registrar of Companies in connection therewith.

OTHER BUSINESS

The management of the Company knows of no matters to come before the Meeting other than the matters referred to in the Notice of Annual Meeting. However, if any other matters, which are not

known to the management of the Company, should properly come before the Meeting, forms of Proxy given pursuant to this solicitation by the management of the Company will be voted on such matters in accordance with the best judgment of the person voting the Proxy.

DIRECTORS' APPROVAL AND CERTIFICATE

The Board of Directors of the Company has approved the contents and the sending of this Proxy Statement and Proxy Form. The foregoing contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made.

Dated at the City of Nassau, New Providence Island, in The Commonwealth of The Bahamas this

1st day of November, 2018

Laura A. Williams
Secretary

Wayne J. Aranha
Chairman

MINUTES OF THE ANNUAL GENERAL MEETING
BANK OF THE BAHAMAS LIMITED
Held Friday, December 29, 2017

The Annual General Meeting of the Shareholders of Bank of The Bahamas Limited (“the Company”) was held on Friday, December 29, 2017 at 6:00 p.m. in the British Colonial Hilton, Windsor Room, Nassau, Bahamas.

The Chairman, Mr. Wayne Aranha, welcomed Shareholders to the Annual General Meeting and introduced the following persons:-

- ◆ Mrs. Renee Davis, Acting Managing Director, Mrs. Michelle Pindling-Sands, Partner, Graham, Thompson, the Bank’s Corporate Lawyers, Miss Laura A. Williams, Corporate Secretary; Board Members present: Ms. Ruth Bowe-Darville, Director and Mr. Timothy Brown, Director. The Chairman advised that the Bank had received apologies from Mr. Kirk Antoni who was unavoidably absent. He further noted that Mr. Anthony Allen had resigned from the Board due to personal reasons. He wished Mr. Allen well and thanked him for his valuable contributions to the Bank, notwithstanding his short tenure.

Mr. Aranha continued the introductions as follows:

- ◆ Member of the Executive Team: Mr. Hubert Edwards, Chief Business Development Officer, Mrs. Jihanne Hosmillo-Williams, Chief Financial Officer, and Ms. Vanessa Taylor, Chief Operating Officer. Ms. Mary Mitchell, Senior Deputy Treasurer of The Commonwealth of The Bahamas; and Mr. Lambert Longley and Mrs. Michaella Bethell of KPMG, the Bank’s Auditors.

The Chairman proceeded to the business of the meeting.

The Chairman advised that the Bank’s Scrutineers, Bahamas Central Securities Depository Ltd. (“BCSD”) had indicated that there was a quorum. However, in the interest of time he deferred declaration of the regular constitution of the meeting and the reading of the Scrutineers’ report until later in the meeting.

The Meeting was called to order.

The Company’s Secretary read the Notice convening the Meeting.

1) **MINUTES APPROVED**

The Chairman tabled the Minutes of the Annual General Meeting, which was held on August 2, 2017, and asked that their reading be dispensed with as the Minutes had been mailed to all shareholders. Upon a motion duly made by Mr. Pat Rutherford and seconded by Mrs. Rosemae Thompson, the Minutes were approved as tabled.

The resolution was put to the floor and was passed unanimously.

2) **FINANCIAL STATEMENTS**

The Audited Consolidated Financial Statements of the Company for the year ended June 30, 2017 and the Report of the Auditors were tabled. Mr. Lambert Longley of KPMG advised that the Auditors had issued an unqualified opinion.

Mr. Longley reported that they had audited the consolidated financial statements of Bank of The Bahamas Limited and its subsidiaries (“the Bank”), which comprise the consolidated statement of financial position as at June 30, 2017, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, including significant accounting policies and other explanatory information.

Mr. Longley stated that in their opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Bank as at June 30, 2017, its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Mr. Longley also drew shareholders’ attention to the commentary in Notes 2(a) and 30 as it related to the Bank continuing as a going concern. He noted that this placed particular emphasis on Management’s and the auditors’ reliance on the Letter of Comfort that would have been received from the Government of The Bahamas to ensure that the Bank would be able to continue as a going concern.

The Auditors’ Report then concluded; a resolution was tabled to approve, ratify and confirm the annual report, consolidated financial statements and reports of the directors and report of the auditors of Bank of the Bahamas Limited for the year ending June 30, 2017.

