Fidelity Bank (Bahamas) Limited

2015 ANNUAL REPORT

FIDELITY

FIDELITY

2015 ANNUAL REPORT

Contents

Summary Of Results

For the years ended 31 December (B$000)	2015	2014	YOY % Change	2013	2012	2011	2010
INCOME STATEMENT DATA (B$000):							
Interest Income	51,866	$45,604	14%	$39,541	$33,205	$27,866	$22,252
Interest Expense	(13,158)	(13,995)	-6%	(13,709)	(12,953)	(12,360)	(11,647)
Net Interest Income	38,708	31,609	22%	25,832	20,252	15,506	10,605
Provision for Loan Losses	(5,954)	(6,860)	-13%	(6,148)	(3,954)	(1,994)	(1,182)
Net Interest Income after Provision for Loan Losses	32,754	24,749	32%	19,684	16,298	13,512	9,423
Non-interest Income	3,469	4,270	-19%	3,833	3,742	3,619	4,181
Non-interest Expenses	(18,671)	(16,535)	13%	(14,658)	(13,702)	(13,362)	(11,870)
Share of joint venture Income	3,148	1,642	92%	875	76	75	(161)
Total Comprehensive Income	20,700	14,126	47%	8,678	6,414	3,844	1,573
Net Income attributable to Ordinary Shareholders	19,737	13,321	48%	8,929	5,604	3,652	1,573
PER SHARE DATA:							
Book Value	$2.08	$1.67	25%	$1.45	$1.32	$1.26	$1.21
Cash Dividends	$0.275	$0.250	10%	$0.14	$0.140	$0.070	$0.000
Year End Share Price	$6.60	$4.75	39%	$3.01	$2.10	$1.77	$2.17
Weighted Average Common Shares	28,749,849	28,707,545	0%	28,685,045	28,666,670	28,666,670	28,666,670
BALANCE SHEET DATA (B$000):							
Investment Securities	62,042	55,608	12%	47,901	38,232	27,987	29,173
Loans & Advances	360,514	332,370	8%	313,762	278,420	243,921	212,665
Total Assets	521,688	472,794	10%	444,188	386,854	349,910	282,198
Net Write-offs	7,400	3,874	91%	3,442	2,353	1,683	20
Deposits from Customers	397,113	376,650	5%	354,454	307,934	272,888	220,728
Total Capital	74,763	59,366	26%	53,160	49,262	47,172	34,722
Total Ordinary Equity	59,763	47,855	25%	41,649	37,751	36,161	34,722
Asset growth	10.34%	6.44%		14.82%	10.56%	23.99%	2.42%
Loan Growth	8.47%	5.93%		12.69%	14.14%	14.70%	6.27%
PERFORMANCE RATIOS:							
Earnings Per Share	$0.69	$0.46	48%	$0.31	$0.20	$0.13	$0.05
Price/Earnings	9.61 x	10.24 x	-6%	9.67 x	10.74 x	13.89 x	39.55 x
Price/Book Value	3.18 x	2.85 x	11%	2.07 x	1.59 x	1.40 x	1.79 x
Dividend Yield	4.17 x	5.26%	-21%	4.65%	6.67%	3.95%	0.00%
Return on Average Assets (ROAA)	4.16 x	3.08%	35%	2.34%	1.74%	1.22%	0.56%
Return on Average Common Shareholders' Equity (ROAE)	36.68%	29.77%	23%	22.49%	15.16%	10.30%	4.64%
Ordinary Dividend Payout Ratio	40.06%	53.88%	-26%	44.97%	71.62%	54.95%	0.00%
Efficiency Ratio	44.27%	46.08%	-4%	49.41%	57.11%	69.87%	80.28%
Net Interest Margin	9.55%	8.43%	13%	7.62%	6.88%	6.04%	4.51%
ASSET QUALITY RATIOS:							
Non-accrual Loans to Total Loans	7.28%	8.41%	-13%	8.30%	7.83%	7.51%	9.00%
Non-accrual Loans to Total Assets	5.19%	6.23%	-17%	6.10%	5.83%	5.40%	6.99%
Net Write-offs to Average Loans	2.03%	1.14%	116%	1.12%	0.87%	0.72%	0.01%
Provision for Loan Losses to Total Loans	2.89%	3.50%	-19%	2.84%	2.29%	1.98%	2.13%
Provision for Loan Losses to Non-Accrual Loans	39.31%	41.66%	-6%	34.28%	29.21%	26.39%	23.68%

Board of Directors

D. Anthony Jones,
Chairman

Anwer J. Sunderji

Frank J. Crothers

Stuart M. Bowe

Jennifer P. Dilbert

Nick Freeland

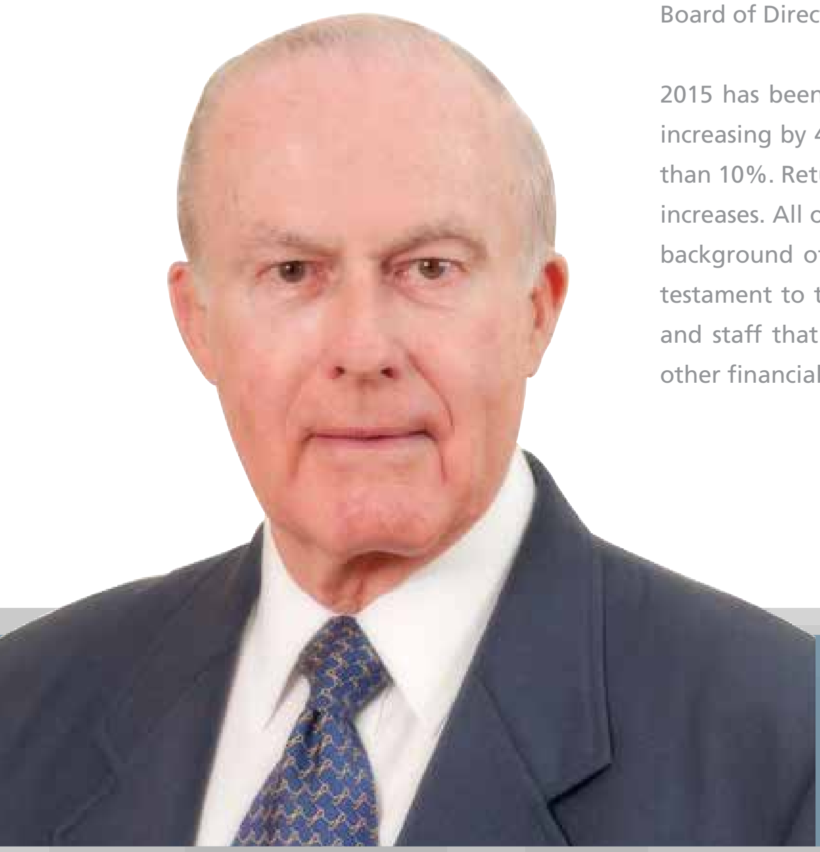
Sir William Allen

Scott Elphinstone

CHAIRMAN'S REPORT

I am delighted to be writing this message as Non-Executive Chairman of Fidelity Bank (Bahamas) Limited, having assumed that role in 2015. I and my fellow Board members are indebted to my predecessor as Chairman, Sir William Allen, who so effectively chaired the Bank as it continued to grow into a significant player in the financial service industry in The Bahamas. It is gratifying to know that Sir William's expertise and wise counsel will continue to be available, as he continues to serve as a member of the Board of Directors.

2015 has been a record year for the Bank, with comprehensive income increasing by 47% over the previous year, and assets increasing by more than 10%. Return on Equity and Return on Assets also showed significant increases. All of these results are impressive when considered against the background of a Bahamian economy that continues to struggle. It is a testament to the dedication and hard work of the Bank's management and staff that the Bank's results fare well when compared to those of other financial service entities in The Bahamas.



D. Anthony Jones
Chairman

The Bank's successes of 2015 will be particularly difficult to replicate in 2016, unless the Bahamian economy begins to show the signs of life that have been lacking in recent years. Whether the government's formulation and implementation of policies will be sufficient to cause that to happen remain to be seen but, with the Baha Mar development issue unlikely to be resolved before the end of 2016, any real improvement is unlikely before that happens, and some caution is to be expected.

Royal Fidelity Merchant Bank & Trust Limited, the Bank's 50% joint venture with Royal Bank of Canada, has also had a banner year in 2015 and has contributed over $3 million to the Bank's earnings. This business has played a prominent role in many of the corporate fund-raising activities in The Bahamas during the year, including advising the Bahamian Government on numerous debt issues.

As the smallest of the Clearing Banks in The Bahamas, the Bank is required to maintain the same quality of Compliance as its larger brethren, and with more Compliance and other requirements being imposed by Regulators each year, the related cost burden on small banks is likely to continue to increase. The Bank has reevaluated some of its operations and announced the termination of its participation in the money transfer business in mid-year, when it became apparent that the risks and costs associated with it outweighed the benefits.

I wish to place on record, appreciation of the contributions of all staff and management to the success of the Bank, and thank shareholders for their continued confidence and support.

D. Anthony Jones
Chairman

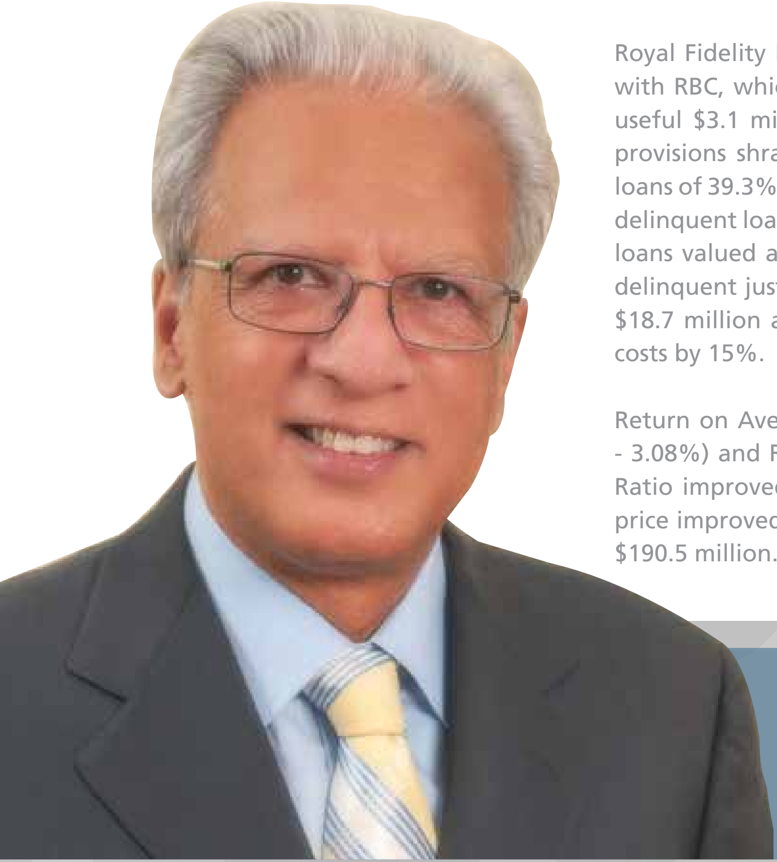
LETTER FROM THE CEO

Fidelity Bank (Bahamas) Limited (FBB) comprehensive income rose by 47% to $20.7 million compared to $14.1 million the prior year, boosted by the performance of the Bank's joint venture with RBC and other one-time reductions in interest income and loan loss provisions. Net income attributable to ordinary shareholders was $19.74 million, an increase of 48%. However, non-interest income declined by 10% to $3.5 million as the Bank exited the money transfer business early in the year. Deposits from customers increased by 4% to $397 million but interest expense declined by 6% as surplus liquidity conditions continued to prevail.

The Bank increased its dividends by 10% to $0.275 per share compared to $0.25 per share the prior year with the year-end dividend yield of 4.2%. The pay-out ratio was a comfortable 40%. Total Assets grew by 10% to $521.7 million and Loan Assets by 8% to $360.5 million. The loan to deposit ratio was 90.78%. During the year, the Bank successfully issued $3.5 million additional preference share securities bringing the total to $15 million.

Royal Fidelity Merchant Bank & Trust Limited (RFMBT), the 50% joint venture with RBC, which the Bank accounts for on an equity basis, contributed a very useful $3.1 million to the Bank's bottom line, an increase of 91%. Loan loss provisions shrank by 13% to $6.0 million with total provisions to delinquent loans of 39.3%, but net write offs increased by 91% to $7.4 million as the chronic delinquent loans became more difficult to recover. The Bank has 231 delinquent loans valued at over $20 million with an additional nearly 50 loans becoming delinquent just in 2015. Non-interest operating expenses increased by 13% to $18.7 million as staff costs increased by 10% and General and Administrative costs by 15%.

Return on Average Assets (ROAA) increased by over a 100bps to 4.16% (2014 - 3.08%) and Return on Average Equity (ROAE) by 23% to 36.69%. Efficiency Ratio improved by a further 4% to 44.3%. During the year, the Bank's share price improved by 39% to $6.60, increasing the Bank's market capitalization to $190.5 million.



Anwer J. Sunderji
Chief Executive Officer

The Bank met all the regulatory capital requirements with Tier 1 ratio of 19% (2014-15.8%). During the year, the Bank appointed D. Anthony Jones, a long serving and senior director, as its non-executive chairman in place of Sir William Allen who retired, but has kindly agreed to stay on the board.