Upon a motion duly made by Mr. Glen Knowles and seconded by Mr. Martin Trotman, it was resolved that the annual report, consolidated financial statements and reports of the directors and report of the auditors of Bank of the Bahamas Limited for the year ending June 30, 2017 be approved.

The resolution was put to the floor and was passed unanimously.

3) **SCRUTINEER’ REPORT**

The Chairman then requested BCSD to provide the Scrutineers’ Report. Mrs. Melissa Campbell, Assistant Manager, BCSD advised that the total number of shares represented at this meeting by shareholders present in person and by proxy were 32,338,250 which represented 87% of the issued and outstanding shares of the Company. As such a quorum was confirmed and the meeting was duly constituted.

4) **ELECTION OF DIRECTORS (Contd.)**

The Chairman then proceeded with the election of directors for the current term.

The Chairman noted that the Articles of Association of the Company had been amended in 2016 to facilitate the election of a Director nominated by the minority shareholders. He reminded shareholders that Mr. Timothy Brown had been elected by the minority shareholders at the last AGM. He advised that persons can be nominated provided that the Corporate Secretary received all the requisite nomination documents not later than 1st October preceding the general meeting. He indicated that no nominations were received by the Corporate Secretary. He further stated that pursuant to the terms of Article 83 of the Articles of Association, at the Annual General Meeting, all Directors, with the exception of the Managing Director, must retire from office at the Annual General Meeting, but would be eligible for re-election. He announced that he along with the following Directors had expressed a willingness to continue to serve:

Mrs. Ruth Bowe-Darville
Mr. Kirk Antoni
Mr. Timothy Brown

The Chairman informed members that it was the Board's intention, pursuant to the relevant Company's articles, to appoint another Director to the Board after the Annual General Meeting. He indicated that this person was Mrs. Phaedra Mackey-Knowles who was nominated by the National Insurance Board and was confirmed by the Ministry of Finance. He added that Notices had already been mailed after this nomination had been made.

The Chairman then entertained a motion for the nomination of the Directors.

Upon a motion made by Mr. Pat Strachan and seconded by Mrs. Rosemae Thompson, it was resolved that the aforementioned persons be nominated to serve as Directors of the Bank.

The Chairman then entertained a motion for the close of nominations.

Upon a motion by Mr. Arlington Hanna and seconded by Mr. Martin Trotman, it was resolved that the nominations be closed.

The Chairman put the resolution to close the nominations to the floor and asked those in favour to signify by raising their hands. The resolution was unanimously approved.

The Chairman then entertained a motion to elect the following persons as Directors of the Company for the ensuing year:

Mr. Wayne J. Aranha
Mrs. Ruth Bowe-Darville
Mr. Kirk Antoni
Mr. Timothy Brown

4) **ELECTION OF DIRECTORS (Contd.)**

Upon a motion made by Ms. Mary Mitchell, Senior Deputy Treasurer and seconded by Mr. Pat Rutherford, it was resolved that:-

Mr. Wayne J. Aranha
Mrs. Ruth Bowe-Darville
Mr. Kirk Antoni
Mr. Timothy Brown

be elected to serve as Directors of the Company.

The resolution to elect the aforementioned persons as Directors of the Company was put to the floor and was unanimously approved.

5) **REMUNERATION OF NON-EXECUTIVE DIRECTORS**

The Chairman advised the Meeting that under the terms of the Articles of Association, (article 87) the Shareholders would determine the remuneration of the Non-Executive Directors; he advised that the remuneration the Managing Director is determined by the Directors (article 118).

It was proposed that the remuneration for Non-Executive Directors of the Company for the year 2017 to 2018 be \$225,000.00 to be divided amongst themselves as the Directors may decide at a subsequent Directors' Meeting.

On a motion duly moved, by Mrs. Rosemae Thompson and seconded by Mr. Martin Trotman the Directors' remuneration for the year 2017 to 2018 was passed.

The Chairman put the resolution to approve the Directors' remuneration for the year 2017 to 2018 to the floor and asked those in favour to signify by raising their hands. The resolution was unanimously approved.

6) **DIVIDENDS**

The Chairman stated that in respect of the fiscal year ended June 30, 2017, no dividends were paid by the Bank to ordinary or preference shareholders and none were approved by the Company's regulators.