Operations

While the Compounded Annual Rate of Growth of FBB is very impressive over the last five years, it is facing headwinds from an economy that remains in the doldrums, and increasing competition.

Risks

It is also evident from the Efficiency Ratio as the rate of improvement has dropped in recent years. Our staff have high expectations particularly as the Bank has done well in recent years. We managed to give a pay increase in 2016 of under 4% on the basis that banking as we know it, is being restructured and people are being laid off.

Regulatory: The CBOB has a new Governor Mr. John Rolle, the former Financial Secretary. He assumed office in the first quarter. There appear to be no changes in the regulatory regime. Our relationship with CBOB remains cordial.
Capital: The Bank meets all capital requirements.

Interest Rates: They remain soft as the current liquidity remains high. Depositors are looking for alternatives and RFMBT is successfully wooing them for its product range. We expect liquidity to remain high for 2016 and rates to remain soft.

Loan Delinquency: This is perhaps the biggest problem facing the industry. The GOB is keen to rescue Bahamians "Underwater" and wants banks to consider offering the mortgages to them at close to written down value.

Forecast

We are less sanguine about the future. Rising competition, government interference, and prospect for elections in 2017 are negative factors. We expect 2016 results to be marginally better than 2015.

A Sunderji

Anwer J. Sunderji
Chief Executive Officer

Financial Performance At a Glance

NET INTEREST INCOME

up by 22% ⬆

to 38.708m

PROVISION FOR LOAN LOSSES

down -13% ⬇

to 5.954m

NON-INTEREST INCOME

down -19% ⬇

to 3.469m

COMPREHENSIVE INCOME

up by 47% ⬆

to 20.700m

INCOME ATTRIBUTABLE TO ORDINARY SHAREHOLDERS

up by 48% ⬆

to 19.737m

LOAN BALANCES

up by 8% ⬆

to 360m

TOTAL ASSETS UP

up by 10% ⬆

to 521m

RETURN ON AVERAGE EQUITY (ROAE)

up by 23% ⬆

to 36.69%

YEAR-END SHARE PRICE

up by 39% ⬆

to $6.60 PER SHARE

RETURN ON AVERAGE ASSETS (ROAA)

up by 35% ⬆

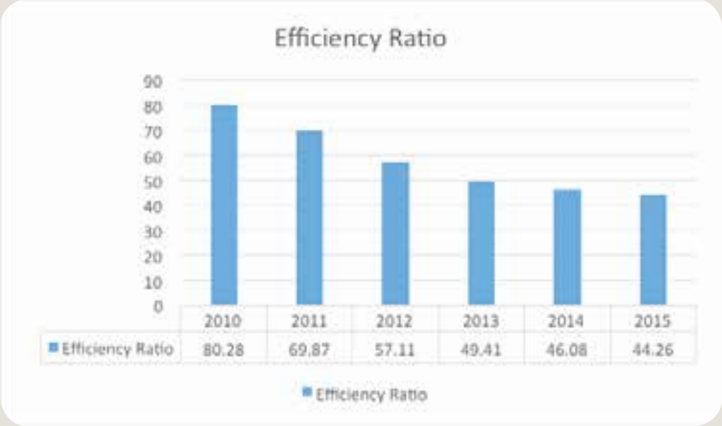
to 4.16%

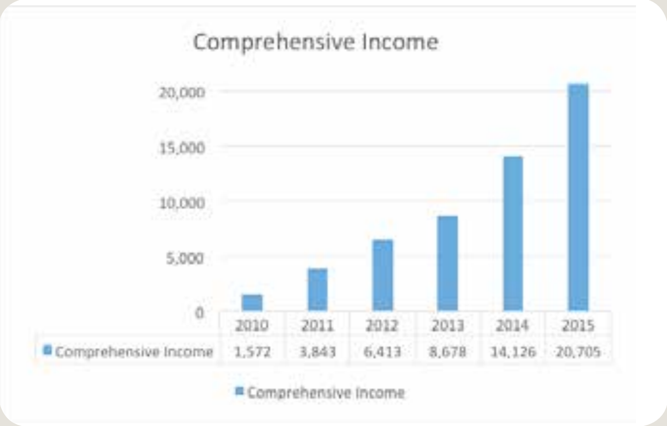
EFFICIENCY RATIO IMPROVED

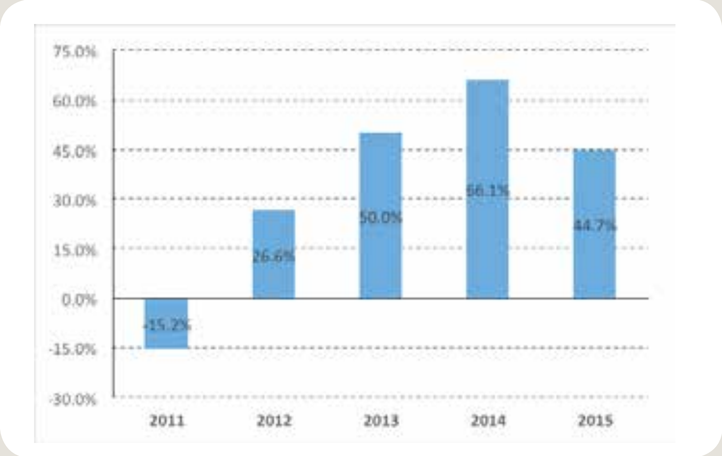
down -4% ⬇

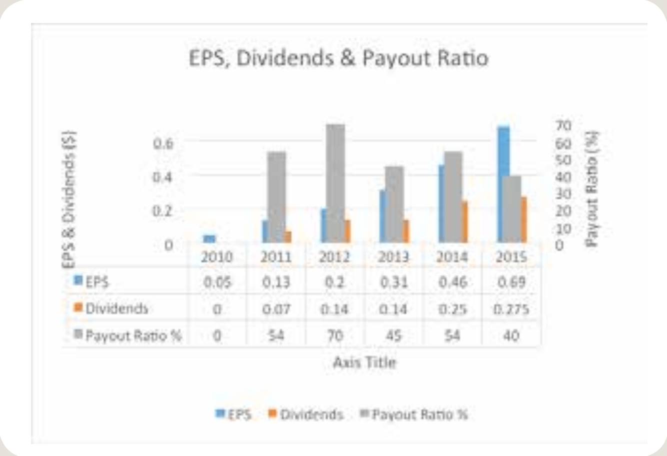
to 44.2%

Financial Performance









5 YEAR COMPOUNDED ANNUAL GROWTH RATE (CAGR) %

NET INTEREST INCOME	20
COMPREHENSIVE INCOME	74
YEAR END SHARE PRICE	25
LOANS AND ADVANCES	11
DIVIDENDS	47

CAPITAL APPRECIATION (LAST FIVE YEARS)

FBB	204%	SJ	20%
CHL	137%	CBL	12%
APL*	104%	FAM	-7%
FIN	52%	CIB	-14%

*Apple Computers

MESSAGE FROM THE PRESIDENT

Our Board of Directors, Executive Committee and managers are proud of the improved shareholder value, balance sheet growth and impressive profits during the year which ended on December 31st, 2015.

Banks must be consistently profitable in order to:

- generate a return for the investors and shareholders who contribute capital, so they continue to take the risk to invest money in shares of a bank, rather than leave their money in fixed deposits or invested in bonds and other financial instruments;
- satisfy the requirements of the regulators;
- ensure the confidence of the depositors and the public;
- maintain a good reputation;
- make more loans to keep the economy growing;
- attract deposits from savers;
- pay taxes to the government to provide money for education, health-care, infrastructure, security, etc.;
- employ people in well-paid jobs with excellent benefits and develop them with training, coaching and mentorship;
- fund educational and social initiatives in our communities, supporting charities and civic organizations;
- absorb losses from very high rates of mortgage loan delinquencies;
- invest in new technology;
- take risks and expand its product and services offerings.

To be profitable year after year, a bank needs to increase sales, attract new customers, retain existing customers, retain and engage competent staff, increase revenue or alternatively, a bank can lower expenses (reduce head count and close branches) and increase prices (fees and interest rates).
In an economy which continues to experience a minimal growth rate, our

Gregory Bethel, BBA
President

bank was able to do all the aforementioned while avoiding the latter two - reducing expenses and increasing prices.

The bank's costs are higher, despite being carefully managed, due to:

- business licence fees;
- bank licence fees;
- VAT on services, rent, utilities, etc;
- compliance costs;
- increased risks in lending due to job losses and decline in property values (hence collateral for loans has declined in value);
- staff benefits including higher salaries and group insurance premiums;
- opening a new branch;
- renovations with expansion at several branches;
- an increase in headcount.

Adding to the challenges to grow our balance sheet and income are the following persistent problems:

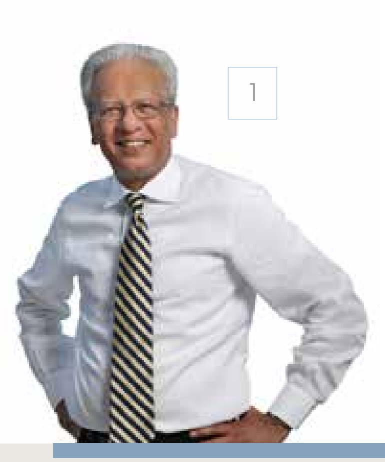
- The economic downturn which swept through the Caribbean seven years ago and will not go away;
- The stubbornly high unemployment in The Bahamas;
- The difficulty of increasing the number of stopover visitors to The Bahamas to stimulate the economy;
- The stalled resort development at Cable Beach;
- The loss of jobs due to globalization and the technology revolution.

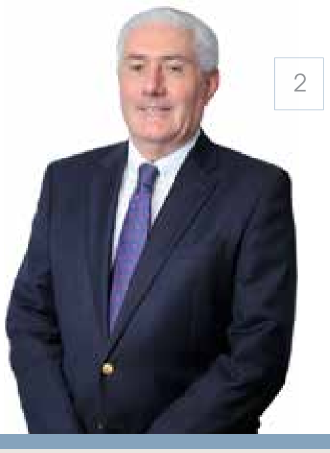
Fewer people with jobs means greater risks with more delinquent loans, fewer borrowers and fewer depositors. That is our challenge in 2016.

I am sincerely grateful to our customers who grant us the privilege of offering our products and services to them year after year. I am genuinely grateful to my colleagues who contribute greatly to the bank's success and give legitimacy to the bank's paradigm: 'Our PEOPLE, our products and our performance are better…all the time'.

Gregory Bethel, BBA
President

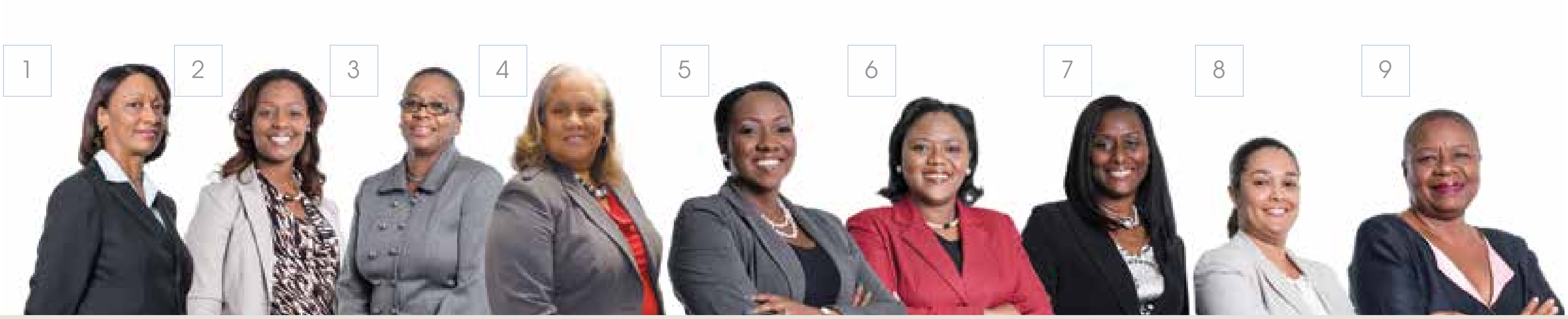
OUR EXECUTIVE TEAM



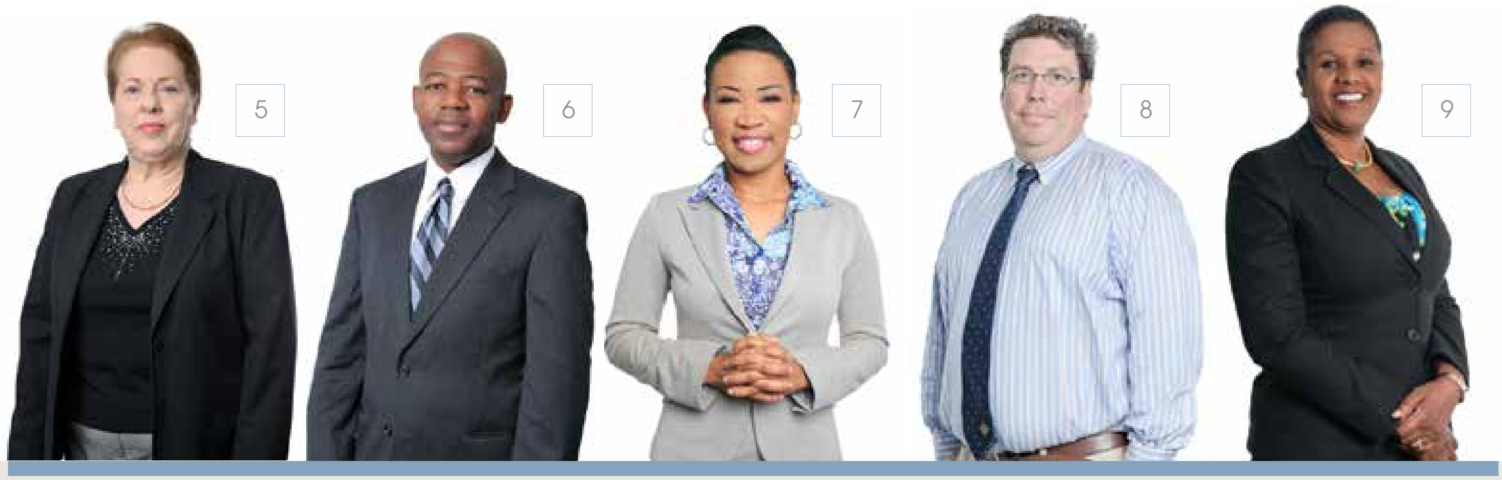


1. Anwer J. Sunderji, *Group Chairman*
2. Thomas Hacket, *Group Chief Financial Officer*
3. Michael Anderson, *President, Royal Fidelity Merchant Bank & Trust Limited*
4. Gregory Bethel, *President, Retail Banking, Fidelity Bank (Bahamas) Limited*

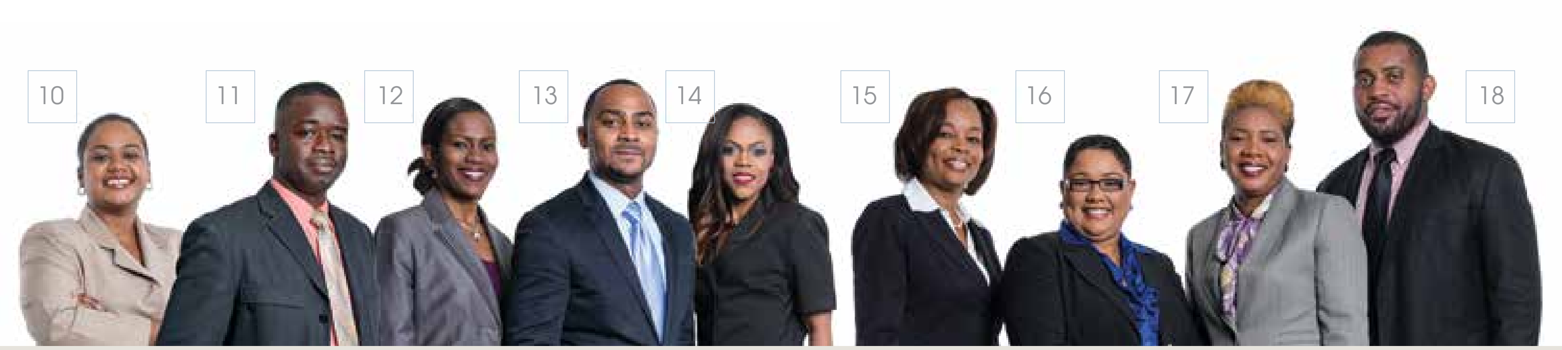
OUR MANAGEMENT TEAM



1. Katherine Lockhart, *Manager, Central Services*
2. Odia Gaskin, *Financial Centre Manager*
3. Andrea Smith, *Senior Accountant*
4. Leslie A. Fox, *Manager, Loan Administration*
5. Khrystle Rutherford-Ferguson, *Manager, Collections, Litigation*
6. Spencer Dean-Smith, *Compliance Officer & MLRO*
7. Thallise Maycock, *Manager, Premises - Bahamas*
8. Samantha Carey-Davis, *Manager, Accounting Services*
9. Malvern Bain, *Vice President, Asset Recovery*



5. Judy Higgs, *Vice President, Corporate Services*
6. Crestwell Gardiner, *Vice President, Credit & Lending*
7. Tangela N. Albury, *Chief of Compliance & Internal Audit, Compliance & Control Unit*
8. Andrew Pike, *Chief Information Officer*
9. Heatherdawn E. Blake-Brown, *Director of Card Services*



10. Carmetta Basden, *Manager, Fund Accounting*
11. Antonio Saunders, *Manager, Marketing Media & Graphics*
12. Eunice Johnson, *Card Services, Operations Manager*
13. Dominic Ferguson, *Financial Centre Manager*
14. Bridget Forbes, *Financial Centre Manager*
15. Janice Rolle, *Sr. Financial Centre Manager*
16. Domicia Hepburn, *Manager, Group Branch Operations*
17. Stacia Williams, *Group HR Director*
18. Demetrius Bastian, *Financial Centre Manager*

COMMUNITY GIVING

This year, we hosted our 'Women Only' seminar, designed to financially educate women and help them take advantage of beneficial financial opportunities.

The free seminar, themed "How to Make it Better", seeks to educate, inspire and help women so they and the people they love and care for can have a better lives.

The seminar brings together women of various spheres in the Bahamian diaspora to foster a sense of community. Knowledgeable financial experts speak on various topics from legal issues to relationships to preparing for retirement, all to assist women in becoming their best selves.

This event also serves as fundraiser for various charities. Fidelity Bank matched the donations of the attendees, helping to raise funds for The Bahamas Red Cross, The Children's Emergency Hostel, The Ranfurly Home for Children, The Salvation Army, The Women's Crisis Centre, all in Nassau and Grand Bahama Down Syndrome Society, Sister Sister Breast Cancer Support Group, Grand Bahama Children's Home, Grand Bahama Red Cross, Columbus House – (for teenage boys and girls), Grand Bahama Crisis Centre in Freeport, Grand Bahama.

1,500

WOMEN IN NASSAU

1,200

WOMEN IN FREEPORT

COMMUNITY GIVING

Fidelity Bank Sponsors New Laptops To Ican Reading Program

From left to right: Karen Major, Investment Manager, Royal Fidelity Merchant Bank & Trust Limited; (middle left) Tangela Albury, Chief of Compliance, Donations Committee Chair, Fidelity Group of Companies, (front right) Cherilyn Bethel, Marketing/PR Coordinator, Fidelity Group of Companies, (middle right) Tehranique Darrell, founder, ICAN.

Nassau, Bahamas: Fidelity Bank (Bahamas) Limited donated laptops to ICAN, a local literacy program to assist at-risk youth. Founded in 2006 by philanthropist, Tehranique Darrell, ICAN is a registered non-profit organization that provides a solution to the negative repercussions of illiteracy and neglect, including academic failure, low self-esteem, substance abuse, teenage pregnancy and criminal activity. ICAN provides a safe, positive and supportive environment for at-risk children at its location on Recovery Way (formerly St. Alban's Drive). It also provides creative childhood learning programs – iempower, iread, igrow, icreate, idiscover and iprotect.

Through its programs, ICAN provides a unique and innovative way to reach students outside of the traditional forms of learning, i.e. reading, writing and arithmetic. Rather, these concepts are taught through art, crafts, and other hands-on experiences like farming, horseback riding and other outdoor adventures. ICAN implements the AutoSkill program to assist with reading and math and to provide accurate progress tracking and statistics.

"We are so thankful to Fidelity for its annual sponsorships as well as its donation of the laptops," says Mrs. Darrell. "In the past, our students would have to share laptops during tutoring sessions which had an impact on individual progress. With the additional machines, we expect that we can see even better progress reports."

Chief of Compliance and Fidelity Groups Donations Committee Chair, Ms. Tangela N. Albury commended ICAN for its commitment to youth development. "We enthusiastically support ICAN's vision to increase literacy in the Bahamian community as it reflects Fidelity's guiding principles. We are all too aware of the impact of education or the lack thereof in the community. The underlying issue, in a number of cases, is the inability of the public school system to cater to the individual needs of the entire student population. The burden is too great. Programs like ICAN help to bridge the educational gap, making it possible for more students to succeed."

Fidelity Bank sponsors five students annually to participate in the ICAN program. The sponsorship assists in providing food and drinks, purchasing materials and providing stipends to volunteers.

COMMUNITY GIVING

Fidelity helps students "TUNE INTO READING." Donating $25,000 lab to Adelaide Primary School

Students of Adelaide Primary School will be outfitted with computers to begin its 'Tune Into Reading' (TiR) initiative compliments of Fidelity Bank (Bahamas) Ltd.

Mission Educate Bahamas (M.E.B.), the brain child of local businessmen Chris & Terry Tsavousis, introduced the 'Tune Into Reading' program to the Bahamas in the fall of 2011. The program is based on the multi modal method of learning using key elements of singing i.e. pitch, rhythm and rhyme to comprehend, analyze and recall information. This method is referred to as Melodic Learning. In South Florida, where the program originated, students' average reading gain was 1.4 to 2 years after only 9-12 weeks with a frequency of three times a week, thirty minutes a day.

Since its launch in The Bahamas, over 1,200 students in five different public primary schools have experienced the benefit of the program. These schools are Columbus Primary, Sandilands Primary, C.W. Sawyer Primary and Thelma Gibson Primary. At these institutions, teachers have reported marked student success due to TiR. At Columbus Primary, on average, 4th grade participants' gained 1.4 year reading levels. The same group of students gained 1.3 years at Sandilands,1.4 at C.W. Sawyer and 1.5 years at Thelma Gibson.

Not only has TiR helped students with reading but is also attributed to increased confidence, overall academic improvement in additional subjects, and emerging musical talents among students. Further, within weeks of being enrolled in the program, 90% of at-risk youth progressed out of that category.

"On behalf of 'Mission: Educate Bahamas,' we gratefully accept this donation of $25,000" says Yolanda Pawar-Bain, Executive Board Member, Mission Educate Bahamas. "Fidelity Bank is a well-respected financial institution with a strong track record of investing in local community projects that matter. Moving forward, we expect Adelaide Primary to see the same impressive reading gains among its student body, as experienced in other primary schools currently excelling with 'Tune into Reading.' Thanks to the partnership, vision, and keen commitment demonstrated by Fidelity Bank, and its Leadership, M.E.B. is now able to extend this revolutionary literacy program to yet another school, and its deserving students."

Fidelity Group Chairman, Anwer Sunderji, conveyed his enthusiasm over the program. "Fidelity is very excited to give the gift of reading to Adelaide Primary School. In light of the current social climate, Tune Into Reading is the early intervention program that at-risk students need to get them on the path to becoming successful, contributing members of our society."

In 2015, Mission Educate Bahamas plans to extend its reach to the remaining government primary schools in the Bahamas and to add TiR to the national primary school curriculum. It is appealing for support from corporate Bahamas to realize these goals.

COMMUNITY GIVING

Fidelity Bank Sponsors Cancer Society with a $50,000 donation

Pictured from left to right: Jessica Robertson, Telethon hostess; Antonio Saunders, Marketing/PR Manager, Fidelity Bank; Lovern Wildgoose, President of the Cancer Society of the Bahamas, Juditt Higgs, Secretary, Cancer Society; Susan Roberts, Treasurer, Cancer Society; Diane Bingham, Director of Cancer Society; J.Barrie Farrington, Cancer Society Member.

Fidelity Bank donated $50,000 to The Cancer Society of the Bahamas during a live telethon on Sunday, May 31st, 2015. Funds donated at the event assisted with the expansion of the Cancer Care Centre inclusive of 16 rooms and hospice care. The three storey building is located adjacent to the present Cancer Society Headquarters just off Collins Avenue, close to doctors and hospitals. The building comprises of 10 rooms, each with a patio and garden view. The second floor rooms are reserved for Family Island patients staying in Nassau for short-term treatment. As part of their holistic treatment, residents will be encouraged to participate in simple activities such as gardening and preparing meals to keep them active.

The Cancer Care Centre features full-time staff including an administrator, care givers and security. Volunteers are also on site to visit patients, leading daily exercise classes, giving talks on nutrition, providing transportation, helping arrange home visits, among other activities. The Cancer Society of the Bahamas calls the Cancer Care Centre "a home away from home; a place of comfort for those who need it so badly and for their loved ones who want to make treatment as painless as possible".

The telethon brought together professionals from various arenas in the business world from politicians to business owners and religious leaders, who facilitated call-in donations to The Cancer Society. The goal of the event was to raise $1M. Though the event did not reach this goal, the society expressed its gratitude to corporate citizens like Fidelity Bank who make themselves available to assist those who have need in the community.

COMMUNITY GIVING

Fidelity Bank donates to the Bahamas National Feeding Network

From L to R: Gregory Bethel, President, Retail Banking, Fidelity Bank; Philip Smith, Executive Director, BNFN; Tangela Abury, Chief of Compliance & Donations Committee Chair, Fidelity Bank.

Nassau, Bahamas: Fidelity Bank (Bahamas) Limited donated $2,000 to help end hunger throughout the Bahamas. The donation was presented to The Bahamas National Feeding Network (BNFN), a non-profit organization that acts as a central hub for the collection and distribution of resources to charities in the Commonwealth of Islands.