7) **RATIFICATION OF DIRECTORS, OFFICERS AND EMPLOYEES ACTS, TRANSACTIONS AND PROCEEDINGS**

The Chairman indicated that at this point the resolution to ratify and confirm all acts, transactions and proceedings of the Directors, Officers and Employees of the Company would have been tabled. However, he noted that the Board had determined that it would be in the best interest of the

7) **RATIFICATION OF DIRECTORS, OFFICERS AND EMPLOYEES ACTS, TRANSACTIONS AND PROCEEDINGS (Contd.)**

Company to complete certain inquiries into past activities and affairs and it would wish to defer the resolution of the ratification of the acts, transactions and proceedings of the Directors, Officers and Employees of the Company at this time.

The Chairman then entertained a motion to defer this item to a date to be determined but not exceeding 60 days of the date thereof.

On a motion made by Ms. Mary Mitchell, and seconded by Mrs. Phaedra Mackey-Knowles, it was resolved that the resolution to ratify the acts, transactions and proceedings of the Directors, Officers and Employees be deferred.

The resolution was put to the floor and was passed unanimously.

8) **APPOINTMENT OF AUDITORS**

The Chairman entertained a motion that KPMG be appointed as auditors of the Company to hold office until the next Annual General Meeting of Shareholders and that the remuneration of the Auditors for such period be fixed by the Directors of the Company.

On a motion by Mr. Edsel Strachan and seconded by Ms. Laverne Major, it was resolved that KPMG be appointed Auditors of the Company for the fiscal year 2018 until the next Annual General Meeting and that the remuneration of the Auditors for such period be fixed by the Directors of the Company.

The resolution was put to the floor and was passed unanimously.

11) **TERMINATION OF MEETING**

There being no further business, the Chairman thanked the Shareholders for attending and for their interest in the proceedings and called for a motion to terminate the meeting. The Chairman added that he would make a few remarks and questions would be invited after this presentation.

On a motion by Mr. Edsel Strachan and seconded by Mr. Pat Rutherford, the meeting was terminated at 6:25 p.m.

The resolution to terminate the meeting was put to the floor and approved unanimously.

Chairman's Remarks

Introduction

It has been four months since I last addressed you; at that time, a new Board had been in place for about two months. Today, I will comment on the Bank's performance since the year ended 30th June 2017, namely the unaudited results through to the end of November, which include fiscal 2018 first quarter's performance that was published. I also touch briefly on the Bank's capital: the effect of the Resolve 2 transaction and the pending repayment of certain preference shares; financial highlights; relations with the Central Bank; and the way forward.

Capitalisation

Resolve 2 - At the previous AGM, I reported that the Government had agreed to the purchase of certain impaired commercial loans by Resolve, the special purpose vehicle that was previously used to acquire certain of the Bank's non-performing loans, at a price equivalent to the gross book value of the loans, estimated at approximately \$166 million. The consideration for this purchase would have been the issuance of Promissory Notes by Resolve that the Government would retire to the extent of \$107 million in fiscal year ending 30th June 2018, in accordance with the following schedule:

Date	\$ millions
August 2017	50
30 th November 2017	19
28 th February 2018	19
31 st May 2018	19
	<hr/>
	107

It was noted then that the other terms and conditions of the Promissory Notes would have to be agreed between the Bank and the Board of Resolve, which had taken steps to consummate the transaction on or about 10th August 2017.

In the final analysis, the Government opted 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 received on 31st August 2017, a second payment of \$19 million was received on 30th November 2017 and the balance is due to be received in two quarterly instalments of \$19 million and \$12 million at the end of February and May 2018, respectively.

The terms of the second Resolve transaction were finalised by 31st August and consisted of three tranches, with the first tranche effective 31st August 2017, the second tranche effective 18th September 2017 and the third tranche completed on 14th November] 2017, as follows:

- A portfolio of non-performing loans with principal amount of \$134.7 million and accrued interest receivable of \$33 million, with a total net book value of approximately \$50 million were derecognized.
- An unsecured promissory note for \$167.7 was received for these loans and was recognized as an asset.
- The net difference of approximately \$ 117 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.
- 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 Note, which is repayable on 31st August 2022, bears interest at the fixed rate of 3.5% per annum, payable semi-annually on the 28th day of February and the 31st day of August, commencing in 2018.