BNFN was established in 2013 when 13 independent charity groups joined forces to maximize personnel, finances, food supplies and non-food supplies donated, as well as to minimize duplication of services, improve communications and collaboration and to provide a common platform for standards. Since its launch, BNFN estimates that 54 feeding centres/programs in New Providence are feeding upwards of 900 persons a day. In its first year of existence, the organization donated $70,000 in food coupons to over 40 feeding groups and churches.

"Hunger is a worldwide problem, and while it may not be readily apparent, The Bahamas is specifically and seriously affected by it," says Ms. Tangela N. Albury, Chief Compliance & Control Officer and Fidelity Group's Donations Committee Chair. "In The Bahamas, it is estimated that 12.5% of the population lives in poverty conditions. If that statistic is correct, that could mean that with a population of approximate 390,000, nearly 50,000 men, women and children do not know where their next meals are coming from. We are glad we can provide support to organizations through BNFN which directly address this issue."

Presently, BNFN helps to service 70 feeding programs in Nassau, Grand Bahama & the Family Islands. These include The Bahamas Red Cross, Hands of Hope, Hands for Hunger, The Salvation Army, Great Commissions Ministries, and BASH. BNFN Executive Director, Philip Smith received the donation on behalf of the organization, thanking Fidelity Bank for its commitment to corporate giving. "Every dollar counts towards providing much needed resources to less fortunate persons in our community. This is why we are so grateful to corporate institutions like Fidelity Bank who help us to extend our reach".

Fidelity Bank Raises $60K Toward Hurricane Joaquin Relief Efforts

From L to R: Antonio Saunders, Marketing/PR Manager, Fidelity Bank; Gregory Bethel, President, Retail Banking; Craig Gomez, President, Bahamas Red Cross; Tangela Albury, Chief of Compliance; Odia Gaskin, Financial Centre Manager.

Nassau, The Bahamas - Fidelity Bank (Bahamas) Limited donated $60,530 to the Bahamas Red Cross Society to assist in the restoration of the southern Bahamian islands adversely affected by Hurricane Joaquin in October. The donation comes after the bank created a hurricane relief fund under the banner "Operation Restore Hope", where persons in the community could donate to the cause. Fidelity matched the contributions made to the account.

Acklins, Crooked Island, Long Island, Rum Cay and San Salvador took the brunt of the category four storm, being hammered with winds in excess of 130 miles per hour. Massive flooding and storm surges wiped out entire communities, leaving thousands of residents displaced. The need for assistance continues to be immense, even with relief coming from within the Commonwealth of the Bahamas and from abroad.

Fidelity's "Operation Restore Hope" program was designed to help and provide basic necessities for life like food, water, clothing and temporary shelter to citizens who lost everything in the wake of Joaquin. It also provided a means by which the average Bahamian could lend a hand. Mr. Gregory Bethel, President, Retail Banking at Fidelity Bank applauded those persons who donated to Fidelity's hurricane relief fund or who have in some other way contributed in the efforts to assist and rebuild communities in the southern islands.

"As recovery efforts continue, we know that even greater needs will become apparent for families who have been impacted so deeply and extensively by this disaster," said Mr. Bethel. "Bahamians are not only tough and resilient – as we've already seen throughout the storm and initial recovery period – they are also caring, generous and kind. Above all, we are a community and we take care of each other".

Craig Tony Gomez, President of the Bahamas Red Cross Society, thanked Fidelity and others in the community for their generosity. He said the donation will go a long way in providing aide for the estimated 5,000 persons affected by Joaquin, especially during the holiday season.

While the southern islands are slowly recovering, helping persons in those islands return to some form of normalcy will take much more time, resources, and assistance. Fidelity encourages other companies and organizations to contribute to the disaster relief efforts.

CELEBRATING OUR CHAMPIONS

The Fidelity Bulldogs , having won over 30 pennants/championships over the last 25 years, enjoyed their most dominant season in 2015. The Bulldogs defeated British American Insurance on the 2015 Bankers League Softball Championship games to secure its 2nd consecutive championship.

Similarly, the Fidelity Bulldogs Bowling Team won the 2015-2016 Champions after a 4 – 2 victory offer UBS after an awesome night of Games. They came back in the 10th Frame of the 3rd Game to beat UBS by just 1 Pin.

MANAGEMENT DISCUSSION & ANALYSIS

During 2015, total assets of the Bank increased by $48.9 million, or 10.3% to $521.7 million from $472.8 in 2014 with total loans increasing by $28.1 million, or 8.5%, compared to an increase of $18.6 million, or 6%, in 2014.

The Bank reported net income of $20,700,354 or 69 cents per share as compared with net income for 2014 of $14,126,485 or 46 cents per share. Net income for 2015 was positively impacted by the growth in the consumer loan portfolio and the profits from the joint venture with Royal Fidelity Bank & Trust Limited.

The return on average assets for the year was 4.2% (2014; 3.1%).

Dividends of 27.5 cents per share were paid in 2015 (2014: 25 cents per share).

CAPITAL ADEQUACY

The Central Bank of The Bahamas requires that the Bank maintains a ratio of total regulatory capital to risk–weighted assets at or above a minimum of 14%. The Bank's risk-weighted capital at 31 December, 2015 was 21.63 %.(2014:18.51%).

ANALYSIS OF LOAN PORTFOLIO

During 2015, the Banks mortgage portfolio declined by $12.3 million (2014: decrease of $12.1 Million), or -12.3% (2014: --10.8%). due to reduced demand and inability of potential borrowers to qualify.

Consumer and other loans increased by $40.5 million (2014: Increase of $33.9 million). This growth was in line with the Bank's strategy to rebalance the overall mix of its loan.

At the end of 2015, mortgage loans comprised 23.5% (2014: 29.0%) of total loans with consumer and other loans comprising the balance of 76.5% (2014: 71.0%) which was in line with the Bank's targeted ratio.

Total non-performing loans amounted to $27.5 million (2014: $29.5 million) or 7.3% (2014: 8.4%) of total loans. Provision for loan losses represent 2.90% (2014: 3.55%) of the total loan portfolio.

DEPOSIT BASE

During 2015, total deposits grew by $20.5 million (2014: $22.2 million), or 5.4 %, (2014: 6.3%). The Bank also issued an additional $20 million of debt securities while redeeming $7 million.

Liquidity in the banking system remained high throughout 2015 as credit demand remained soft.

OPERATING REVENUES

Net Interest Income

Net interest income increased significantly from $31.6 million in 2014 to $38.7 million in 2015. The net interest margin, on average total assets increased from 6.9% in 2014 to 7.8% in 2015.

Non-Interest Income

Non-interest revenues decreased from 4.3 million in 2014 to 3.5 million in 2015 due to the exit from the money transfer business in July 2015.

At the end of 2015, non-interest revenues comprised 8.2% (2014: 11.9%) of total revenues.

Share of Profits of Joint Ventures

Share of profits of joint venture increased from $1.6 million in 2014 to 3.1 million in 2015. This increase was due to the results of Royal Fidelity Bank & Trust Limited which had an excellent year in the performance of its underlying business and some one-off results.

OPERATING EXPENSES

Excluding loan loss provision charges, expenses were $18.7 million (2014: $16.5 million). $1.5 million of the increase related to business license fees (2014-$1.3 million).

LOAN LOSS PROVISIONS

Non-Performing mortgage loans remained static during the year and the trend indicates that mortgage arrears are perhaps stabilising .

Non-performing loans as a percentage of total loans were 7.3 % at the end of 2015 (2014: 8.4%). The level of loan loss provisions, as a percentage of non-performing loans, decreased from 41.7 % in 2014 to 39.3 % at the end of 2015.

Mortgages represents $21.8 million (2014:$21.8) of the non-performing loans with the balance of $ 5.7 million (2014: $ 7.7) comprising consumer loans and overdrafts. The Bank is of the view that provisions are adequate to cover any losses on its loan portfolio.

The Bank continues to focus on managing its non-performing loans.

SUMMARY

2015 has been a successful year for the Bank and validates management's strategy of changing the product offerings by the Bank, investing in human capital and technology and managing its non- performing loan book. The Bank expects to continue this strategy in 2016 and looks forward to another successful year.

Consolidated Financial Statements

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Fidelity Bank (Bahamas) Limited

We have audited the accompanying consolidated financial statements of Fidelity Bank (Bahamas) Limited and its subsidiaries, which comprise the consolidated balance sheet as of 31 December 2015, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Fidelity Bank (Bahamas) Limited and its subsidiaries as of 31 December 2015, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers

Chartered Accountants
4 May 2016

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FIDELITY BANK (BAHAMAS) LIMITED
(Incorporated under the laws of the Commonwealth of The Bahamas)

Consolidated Balance Sheet
As of 31 December 2015
(Expressed in Bahamian dollars)

	2015 $	2014 $
ASSETS		
Cash on hand and at banks (Note 3)	71,192,677	60,304,617
Investment securities (Note 4)	62,041,584	55,607,612
Loans and advances to customers (Note 5)	360,513,733	332,370,348
Other assets	1,588,576	2,680,929
Investments in joint ventures (Note 6)	14,554,506	11,468,402
Property, plant and equipment (Note 7)	11,797,378	10,362,563
Total assets	**521,688,454**	**472,794,471**
LIABILITIES		
Deposits from customers (Note 8)	397,113,443	376,650,387
Accrued expenses and other liabilities	1,016,171	796,942
Debt securities (Note 9)	48,796,144	35,981,622
Total liabilities	**446,925,758**	**413,428,951**
EQUITY		
Capital (Note 10)	35,241,119	31,653,119
Revaluation reserve	875,780	910,149
Reserve for credit losses (Note 19)	3,647,593	3,353,581
Retained earnings	34,998,204	23,448,671
Total equity	**74,762,696**	**59,365,520**
Total liabilities and equity	**521,688,454**	**472,794,471**

APPROVED BY THE BOARD OF DIRECTORS AND SIGNED ON ITS BEHALF BY:

Director

Director

29 April 2016
Date

The accompanying notes are an integral part of these consolidated financial statements.

FIDELITY BANK (BAHAMAS) LIMITED

Consolidated Statement of Comprehensive Income
For the Year Ended 31 December 2015
(Expressed in Bahamian dollars)

	2015	2014
	$	**$**
Continuing operations		
INCOME		
Interest income		
Bank deposits, loans and advances	49,084,743	43,196,040
Investment securities	2,780,968	2,408,383
	51,865,711	45,604,423
Interest expense	(13,157,749)	(13,994,942)
Net interest income	**38,707,962**	**31,609,481**
Fees and commissions	3,027,301	3,396,866
Net gain/(loss) on investment securities	-	(3,600)
	41,735,263	**35,002,747**
EXPENSES		
Salaries and employee benefits	8,983,302	8,162,766
General and administrative (Note 12)	8,360,699	7,303,717
Provision for loan losses (Note 5)	5,953,795	6,860,345
Depreciation and amortisation (Note 7)	1,327,352	1,068,070
	24,625,148	**23,394,898**
Operating profit	**17,110,115**	**11,607,849**
Share of profits of joint ventures (Note 6)	3,148,133	1,641,911
Net income from continuing operations	**20,258,248**	**13,249,760**
Net income from discontinued operations (attributable to ordinary shareholders) (Note 15)	442,106	876,725
Net income and total comprehensive income	**20,700,354**	**14,126,485**
Net income and total comprehensive income is attributable to (Note 11):		
Ordinary shareholders	19,737,340	13,320,715
Preference shareholders	963,014	805,770
	20,700,354	**14,126,485**
Net income and total comprehensive income for the period attributable to ordinary shareholders arises from:		
Continuing operations	19,295,234	12,443,990
Discontinued operations	442,106	876,725
Net income and total comprehensive income	**19,737,340**	**13,320,715**
Basic and diluted earnings per share attributable to ordinary shareholders (Note 11):		
Continuing operations	**0.67**	**0.43**
Discontinued operations	**0.02**	**0.03**
Earnings per share for net income and total comprehensive income	**0.69**	**0.46**

The accompanying notes are an integral part of these consolidated financial statements.

FIDELITY BANK (BAHAMAS) LIMITED

Consolidated Statement of Changes in Equity
For the Year Ended 31 December 2015
(Expressed in Bahamian dollars)

	Capital $	Reserve $	Losses $	Earnings $	Total $
As of 1 January 2014	31,578,377	988,647	3,153,238	17,439,871	53,160,133
Comprehensive income					
Net income	-	-	-	14,126,485	14,126,485
Total comprehensive income	-	-	-	14,126,485	14,126,485
Transfers					
Depreciation transfer	-	(78,498)	-	78,498	-
Appropriation for credit losses	-	-	200,343	(200,343)	-
Total transfers	-	(78,498)	200,343	(121,845)	-
Transactions with owners					
Issuance of ordinary shares	74,742	-	-	26,596	101,338
Dividends – preference shares	-	-	-	(805,770)	(805,770)
Dividends – ordinary shares	-	-	-	(7,216,666)	(7,216,666)
Total transactions with owners	74,742	-	-	(7,995,840)	(7,921,098)
As of 31 December 2014	**31,653,119**	**910,149**	**3,353,581**	**23,448,671**	**59,365,520**
As of 1 January 2015	31,653,119	910,149	3,353,581	23,448,671	59,365,520
Comprehensive income					
Net income	-	-	-	20,700,354	20,700,354
Total comprehensive income	-	-	-	20,700,354	20,700,354
Transfers					
Depreciation transfer	-	(34,369)	-	34,369	-
Appropriation for credit losses	-	-	294,012	(294,012)	-
Total transfers	-	(34,369)	294,012	(259,643)	-
Transactions with owners					
Issuance of ordinary shares	99,000	-	-	86,400	185,400
Issuance of preference shares	3,489,000	-	-	-	3,489,000
Cost of preference shares	-	-	-	(76,230)	(76,230)
Dividends – preference shares	-	-	-	(963,014)	(963,014)
Dividends – ordinary shares	-	-	-	(7,938,334)	(7,938,334)
Total transactions with owners	3,588,000	-	-	(8,891,178)	(5,303,178)
As of 31 December 2015	**35,241,119**	**875,780**	**3,647,593**	**34,998,204**	**74,762,696**

Dividends per preference share: $0.64 (2014: $0.70)
Dividends per ordinary share: $0.28 (2014: $0.25)

The accompanying notes are an integral part of these consolidated financial statements.

FIDELITY BANK (BAHAMAS) LIMITED

Consolidated Statement of Cash Flows
For the Year Ended 31 December 2015
(Expressed in Bahamian dollars)

	2015 $	2014 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income from:		
Continuing operations	20,258,248	13,249,760
Discontinued operations	442,106	876,725
Net income including discontinued operations	**20,700,354**	**14,126,485**
Adjustments for:		
Interest income	(51,865,711)	(45,604,423)
Interest expense	13,157,749	13,994,942
Net loss on investment securities	-	3,600
Loss on disposal of property, plant and equipment	4,092	8,904
Salaries and employee benefits	185,400	101,338
Provision for loan losses	5,953,795	6,860,345
Depreciation and amortisation	1,327,352	1,068,070
Share of profits of joint ventures	(3,148,133)	(1,641,911)
Interest received	50,173,936	42,532,628
Interest paid	(13,441,883)	(13,968,772)
(Increase)/Decrease in operating assets		
Mandatory reserve deposits	123,390	(869,280)
Loans and advances to customers	(32,535,077)	(22,521,418)
Other assets	1,092,353	(498,216)
Increase/(Decrease) in operating liabilities		
Deposits from customers	20,918,054	22,227,946
Accrued expenses and other liabilities	219,229	147,038
Net cash from operating activities	**12,864,900**	**15,967,276**
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividends received	62,029	57,954
Purchases of investment securities	(6,304,300)	(8,727,800)
Proceeds from sales/maturities of investment securities	-	1,141,821
Purchases of property, plant and equipment	(2,766,259)	(1,223,403)
Proceeds from disposal of property, plant and equipment	-	2,000
Net cash used in investing activities	**(9,008,530)**	**(8,749,428)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of preference shares	3,412,770	-
Proceeds from issuance of debt securities	19,643,658	-
Redemption of debt securities	(7,000,000)	-
Dividends paid on preference shares	(963,014)	(805,770)
Dividends paid on ordinary shares	(7,938,334)	(7,216,666)
Net cash from/(used in) financing activities	**7,155,080**	**(8,022,436)**
Net increase/(decrease) in cash and cash equivalents	**11,011,450**	**(804,588)**
Cash and cash equivalents as of beginning of year	45,947,937	46,752,525
Cash and cash equivalents as of end of year (Note 3)	**56,959,387**	**45,947,937**

See Notes 10 and 16 for significant non-cash transactions.
See Note 15 for cash flow from discontinued operations.

The accompanying notes are an integral part of these consolidated financial statements.

1. General Information

Fidelity Bank (Bahamas) Limited (the Bank) is incorporated under the Companies Act, 1992 of the Commonwealth of The Bahamas (The Bahamas) and is licensed under the Banks and Trust Companies Regulation Act, 2000 to carry on banking business in The Bahamas. The Bank offers a full range of retail banking services, including internet and telephone banking, acceptance of deposits, granting of loans and the provision of foreign exchange services through each of its four branches in New Providence, its branch in Grand Bahama and its branch in Abaco.

The Bank has two subsidiaries, West Bay Development Company Limited and Pinnacle Cars Limited; holding companies incorporated in The Bahamas, which own two buildings occupied by the Bank and its related parties and all vehicles used by the Bank, respectively. The Bank and its subsidiaries are collectively referred to as the Group. The ordinary shares of the Bank are listed and traded on The Bahamas International Securities Exchange (BISX).

Fidelity Bank & Trust International Limited (the Parent), a company incorporated in The Bahamas, owns 75% (2014: 75%) of the issued ordinary shares of the Bank, with the balance being held by the Bahamian public.

The registered office of the Bank is situated at #51 Frederick Street, Nassau, Bahamas.

2. Summary of Significant Accounting Policies

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

(a) Basis of preparation

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), and under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Group’s accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from those estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Notes 2(d), 2(f), 2(g), 2(m) and 19.

New standards, amendments and interpretations adopted by the Group

Standards and amendments and interpretations to published standards that became effective for the Group’s financial year beginning on 1 January 2015 were either not relevant or not significant to the Group’s operations and accordingly did not have a material impact on the Group’s accounting policies or consolidated financial statements.

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

New standards, amendments and interpretations not yet adopted by the Group

With the exception of IFRS 9 *Financial Instruments* (IFRS 9), IFRS 15 *Revenue from Contracts with Customers* (IFRS 15), and IFRS 16 *Leases* (IFRS 16), the application of new standards and amendments and interpretations to existing standards that have been published but are not yet effective are not expected to have a material impact on the Group's accounting policies or consolidated financial statements in the financial period of initial application.

IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities, and replaces the guidance in IAS 39 *Financial Instruments: Recognition and Measurement* (IAS 39) that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income. The determination is made at initial recognition, and the basis of classification depends on the Group's business model for managing its financial assets and the contractual cash flow characteristics of the financial asset. In addition, IFRS 9 will require the impairment of financial assets to be calculated using an expected credit loss model that replaces the incurred loss impairment model required by IAS 39. For financial liabilities, there were no changes to classification and measurement, except for the recognition of changes in own credit risk in other comprehensive income for financial liabilities designated at fair value through profit or loss. The Group has not yet assessed the full impact of adopting IFRS 9, which is effective for financial periods beginning on or after 1 January 2018.

IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with its customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard is effective for annual periods beginning on or after 1 January 2018, and replaces IAS 18 *Revenue* and IAS 11 *Construction Contracts* and related interpretations. The Group has not yet assessed the full impact of adopting IFRS 15.

IFRS 16 results in lessees accounting for most leases within the scope of the standard in a manner similar to the way in which finance leases are currently accounted for under IAS 17 *Leases* (IAS 17). Lessees will recognise a 'right of use' asset and a corresponding financial liability on the balance sheet. The asset will be amortised over the length of the lease and the financial liability measured at amortised cost. Lessor accounting remains substantially the same as in IAS 17. The Group has not yet assessed the full impact of adopting IFRS 16, which is effective for financial periods beginning on or after 1 January 2019.

2. Summary of Significant Accounting Policies (Continued)

(b) Principles of consolidation

Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of subsidiaries are changed where necessary to ensure consistency with the policies adopted by the Group.

Joint ventures

Joint ventures are entities over which the Group has joint control, and the operations are generally governed by contractual arrangements. Investments in joint ventures are accounted for using the equity method of accounting and are initially recognised at cost. The Group's share of post-acquisition profits or losses and other comprehensive income or loss is recognised in the consolidated statement of comprehensive income consistent with the recognition by the joint venture, and its share of post-acquisition movements in reserves is recognised directly in reserves, with corresponding adjustments to the carrying amount of the investments in joint ventures. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, including other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the joint venture.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of joint ventures are changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity accounted investments is tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

(c) Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Bahamian dollars (B$), which is the Bank's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised as a part of net income in the consolidated statement of comprehensive income. Translation differences on monetary financial assets measured at fair value through profit or loss are included as a part of the fair value gains and losses.

2. Summary of Significant Accounting Policies (Continued)

(d) Financial assets

The Group classifies its financial assets into the following categories: financial assets at fair value through profit or loss and loans and receivables. Management determines the classification of its investments at initial recognition.

i) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified into the financial assets at fair value through profit or loss category at inception if acquired principally for the purpose of selling in the short term, if it forms part of a portfolio of financial assets in which there is evidence of short-term profit-taking, or if so designated by management. Financial assets designated as at fair value through profit or loss at inception are those that are managed and whose performance is evaluated on a fair value basis, and are intended to be held for an indefinite period of time but may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. Information about these financial assets is provided internally on a fair value basis to the Group's Executive Committee. All of the Group's investment securities classified as at fair value through profit or loss have been so designated by management.

ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not traded in an active market. They arise when the Group provides money, goods or services to a debtor with no intention of trading the receivable.

Regular-way purchases and sales of financial assets are recognised on the trade date – the date on which the Group commits to originate, purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs, except financial assets carried at fair value through profit or loss where such costs are expensed as incurred. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or when the Group has transferred substantially all risks and rewards of ownership.

Financial assets at fair value through profit or loss are subsequently carried at fair value. Fair value is based on quoted prices for securities traded in active markets (e.g. international securities exchange) or valuation techniques, including recent arm's length transactions, discounted cash flow analyses and other valuation techniques commonly used by market participants, for securities not traded in active markets. Loans and receivables are subsequently carried at amortised cost less provisions for impairment.

Gains or losses arising from sales and changes in fair value of financial assets are recognised as a part of net income in the consolidated statement of comprehensive income in the financial period in which they arise.

(e) Non-performing financial assets

All loans and advances to customers on which principal or interest payments are overdue in excess of ninety days are classified by management as non-performing, and monitored closely for impairment.

2. Summary of Significant Accounting Policies (Continued)

(f) Impairment of financial assets at amortised cost

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosures less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised as a part of net income in the consolidated statement of comprehensive income. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised as a part of net income in the consolidated statement of comprehensive income. When a financial asset is uncollectible, it is written off against the related allowance account. Such financial assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Recoveries of accounts previously written off are recognised directly in the consolidated statement of comprehensive income as a part of net income.

(g) Property, plant and equipment

Property, plant and equipment, other than land and buildings, are carried at historical cost less accumulated depreciation and amortisation. Historical cost includes expenditure that is directly attributable to the acquisition of an item. Land and buildings, which comprise branches and offices for the Group's operations, are carried at fair value based upon periodic independent appraisals that are commissioned at intervals generally not exceeding three years, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

2. Summary of Significant Accounting Policies (Continued)

(g) Property, plant and equipment (continued)

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All repairs and maintenance are charged to the consolidated statement of comprehensive income as a part of net income during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to "revaluation reserve" in equity. Decreases that offset previous increases of the same asset are charged against revaluation reserve directly in equity; all other decreases are charged to the consolidated statement of comprehensive income as a part of net income. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the consolidated statement of comprehensive income and depreciation based on the asset's original cost is transferred from revaluation reserve to retained earnings.

Land is not depreciated. Depreciation and amortisation on other assets are calculated using the straight-line method to allocate costs (net of residual values) over estimated useful lives as follows:

	Estimated Useful Life
Buildings	30 – 50 years
Furniture and fixtures	3 – 10 years
Motor vehicles	3 – 5 years
Computer software and office equipment	3 – 10 years
Leasehold improvements	Lesser of lease term and 3 – 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Assets that are subject to depreciation and amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are recognised in the consolidated statement of comprehensive income as a part of net income. When revalued assets are sold, amounts included in revaluation reserve are transferred directly to retained earnings.

(h) Deposits from customers

Deposits from customers are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Deposits from customers are derecognised when the financial liability has been extinguished.

(i) Borrowings

Borrowings, which include debt securities, are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently recognised at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised as interest expense in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method.

2. Summary of Significant Accounting Policies (Continued)

(i) Borrowings (continued)

Preference shares, which are mandatorily redeemable on a specific date, are classified as financial liabilities. The dividends on these preference shares are recognised in the consolidated statement of comprehensive income as interest expense.

(j) Provisions

Provisions for restructuring costs and legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

(k) Share capital

Share issue costs

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds.

Dividends

Dividends on ordinary shares, and preference shares classified as equity, are recognised in equity in the financial period in which they are approved by the Bank's Directors. Dividends declared after the balance sheet date, but before the consolidated financial statements are issued, are dealt with in the subsequent events note.

(l) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

(m) Income and expense recognition

Interest income and expense are recognised in the consolidated statement of comprehensive income for all financial instruments measured at amortised cost using the effective interest method. Loan origination fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loans.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and commissions paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

2. Summary of Significant Accounting Policies (Continued)

(m) Income and expense recognition (continued)

Fees and commissions are generally recognised on the accrual basis when the service has been provided. Fee and commission income arising from negotiating or participating in the negotiation of a transaction for a third party, are recognised on completion of the underlying transaction, which is generally at the time the customer's account is charged. Custody service and other similar fees are recognised based on the applicable service contracts, usually rateably over the period in which the service is provided. Performance linked fees are recognised when the performance criteria are fulfilled.

Dividend income is recognised in the consolidated statement of comprehensive income when the Group's right to receive payment has been established. Other income and expenses are recognised on the accrual basis.

(n) Leases

The Group is the lessee

The leases entered into by the Group are operating leases. The total payments made under operating leases are charged to the consolidated statement of comprehensive income as a part of net income on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the financial period in which termination takes place.