Preference shares - The Bank has issued and outstanding \$6.4 million Series 'D' and 'E' 8.00%¹ Perpetual Cumulative Preferred Shares (the Callable Shares). The terms and conditions governing the issues provide that the Bank would be in default if, inter alia, it were delinquent on the payment of three consecutive dividend payments. Unless the dividends are paid in January 2018, the next scheduled payment date, the Callable Shares would be subject to call.

The Bank had been redeeming annually \$3.4 million of the Series D and E Shares and therefore the full redemption of the Callable Shares will result in a \$3 million shock in capital. The \$6.4 million redemption would result in a reduction in the total capital ratio of approximately 2% (from 42% to 40%) at September 2017 and an approximate reduction of the LAR from 175% to 169%.

The Board determined that it is in the best interest of the Bank to avoid a call by the holders of the Callable Shares and that they should be redeemed. Having received the approval of the Central Bank, waiver of notice by the majority of the holders of the Callable Shares and subject to the approval of the Securities Commission of The Bahamas, the Bank intends to repay the principal sum due on them in January 2018.

The Board also considered, but deferred a determination pending receipt of additional information and advice, whether it would be appropriate to apply to the Central Bank for a rescission or variation of its recommendation to the Government to cease payment of dividends on the Bank's preferred shares. The Bank has not generated profits from which dividends can be paid; however, it is conceivable that the Government and the Bank would come to the view that the restoration of the Bank's reputation and creditworthiness warrants Government paying the

¹ The term sheet provides for interest at Bahamian dollar prime plus 2.5% per annum, currently aggregating 6.75% per annum.

dividend as it did in the past. In such event, it would be appropriate to apply to the Central Bank for reconsideration of its recommendation. Meanwhile, the status quo remains, the preference dividends cannot be paid until the Bank returns to profitability, but under the terms of their issue such dividends will rank ahead of the payment of dividends on common shares.

Financial Highlights

DESCRIPTION	Fiscal 2018 (In \$000)	Fiscal 2017 (In \$000)
Income Statement		
Total gross revenue	20,212	19,521
Interest income	15,343	16,053
Interest expense	3,968	6,035
Net interest income	11,375	10,018
Net non-interest income	4,724	3,342
Non-interest expense	12,414	12,312
Net credit loss expense	2,390	7,230
Net income/(loss)	1,295	(6,182)
Balance Sheet		
Gross loans, including accrued interest	445,306	609,666
Provisions for loan losses	60,946	101,513
Net loan amount	384,360	508,153
Total assets	835,636	796,010
Total deposits	622,113	671,996
Total equity	182,628	97,479
Key Ratios		
Operating efficiency	77.11%	92.15%
Asset quality ratio	27.12%	41.10%
Lar ratio	179.36%	122.10%
Return on assets	0.38%	-1.84%
Return on equity	2.22%	-15.94%
Risk adjusted capital	43.00%	18.50%

The Bank has incurred approximately \$0.63 Million in costs for severance and redundancy payments relating to staff reductions that took effect in November. The reductions will have a favourable effect on staff costs for future periods. The closure of the Bank's branch in Eight Mile

Rock and the pending closure of the Exuma Branch will also favorably affect future operating costs.

The ultimate success of the Bank is dependent on healthy growth in revenues; cutting costs alone will not suffice. Targets have been set to achieve moderate growth over the next year, but, so far, competitive pressures and continued regulatory restrictions on credit extension have contributed to the targets not being achieved.

Relations with Central Bank

The Bank continues to be subject to close supervisory oversight by its primary regulator, the Central Bank, related to its financial affairs and operations, in particular its credit activities. The increased regulatory compliance obligations and heightened regulatory enforcement will result in increased operational and compliance costs and, by specific directives, have limited the Bank's ability to extend credit. The Board has deployed resources, including by way of external contract, to accelerate the curing of all deficiencies.

The Way Forward

The Board has re-assessed the key elements of the comprehensive transformation exercise that has been underway at the Bank with a view to restoring consumer confidence by ensuring the Bank's return to sustainable profitability. The Bank is focused on critical areas, including stronger corporate governance structure, improved operational efficiencies, revision of credit policies and procedures, regulatory compliance, cost control and moderate growth.