The Group is the lessor

Leases comprise operating leases. Lease income is recognised over the term of the lease on a straight-line basis.

(o) Employee benefits

The Group's employees participate in a defined contribution pension plan of a related party, administered by trustees that include key management personnel of the Group.

A defined contribution pension plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the plan does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The Group's contributions are recognised as employee benefits expense in the consolidated statement of comprehensive income when they are due. The Group has no further payment obligations once the recognised contributions have been paid.

(p) Cash and cash equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and unrestricted deposits with banks that have original contractual maturities of three months or less.

(q) Taxation

Under the current laws of The Bahamas, the country of domicile of the Bank and its subsidiaries, there are no income, capital gains or other corporate taxes imposed. The Group's operations do not subject it to taxation in any other jurisdiction.

2. Summary of Significant Accounting Policies (Continued)

(r) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, which is the person or group responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Committee of the Bank.

Income and expenses directly associated with each segment are included in determining business segment performance. The Group has identified the following business segments: retail banking and money transfer operations.

(s) Fiduciary activities

The Group acts as custodian, trustee and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, investment funds and other entities. These assets are excluded from these consolidated financial statements, as they do not belong to the Group.

(t) Discontinued operations

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the consolidated statement of comprehensive income.

(u) Corresponding figures

Where necessary, corresponding figures are adjusted to conform with changes in presentation in the current year.

3. Cash on Hand and at Banks

	2015 **$**	**2014** **$**
Cash on hand	2,120,773	1,997,032
Current accounts at banks	54,838,614	43,950,905
Mandatory reserve deposits	14,233,290	14,356,680
Total	**71,192,677**	**60,304,617**

Mandatory reserve deposits are placed with the Central Bank of The Bahamas (the Central Bank) to meet requirements of the Group's licences and are not available for use in the Group's day to day operations. Cash on hand and mandatory reserve deposits and other deposits with the Central Bank are non-interest bearing. Deposits with other banks earn interest at rates ranging from 0.00% to 0.50% (2014: 0.00% to 0.50%) per annum.

3. Cash on Hand and at Banks (Continued)

For the purposes of the consolidated statement of cash flows, cash and cash equivalents comprise:

	2015 $	2014 $
Cash on hand	2,120,773	1,997,032
Current accounts at banks	54,838,614	43,950,905
Total	**56,959,387**	**45,947,937**

4. Investment Securities

Financial assets at fair value through profit or loss

The Group ranks its investment securities based on the hierarchy of valuation techniques required by IFRS, which is determined based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group's market assumptions. These two types of inputs lead to the following fair value hierarchy:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

This hierarchy requires the use of observable market data when available. The Group considers relevant and observable market prices in its valuations where possible.

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset.

The determination of what constitutes 'observable' requires significant judgment by the Group. The Group considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from the exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. These instruments are included in Level 1.

4. Investment Securities (Continued)

Financial assets at fair value through profit or loss (continued)

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. These include government debt securities and other securities with observable inputs.

Financial instruments classified within Level 3 have significant unobservable inputs, as they trade infrequently. Level 3 instruments include unlisted securities that have significant unobservable components, including equity securities.

	2015 $	2014 $
Level 2		
Government debt securities	61,077,600	54,773,300
Accrued interest	963,984	834,312
Total	**62,041,584**	**55,607,612**

Government securities principally comprise Bahamas Government Registered Stock with maturities ranging from 2016 to 2037 (2014: 2015 to 2037) and with either fixed interest rates ranging from 4.00% to 4.50% (2014: 4.13% to 4.35%) or floating interest rates ranging from 0.00% to 1.25% (2014: 0.00% to 1.19%) above the B$ Prime rate of 4.75% (2014: 4.75%).

As of 31 December 2015, the cost of investment securities totalled $61,077,600 (2014: $54,823,304), of which $50,004 (2014: $50,004) represented Level 3 securities, which have been fully provided for in both years.

During the year, movements in Level 3 securities comprise:

	2015 $	2014 $
Balance as of 1 January	-	108,661
Purchases	-	-
Sales	-	(108,661)
Net realised gain/(loss)	-	(10,500)
Net change in unrealised appreciation/depreciation	-	10,500
Balance as of 31 December	**-**	**-**

5. Loans and Advances to Customers

	2015 $	2014 $
Mortgages	87,809,646	100,094,903
Consumer and other loans	286,247,488	245,670,571
	374,057,134	345,765,474
Unamortised loan origination fees	(7,120,906)	(5,610,931)
Accrued interest	4,407,394	4,491,895
Provision for loan losses	(10,829,889)	(12,276,090)
Total	**360,513,733**	**332,370,348**

Movements in provision for loan losses are as follows:

	2015			2014		
	Mortgages $	**Consumer** $	**Total** $	**Mortgages** $	**Consumer** $	**Total** $
Balance as of 1 January	4,087,151	8,188,939	12,276,090	3,100,736	6,189,188	9,289,924
Provisions	1,066,618	4,887,177	5,953,795	1,247,360	5,612,985	6,860,345
Write-offs net of recoveries	(647,329)	(6,752,667)	(7,399,996)	(260,945)	(3,613,234)	(3,874,179)
Balance as of 31 December	**4,506,440**	**6,323,449**	**10,829,889**	**4,087,151**	**8,188,939**	**12,276,090**

The provision for loan losses represents 2.90% (2014: 3.55%) of the total loan portfolio, exclusive of accrued interest, and 39.31% (2014: 41.66%) of total non-performing loans. As of 31 December 2015, principal and interest balances of non-performing loans totalled $27,548,482 (2014: $29,467,355), representing 7.28% (2014: 8.41%) of the total loan portfolio.

6. Investments in Joint Ventures

	2015 $	2014 $
Investment in RFMBT	14,343,846	11,263,533
Investment in BACH	210,660	204,869
Total	**14,554,506**	**11,468,402**

RFMBT

Effective 1 July 2013, the Bank acquired the outstanding ordinary shares of Royal Fidelity Merchant Bank & Trust Limited (RFMBT), representing 50% of the total outstanding ordinary shares, previously held by the Parent for $8,900,000. The purchase price of the ordinary shares of RFMBT, a bank incorporated and licensed in The Bahamas, was based on a valuation performed by an independent accounting firm, and the fair value of net assets acquired as of the effective date totalled $5,511,500.

6. Investments in Joint Ventures (Continued)

RFMBT (continued)

The acquisition was approved by the Central Bank, and as part of the transaction, the Parent was required to guarantee the Bank against operating losses of RFMBT and any capital contributions necessary for RFMBT to comply with capital adequacy regulations.

The Group, assuming the rights and obligations of the Parent pursuant to the acquisition, is a party to a joint venture agreement involving RFMBT and RBC Holdings (Bahamas) Limited (RBC), a company incorporated in The Bahamas and ultimately owned by Royal Bank of Canada, whereby the Group and RBC each own 50% of the shareholding of RFMBT and have agreed that RFMBT will operate as a joint venture with rights to operate in The Bahamas and Barbados in the business of merchant banking. Under the joint venture agreement, the Group was entitled to 30% of RFMBT's net income for five years, commencing with the year ended 31 December 2008, before sharing equally the remaining net income with RBC; this entitlement ended 31 December 2012 with the accumulated benefit of $668,038 still to be received through dividends from RFMBT.

Movements in investment in joint venture comprise:

	2015 **$**	**2014** **$**
Balance as of 1 January	11,263,533	9,699,159
Share of profits of joint venture	3,080,313	1,564,374
Balance as of 31 December	**14,343,846**	**11,263,533**

The consolidated financial information of the joint venture as of 31 December 2015, and for the year then ended, is as follows:

	2015 **$**	**2014** **$**
ASSETS		
Cash on hand and at banks	66,502,847	42,287,235
Investment securities	25,447,476	19,263,900
Loans and advances to customers	12,534,128	10,247,242
Other assets	1,917,243	1,151,478
Investment in joint venture	1,034,137	1,153,231
Property, plant and equipment	228,614	330,167
Intangible asset	543,115	651,738
Total assets	**108,207,560**	**75,084,991**
LIABILITIES		
Deposit from customers	75,706,505	58,224,487
Accrued expenses and other liabilities	11,258,401	1,778,476
Total liabilities	**86,964,906**	**60,002,963**

6. Investments in Joint Ventures (Continued)

RFMBT (continued)

	2015 $	2014 $
EQUITY		
Capital	11,000,000	11,000,000
Retained earnings	10,242,654	4,082,028
Total equity	**21,242,654**	**15,082,028**
Total liabilities and equity	**108,207,560**	**75,084,991**
INCOME		
Interest income	1,598,233	1,565,495
Interest expense	(474,973)	(673,502)
Fees and commissions	9,837,877	6,745,608
Other	1,596,631	1,454,660
	12,557,768	**9,092,261**
EXPENSES		
Salaries and employee benefits	3,083,724	2,823,599
Depreciation and amortisation	132,190	283,228
Provision for loan losses	63,402	29,574
Other	3,263,877	2,961,614
	6,543,193	**6,098,015**
Operating profit	**6,014,575**	**2,994,246**
Share of profits of joint venture	169,398	162,132
Net income before tax	**6,183,973**	**3,156,378**
Taxation	(23,347)	(27,626)
Total comprehensive income	**6,160,626**	**3,128,752**

BACH

The Bank is a shareholder in a business venture, namely Bahamas Automated Clearing House Limited (BACH), created by the seven (7) members of the Clearing Banks Association (CBA) of The Bahamas; the Group being a member. BACH is incorporated in The Bahamas and operates a secure interbank settlement system linking clearing banks in The Bahamas. Each member of the CBA has an equal shareholding in BACH (circa 14.29%) and equal control over its financial and operating policies.

6. Investments in Joint Ventures (Continued)

BACH (continued)

Movements in investment in joint venture comprise:

	2015 $	2014 $
Balance as of 1 January	204,869	185,286
Share of profits of joint venture	67,820	77,537
Dividends received	(62,029)	(57,954)
Balance as of 31 December	**210,660**	**204,869**

The financial information of the joint venture as of 31 December 2015, and for the year then ended, is as follows:

	2015 $	2014 $
ASSETS		
Cash on hand and at banks	1,210,438	1,160,842
Other assets	192,816	206,324
Property, plant and equipment	108,513	91,932
Total assets	**1,511,767**	**1,459,098**
LIABILITIES		
Accrued expenses and other liabilities	37,154	25,017
Total liabilities	**37,154**	**25,017**
EQUITY		
Share capital	70,000	70,000
Retained earnings	1,404,613	1,364,081
Total equity	**1,474,613**	**1,434,081**
Total liabilities and equity	**1,511,767**	**1,459,098**

6. Investments in Joint Ventures (Continued)

BACH (continued)

	2015 $	2014 $
INCOME		
Fees and commissions	1,249,632	1,420,918
Other	38,481	9,417
Interest income	12,055	7,153
	1,300,168	**1,437,488**
EXPENSES		
Salaries and employee benefits	306,198	262,055
Depreciation and amortisation	55,734	177,592
Other	463,499	455,085
	825,431	**894,732**
Total comprehensive income	**474,737**	**542,756**

7. Property, Plant and Equipment

	Land & Buildings $	Furniture & Fixtures $	Motor Vehicles $	Computer Software & Office Equipment $	Leasehold Improvements $	Total $
Year ended 31 December 2015						
Opening net book value	6,679,493	857,962	32,905	1,618,588	1,173,615	10,362,563
Additions	84,843	284,423	45,559	915,974	1,435,460	2,766,259
Disposals						
Cost	-	-	(11,160)	-	-	(11,160)
Accumulated depreciation	-	-	7,068	-	-	7,068
Depreciation	(196,623)	(262,027)	(13,100)	(472,638)	(382,964)	(1,327,352)
Closing net book value	**6,567,713**	**880,358**	**61,272**	**2,061,924**	**2,226,111**	**11,797,378**
As of 31 December 2015						
Cost or valuation	6,949,548	4,768,783	136,484	9,929,865	7,651,407	29,436,087
Accumulated depreciation	(381,835)	(3,888,425)	(75,212)	(7,867,941)	(5,425,296)	(17,638,709)
Net book value	**6,567,713**	**880,358**	**61,272**	**2,061,924**	**2,226,111**	**11,797,378**

7. Property, Plant and Equipment (Continued)

	Land & Buildings $	Furniture & Fixtures $	Motor Vehicles $	Computer Software & Office Equipment $	Leasehold Improvements $	Total $
Year ended 31 December 2014						
Opening net book value	6,700,000	855,247	16,950	1,436,988	1,208,949	10,218,134
Additions	164,705	231,680	36,995	518,891	271,132	1,223,403
Disposals						
Cost	-	-	(18,340)	-	-	(18,340)
Accumulated depreciation	-	-	7,436	-	-	7,436
Depreciation	(185,212)	(228,965)	(10,136)	(337,291)	(306,466)	(1,068,070)
Closing net book value	**6,679,493**	**857,962**	**32,905**	**1,618,588**	**1,173,615**	**10,362,563**
As of 31 December 2014						
Cost or valuation	6,864,705	4,484,361	102,085	9,013,891	6,215,947	26,680,989
Accumulated depreciation	(185,212)	(3,626,399)	(69,180)	(7,395,303)	(5,042,332)	(16,318,426)
Net book value	**6,679,493**	**857,962**	**32,905**	**1,618,588**	**1,173,615**	**10,362,563**

Non-financial assets are ranked based on the hierarchy of valuation techniques required by IFRS, which is determined based on whether the inputs to those valuation techniques are observable or unobservable. The hierarchy is consistent with that described for financial assets in Note 4.