In the area of credit, where the Bank's problems are most acute and the attention of management highly critical, the plan outlines goals to:

- Improve efficiencies in the approval process
- Reduce Delinquency Percentages to be more in line with industry standards
- Reduce mortgage non-accrual loans.
- Bring Consumer portfolio within industry standards
- Execute sales strategies for sales/recoveries within targeted times frames
- Improve management of remaining commercial credit facilities and move for timely recoveries where management does not yield results

The plan addresses other areas, including

- Loan and deposit growth campaigns aimed at driving branch sales through new processes and performance management
- The maintenance of regulatory compliance in capital and liquidity ratio through effective capital and liquidity management
- Enhancement of IT capabilities through the implementation of new core banking platform and
- Improved executive leadership and governance oversight
- Pursuit of the provision of additional products and services to Government

The Chairman then invited questions from the shareholders.

Mr. Jehan Unwala asked if an update of the non-performing loans as of the September quarter could be provided.

The Chairman indicated that he did not have that information on hand.

Mr. Unwala asked if he could provide any indication of new bad loans.

The Chairman said that the Board had asked management to provide a report on the performance of new loans booked and the results indicated had been favourable. He added that intention was for the Bank not continuing to issue loans that were destined not to be paid.

Mr. Unwala referred to comments relative to the efficiency ratio which had gone down to 77% and asked what the Bank's target was.

The Chairman advised that the target was 60%.

Mr. Unwala asked if deposits were growing. Mr. Unwala noted that deposits had fallen from June to September. He asked if deposits had fallen in October.

Mrs. Davis, the Acting Managing Director, indicated that the main change in the deposits related to deposits being placed by the Government. She noted that these deposits fluctuated. She indicated that if the Government were removed from the equation the deposits would be flat from June 30, 2017 to November 2017. Therefore, the fluctuation seen in these numbers related to deposits coming in for a short term and being used within that period by the Government.

Mr. Glen Knowles referred to the statement made by the Chairman which encouraged persons to open accounts with the Bank. He encouraged shareholders present to support the Bank. He asked if someone was present who could provide information on opening accounts with the Bank and what advantages would they have by opening an account with the Bank as compared to other banks.

The Chairman, in providing one advantage, indicated that he had recently visited another bank and when he had inquired about interest paid on deposits he was told that they did not pay interest on their deposits whilst Bank of The Bahamas paid interest on its deposits.

Mr. Knowles suggested that staff should be present at the next Annual General Meeting to promote the Bank's products.

The Chairman agreed that this was a good idea. He added that the Bank should also seek to obtain emails of its shareholders and communicate with them in this manner.

Mr. Unwala asked what metrics of profitability would they be comfortable with before paying dividends?

The Chairman indicated that the regulators required the Bank to have four quarters of profitability before dividends could be approved.

Mr. Knowles noted that the Government was the major shareholder of the Bank and that it was the number one employer in the country. He asked if the Bank had a strategy whereby it could use this relationship to its advantage so that Government employees were encouraged to bank with Bank of The Bahamas.

Mrs. Davis informed members that during 2016 the Government implemented a policy that all new Government employees were mandated to open accounts with Bank of The Bahamas.

Mr. Unwala asked if the current non-performing loan portfolio had stabilized so that the Bank could manage it themselves or did it need more bad loans to be transferred to Resolve.

The Chairman indicated that the current non-performing loans were stable. However, he added that the Bank was making changes to its provisioning policy which took into account some of the macro-economic factors. He commented that by and large the provisions were adequate and the policy was such that it met the standards and reflected what the Bank felt was truly recoverable.

Mr. Unwala asked what the target was for the consumer loan portfolio.

Mr. Edwards indicated that the target for the consumer loan portfolio was set at 10% of the loan portfolio.

Mr. Unwala asked what the current shares outstanding were. He also asked about the contingent convertible bond instruments (“Coco”).

The Chairman advised that the current shares outstanding were outlined in the audited reports. He noted that one tranche of the Coco was taken up and the other tranches were no longer in effect.

Mr. Unwala asked if there were any dilutive convertible instruments or options of any kind.

The Chairman confirmed that there were no dilutive instruments.

Mr. Unwala commented that the Bank had a hard road ahead but felt that the Directors were doing a fantastic job and he was curious as to what they were doing. He added that he was very pleased of the steps being taken and as a shareholder he was looking forward to their continued efforts.

The question and answer period was concluded at 7:05 p.m.

Laura A. Williams
Secretary

Wayne J. Aranha
Chairman