Land and buildings are classified as Level 3 assets. Fair value is based on valuation methods using discounted cash flow projections, which reflect, among other things, assumptions about rental rates and vacancy rates in light of current market conditions, and market discount rates. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the land and buildings. Land and buildings were revalued by independent appraisers as of 31 December 2013.

The following table illustrates the impact of changes in estimates and assumptions in determination of fair values of land and buildings.

Estimate/Assumption	Change	Impact on fair value
Rental revenue	+5.00%/-5.00%	$330,000/($350,000)
Vacancy rates	+5.00%	($740,000)
Discount rate	+1.00%/-1.00%	($640,000)/$740,000

If land and buildings were stated on the historical cost basis, the amounts would be as follows:

	2015 $	2014 $
Cost	7,505,314	7,420,471
Accumulated depreciation	(1,813,381)	(1,651,127)
Net book value	**5,691,933**	**5,769,344**

8. Deposits from Customers

	2015 $	2014 $
Demand deposits	46,221,447	25,309,893
Savings deposits	55,384,123	49,974,243
Escrow deposits	2,981,058	2,519,817
Term deposits	288,785,672	294,650,293
	393,372,300	372,454,246
Accrued interest	3,741,143	4,196,141
Total	**397,113,443**	**376,650,387**

Included in deposits from customers are deposits from banks totalling $30,531,469 (2014: $16,968,659). Deposits carry fixed interest rates ranging from 0.00% to 6.0% (2014: 0.00% to 7.25%) per annum, but the fixed interest rates are determined based on variable market rates and can be adjusted based on changes in market rates.

9. Debt Securities

	2015 $	2014 $
Series A redeemable fixed rate notes; 7.00%; 2017	4,974,634	4,963,248
Series B redeemable floating rate notes; B$ Prime + 1.75%; 2022	9,897,583	9,871,530
Series D redeemable floating rate notes; B$ Prime + 1.75%; 2015	-	6,962,972
Series E redeemable fixed rate notes; 6.00%; 2018	9,894,764	9,884,848
Series F redeemable floating rate notes; B$ Prime + 1.25%; 2022	19,664,290	-
Series B redeemable preference shares; B$ Prime + 1.00%; 2021	4,000,000	4,000,000
	48,431,271	35,682,598
Accrued interest	364,873	299,024
Total	**48,796,144**	**35,981,622**

As part of a $50,000,000 note programme approved by the Directors, the Bank offered through private placement, unsecured fixed and floating rate notes consisting of Series A – $5,000,000 redeemable 7.00% fixed rate notes due 19 October 2017; Series B – $10,000,000 redeemable floating rate notes (B$ Prime rate plus 1.75%) due 19 October 2022; Series C – $3,000,000 redeemable 7.00% fixed rate notes due 30 May 2013; Series D – $7,000,000 redeemable floating rate notes (B$ Prime rate plus 1.75%) due 30 May 2015; Series E – $10,000,000 redeemable 6.00% fixed rate notes due 30 May 2018; and Series F – $20,000,000 redeemable floating rate note (B$ Prime + 1.25%) due 30 May 2022, which were issued during 2015.

On 30 May 2013, the Series C redeemable fixed rate notes were redeemed and on 30 May 2015, the Series D floating rate notes were redeemed. Interest is payable semi-annually on 19 April and 19 October each year for Series A and B; and 30 May and 30 November each year for Series E and F.

In prior years, the Bank issued 400,000 Series B variable rate redeemable preference shares at a par value of $1.00 per share and a share premium of $9.00 per share. The shares will mature 10 years after the issue date. Dividends are payable on these shares at the rate of B$ Prime rate plus 1.00% subject to the declaration of the Directors and the prior approval of the Central Bank. Dividends are payable semi-annually on the last business day in December and June each year.

10. Capital

	2015 $	2014 $
Authorised		
35,000,000 ordinary shares of $0.30 each	**10,500,000**	**10,500,000**
10,000,000 preference shares of $1.00 each	**10,000,000**	**10,000,000**
Issued and fully paid – ordinary shares		
28,866,670 ordinary shares	8,660,001	8,660,001
Share premium	11,890,000	11,890,000
	20,550,001	20,550,001
Treasury – ordinary shares		
(112,321) (2014: 148,321) ordinary shares	(308,882)	(407,882)
Issued and fully paid – preference shares		
1,500,000 (2014: 1,151,100) preference shares	1,500,000	1,151,100
Share premium	13,500,000	10,359,900
	15,000,000	11,511,000
Total	**35,241,119**	**31,653,119**

In prior years, the Bank issued 1,151,100 Series A variable rate redeemable preference shares at a par value of $1.00 per share and a share premium of $9.00 per share. In 2015, the Bank issued an additional 348,900 Series A variable rate redeemable preference shares at a par value of $1.00 per shares and a share premium of $9.00 per share. All terms and conditions for these additional shares are the same as the original Series A shares. These shares are perpetual but may be redeemed at the option of the Bank with 90 days written notice to the shareholders at any time after the fifth anniversary of the closing date with the prior approval of the Central Bank. Dividends are payable on these shares at the rate of B$ Prime rate plus 2.25%, subject to the declaration of the Directors and prior approval of the Central Bank. Dividends are payable semi-annually on the last business day in December and June each year.

During 2013, the Directors approved the establishment of an employee share ownership trust, which was established through the issuance of 200,000 ordinary shares at $2.75 per share, representing the fair value of ordinary shares based on BISX prices. During 2015, share based compensation to employees resulted in 36,000 (2014: 27,179) ordinary shares being issued by the trust, with the remaining shares treated as treasury shares. The ordinary shares issued to employees were valued at $5.15 (2014: $3.73) per share with an equivalent expense recognised in salaries and employee benefits.

11. Earnings per Share

	2015 $	2014 $
Reconciliation of earnings used in calculating earnings per share		
Net income	20,700,354	14,126,485
Net income attributable to preference shareholders	(963,014)	(805,770)
Net income attributable to ordinary shareholders	**19,737,340**	**13,320,715**
Net income and total comprehensive income for the period attributable to ordinary shareholders arises from:		
Continued operations	19,295,234	12,443,990
Discontinued operations	442,106	876,725
Net income attributable to ordinary shareholders	**19,737,340**	**13,320,715**
Weighted average number of ordinary shares outstanding	28,746,474	28,707,545
Continued operations	0.67	0.43
Discontinued operations	0.02	0.03
Earnings per share	**0.69**	**0.46**

12. General and Administrative Expenses

	2015 $	2014 $
Office expenses	2,934,941	2,909,140
Bank and business licence fees	2,128,774	1,929,044
Public relations	904,091	697,724
Rent	737,946	559,052
Legal and professional fees	459,113	375,280
Directors’ cost	104,631	83,059
Other	1,091,203	750,418
Total	**8,360,699**	**7,303,717**

13. Employee Benefits

The Group participates in a defined contribution pension plan (the Plan), which covers all employees of the Parent’s Bahamas based operations.

Employees in the Plan contribute a percentage of gross salary, and the Group matches employee contributions. The Group’s contributions vest 20% upon completion of 4 years of employment with incremental vesting following each additional year of employment and fully vest upon completion of 10 years of employment. Pension expense for the year ended 31 December 2015 totalled $257,152 (2014: $260,400).

14. Segment Analysis

Operating segments are reported in accordance with the internal reporting provided to the Executive Committee (ExCom), which is responsible for allocating resources to the reportable segments and assessing their performance. The Group has two main business segments:

Retail banking – incorporating mortgage and consumer loans; current account, savings and term deposits; credit and debit cards; and related services.

Money transfer services – the Group was an authorised representative of Western Union. The money transfer business was discontinued during 2015 (refer to Note 15 for details).

Segment information for the reportable segments for the year ended 31 December 2015 is as follows:

	Retail banking $	**Money transfer $**	**Total $**
31 December 2015			
INCOME			
Net interest income	38,707,962	-	38,707,962
Fees and commissions	3,027,301	442,106	3,469,407
EXPENSES			
Salaries and employee benefits	8,983,302	-	8,983,302
General and administrative	8,360,699	-	8,360,699
Provision for loan losses	5,953,795	-	5,953,795
Depreciation and amortisation	1,327,352	-	1,327,352
Operating profit	**17,110,115**	**442,106**	**17,552,221**
Share of profits of joint ventures	3,148,133	-	3,148,133
Net income and total comprehensive income	**20,258,248**	**442,106**	**20,700,354**
TOTAL ASSETS	**521,688,454**	**-**	**521,688,454**
TOTAL LIABILITIES	**446,925,758**	**-**	**446,925,758**
31 December 2014			
INCOME			
Net interest income	31,609,481	-	31,609,481
Fees and commissions	3,396,866	876,725	4,273,591
Net loss on investment securities	(3,600)	-	(3,600)
EXPENSES			
Salaries and employee benefits	8,162,766	-	8,162,766
General and administrative	7,303,717	-	7,303,717
Provision for loan losses	6,860,345	-	6,860,345
Depreciation and amortisation	1,068,070	-	1,068,070
Operating profit	**11,607,849**	**876,725**	**12,484,574**
Share of profits of joint ventures	1,641,911	-	1,641,911
Net income and total comprehensive income	**13,249,760**	**876,725**	**14,126,485**

14. Segment Analysis (Continued)

	Retail banking $	Money transfer $	Total $
31 December 2014			
TOTAL ASSETS	**472,794,471**	**-**	**472,794,471**
TOTAL LIABILITIES	**413,428,951**	**-**	**413,428,951**

There are no other operations that constitute separate reportable segments. The segment operations are all financial and principal revenues are derived from interest income and fees and commissions.

The revenues from external parties reported to ExCom are measured in a manner consistent with that presented in the consolidated statement of comprehensive income; there are no material items of income and expense between the business segments.

The information provided about each segment is based on the internal reports about the segment's profit or loss, assets and other information, which are regularly reviewed by ExCom. Segment assets and liabilities comprise operating assets and liabilities, representing the consolidated balance sheet. The Group's operations, income and assets are all based in The Bahamas.

There were no aggregated transactions with a single external customer that amounted to 10% or more of the Group's total income.

15. Discontinued Operations

On 17 July 2015, the Group announced its intention to exit the money transfer business and as of that date the related service was terminated. Financial information relating to the discontinued operation for the period to the date of termination is set out below.

Financial information

	2015 $	2014 $
Net income from discontinued operations	**442,106**	**876,725**
Net cash from operating activities	442,106	876,725
Net increase in cash from discontinued operations	**442,106**	**876,725**

The net income and cash flow information presented in the table above are for the seven months ended 17 July 2015 and the year ended 31 December 2014. The business had no identifiable assets and liabilities at the date of discontinuation and at 31 December 2014.

16. Related Party Balances and Transactions

Related parties include key management personnel (including Directors) and those entities that have the ability to control or exercise significant influence over the Group in making financial or operational decisions, and entities that are controlled, jointly controlled or significantly influenced by key management personnel and entities noted earlier.

16. Related Party Balances and Transactions (Continued)

Related party balances and transactions, not disclosed elsewhere in these consolidated financial statements, are as follows:

	2015 $	2014 $
ASSETS		
Cash at bank		
Other related parties	7,401,953	4,188,846
Loans and advances to customers		
The Parent	93,529	146,225
Key management personnel	1,596,252	1,169,950
Other assets		
The Parent	327,153	1,074,823
Other related parties	64,937	149,549
LIABILITIES		
Deposits from customers		
The Parent	144,253	203,852
Key management personnel	1,013,540	847,530
Other related parties	19,665,220	10,664,785
Debt securities		
Other related parties	14,532,000	7,194,000
INCOME		
Interest income		
The Parent	51,680	21,049
Key management personnel	28,856	-
Other related parties	22,378	3,951
Interest expense		
The Parent	2,716	13,728
Key management personnel	32,613	14,409
Other related parties	182,146	324,732
Fees and commissions		
Other related parties	77,071	45,143
EXPENSES		
Salaries and employee benefits		
Key management personnel (non-executive Directors)	104,631	83,059
Key management personnel (executive Directors and other)	602,574	543,091
Costs allocated to other related parties	(2,178,344)	(2,049,433)
Costs allocated from the Parent	700,000	600,000

In prior years, the Directors approved a credit facility for the Parent in the amount of $1,000,000 included in loans and advances to customers, which bears interest at the B$ Prime rate plus 1.50% with monthly repayments of $33,333.

16. Related Party Balances and Transactions (Continued)

As of 31 December 2015, other related parties hold 623,291 (2014: 467,833) outstanding ordinary shares and 574,400 (2014: 225,500) outstanding preference shares.

The Bank provides certain services to the Parent and other related parties under service agreements; incurred costs associated with these services are allocated to the respective parties and are recorded as deductions in the relevant expense accounts. Similarly, the Bank receives certain services from the Parent, with the charges for these services expensed in the relevant expense accounts.

17. Commitments

Loan commitments

In the normal course of business, the Group enters into various credit-related arrangements to meet the needs of customers and earn income. These financial instruments are subject to the Group's standard credit policies and procedures. As of 31 December 2015, the Group had outstanding loan commitments amounting to $748,000 (2014: $286,420).

Operating lease commitments

The future minimum rental payments required under non-cancellable leases as of 31 December 2015 are as follows:

	2015 **$**	**2014** **$**
2015	-	495,985
2016	613,683	477,886
2017	544,431	407,113
2018	464,510	326,232
2019	426,878	288,600
2020	426,878	288,600
2021 and later	252,000	252,000
Total minimum payments	**2,728,380**	**2,536,416**

18. Contingent Liabilities

The Group is involved in various legal proceedings covering a range of matters that arise in the ordinary course of business activities. Management is of the view that no significant losses will arise as a result of these proceedings.

19. Reserve for Credit Losses

The reserve for credit losses was created by the Bank through the appropriation of retained earnings in order to meet the requirements of the Central Bank for credit loss provisions. The reserve represents the Bank's provision required by the Central Bank in excess of amounts calculated in accordance with IFRS.

20. Critical Accounting Estimates and Judgments in Applying Accounting Policies

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

20. Critical Accounting Estimates and Judgments in Applying Accounting Policies (Continued)

Impairment losses on loans and advances to customers

The Group reviews its loan portfolios to assess impairment on a quarterly basis, and more frequently when the need arises. In determining whether an impairment loss should be recorded in the consolidated statement of comprehensive income, the Group assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. Objective evidence for an individual financial asset includes: significant financial difficulty of the borrower; a breach of contract, such as delinquency in interest or principal payments; and actual or probable bankruptcy or other financial reorganisation of the borrower. Loans for which no specific impairment has been identified are grouped with similar loans in a portfolio and the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from that portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or economic conditions that correlate with defaults on financial assets.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (e.g. asset type, collateral, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the bases of the contractual cash flows of the assets in the group, historical loss experience for financial assets with similar credit risk characteristics and objective evidence of impairment similar to those in the portfolio. Estimates of changes in future cash flows for groups of financial assets should reflect and be directionally consistent with changes in related observable data from period to period. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. Were the loss experience ratios used in the calculation of provision for loan losses to differ by +/–2% (2014: +/–2%), the provision for loan losses would be increased/decreased by $571,023 (2014: $609,651).

21. Capital Management

The Group's objectives when managing capital, which comprises total equity on the face of the consolidated balance sheet, are:

- To comply with the capital requirements set by the Central Bank.
- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for its shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored by the Group's management, employing techniques designed to ensure compliance with guidelines established by the Central Bank. The required information is filed with the Central Bank on a quarterly basis.

The Central Bank, the Group's principal regulator, requires that the Group maintains a ratio of total regulatory capital to risk-weighted assets at or above a minimum of 14%. During 2015, the Group complied with all of the externally imposed capital requirements to which it is subject.

22. Financial Risk Management

Strategy in using financial instruments

By their nature, the Group's activities are principally related to the use of financial instruments. The Group accepts deposits from customers at both fixed and floating rates, and for various periods, and seeks to earn above-average interest margins by investing these funds in high-quality assets. The Group seeks to increase these margins by consolidating short-term funds and lending for longer periods at higher rates, while maintaining sufficient liquidity to meet all claims that might fall due.

The principal risks which arise from the Group's core activities that must be effectively managed include credit, interest rate, price and liquidity risks. The Group does not use derivative instruments to manage any of these risks.

Credit risk

Credit risk is the risk of suffering financial losses should any of the Group's customers or other counterparties fail to fulfil their contractual obligations to the Group. Credit risk arises mainly from loans and advances to customers, including loan commitments arising from such lending activities, and investments in debt securities as part of the Group's treasury management activities. The Group seeks to raise its interest margins by obtaining above-average margins, net of allowances, through lending to commercial and retail borrowers with a range of credit standings. Such exposures involve not just on-balance sheet loans and advances to customers, but also guarantees and other commitments such as letters of credit, and performance and other bonds.

Credit risk is the greatest risk facing the Group and management therefore carefully manages its exposure to credit risk. Impairment provisions are provided for losses incurred as of the balance sheet date (Note 5). Significant changes in the economies or sectors that represent a concentration in the Group's portfolio could result in losses that are different from those provided for as of the balance sheet date.

The Group's Directors and ExCom are responsible for approving and monitoring the Group's credit exposure, which is done through review and approval of the Group's lending policy, and limits on credit exposure to individual borrowers and sectors. Prior to advancing funds, an assessment is made of the credit quality of each borrower. The Group does not use an automated credit scoring system; exposure to credit risk is managed through regular analysis of the ability of borrowers to meet contractual obligations, performed by branch managers, central credit underwriting department, ExCom and the Directors. It is the Group's policy to lend responsibly and establish loans that are within a customer's ability to repay rather than relying exclusively on security.

Maximum credit exposure at the year end approximates the carrying value of all assets. The classes of financial instruments to which the Group is most exposed to credit risk are loans and advances to customers (Note 5), cash at banks (Note 3) and certain investment securities (Note 4). The Group places its deposits with banks in good standing with the Central Bank and other regulators in jurisdictions in which deposits are placed. Investment securities with credit risk comprise debt securities issued by the Government of the Commonwealth of The Bahamas, which currently maintains investment grade credit ratings.

The Group employs a range of policies and practices to mitigate credit risk. The most traditional is the taking of security for funds advanced, which is common practice.

The Group implements guidelines on the acceptability of specific classes of collateral or other credit risk mitigation. The principal collateral or other credit risk mitigation for loans and advances to customers include, first mortgages on property, chattel mortgages, restricted deposits from customers and salary deductions from employers.

22. Financial Risk Management (Continued)

Credit risk (continued)

The table below analyses the composition of the Group's loan portfolio as of 31 December.

	2015		2014	
	$m	%	$m	%
Consumer	272	73	234	68
Family residential property	73	19	84	24
Undeveloped land	14	4	15	4
Overdrafts	8	2	6	2
Cash secured	5	1	5	1
Commercial property	2	1	2	1
	374	**100**	**346**	**100**

The average mortgage loan balance is $83,000 (2014: $86,000) and the average consumer loan balance is $35,000 (2014: $33,000) with the largest exposure to a single customer totalling approximately $1.6 million (2014: $1.6 million). Mortgage loans can extend up to 24 years, and consumer loans up to 10 years.

The table below analyses loans and advances to customers by payment status as of 31 December.

	2015		2014	
	$m	%	$m	%
Not impaired				
– Neither past due or impaired	340.2	89	308.4	88
– Past due but not impaired	18.2	5	20.9	6
Impaired				
– Past due up to 3 months	1.1	1	1.0	1
– Past due 3 – 6 months	1.5	1	2.2	1
– Past due 6 – 12 months	1.4	1	2.3	1
– Past due over 12 months	11.7	3	11.0	3
	374.1	**100**	**345.8**	**100**
Provision for loan losses				
– Individually impaired	9.0	83	10.3	83
– Portfolio allowance	1.8	17	2.0	17
	10.8	**100**	**12.3**	**100**

22. Financial Risk Management (Continued)

Credit risk (continued)

The table below discloses the loans and advances to customers that are past due but not impaired.

31 December 2015	**Mortgages $m**	**Consumer $m**	**Other $m**	**Total $m**
Past due up to 3 months	3.3	1.6	0.3	5.2
Past due 3 – 6 months	2.3	-	0.1	2.4
Past due 6 – 12 months	1.7	-	0.2	1.9
Past due over 12 months	8.7	-	-	8.7
Total past due but not impaired	**16.0**	**1.6**	**0.6**	**18.2**
31 December 2014				
Past due up to 3 months	5.4	1.3	0.3	7.0
Past due 3 – 6 months	2.0	-	0.1	2.1
Past due 6 – 12 months	2.0	-	-	2.0
Past due over 12 months	9.8	-	-	9.8
Total past due but not impaired	**19.2**	**1.3**	**0.4**	**20.9**

As of 31 December 2015, the individually impaired loans can be analysed as follows:

31 December 2015	**Mortgages $m**	**Consumer $m**	**Other $m**	**Total $m**
Carrying amount	9.2	5.3	1.2	15.7
Provision for loan losses	3.8	4.0	1.2	9.0
31 December 2014				
Carrying amount	8.0	7.1	1.3	16.4
Provision for loan losses	3.0	6.0	1.3	10.3

Renegotiated loans and advances to customers

Restructuring activities include extended payment arrangements and modification and deferral of payments. Restructuring policies and practices are determined based on indicators or criteria that indicate that payment will most likely continue, and such policies are under constant review. Renegotiated loans and advances that would otherwise be past due or impaired totalled $18,286,000 (2014: $19,922,000) as of 31 December 2015.

22. Financial Risk Management (Continued)

Credit risk (continued)

Credit-related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees – which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties – carry the same credit risk as loans.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. See Note 17 for loan commitments.

The Group monitors the term to maturity of credit commitments because longer term commitments generally have a greater degree of credit risk than shorter term commitments.

Geographical concentrations of financial assets

The Group has a concentration of risk in respect of geographical area, as both customers and assets held as collateral are based in The Bahamas.

Interest rate risk

Interest rate risk is the risk that the future cash flows or the fair values of financial instruments will fluctuate because of changes in market interest rates. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce gains or create losses in the event that unexpected movements arise.

The Group does not attempt to hedge specifically against the impact of changes in market interest rates on cash flow and interest margins and relies on the fact that the loan portfolio generally is based on floating interest rates linked to the B$ Prime rate that generally reset within three months of any change in these rates and has financial liabilities that finance these loans but at lower interest rates, which too are based on B$ Prime rate and can be reset following the maturity of any deposits. The Group maintains a general policy of fixing the interest rate spread between interest earned on financial assets and interest incurred on financial liabilities.

As of 31 December 2015, the Group is exposed to fair value interest rate risk on $19.9 million (2014: $7.4 million) of its investments in Government debt securities, which are at fixed interest rates with maturity dates ranging from 2022 to 2031. The remainder of debt securities in the Group's investment portfolio are at floating rates linked to the B$ Prime rate.

As of 31 December 2015, the Group is exposed to fair value interest rate risk on approximately $15 million (2014: $15 million) of its debt securities which are at fixed interest rates, and does not hedge against this risk. The remaining debt securities are at floating interest rates linked to the B$ Prime rate.

22. Financial Risk Management (Continued)

Price risk

Price risk is the risk that the fair values and/or amounts realised on sales of financial instruments may fluctuate significantly as a result of changes in market prices. This risk is considered to be minimal, as the Group's investment securities are represented in the vast majority by Government debt securities, which have limited trading and where trading is observed the prices continue to be at face value.

Liquidity risk

Liquidity risk is the risk that the Group is not able to meet its financial obligations as they fall due or can do so only at an excessive cost. The Group's liquidity policy is to maintain sufficient liquid resources to cover cash flow imbalances and fluctuations in funding, to retain full public confidence in the solvency of the Group and to enable it to meet all financial obligations. This is achieved by maintaining a prudent level of liquid assets, through management control of the rate of growth of the business and maintaining high levels of capital.

The table below analyses financial assets and liabilities into relevant maturity groupings based on the remaining period to the contractual maturity dates as of the balance sheet date and represent undiscounted cash flows.

As of 31 December 2015	**Repayable on demand $m**	**Up to 3 months $m**	**3 – 12 months $m**	**1 – 5 years $m**	**More than 5 years $m**	**Total $m**
ASSETS						
Cash on hand and at banks	71.2	-	-	-	-	71.2
Investment securities	-	1.1	2.3	19.9	68.1	91.4
Loans and advances to customers	26.9	12.5	55.7	265.9	265.1	626.1
Other assets	1.6	-	-	-	-	1.6
Total assets	**99.7**	**13.6**	**58.0**	**285.8**	**333.2**	**790.3**
LIABILITIES						
Deposits from customers	109.0	90.5	180.6	26.9	-	407.0
Debt securities	-	-	3.3	31.8	31.2	66.3
Other liabilities	-	1.0	-	-	-	1.0
Total liabilities	**109.0**	**91.5**	**183.9**	**58.7**	**31.2**	**474.3**
Net liquidity gap	**(9.3)**	**(77.9)**	**(125.9)**	**227.1**	**302.0**	
Loan commitments	**0.7**					

22. Financial Risk Management (Continued)

Liquidity risk (continued)

	Repayable on demand $m	Up to 3 months $m	3 – 12 months $m	1 – 5 years $m	More than 5 years $m	Total $m
As of 31 December 2014						
ASSETS						
Cash on hand and at banks	60.9	-	-	-	-	60.9
Investment securities	-	7.7	1.5	13.6	60.2	83.0
Loans and advances to customers	21.7	11.6	51.7	246.8	220.3	552.1
Other assets	2.1	-	-	-	-	2.1
Total assets	**84.7**	**19.3**	**53.2**	**260.4**	**280.5**	**698.1**
LIABILITIES						
Deposits from customers	77.8	107.7	178.8	16.2	-	380.5
Debt securities	-	-	9.1	20.7	16.4	46.2
Other liabilities	-	0.8	-	-	-	0.8
Total liabilities	**77.8**	**108.5**	**187.9**	**36.9**	**16.4**	**427.5**
Net liquidity gap	**6.9**	**(89.2)**	**(134.7)**	**223.5**	**264.1**	
Loan commitments	**0.3**					

The maturity analysis above is representative of the discounted cash flows.

Regulatory authorities set limits for liquidity balances. The Group was in compliance with these requirements during the year.

23. Fiduciary Risk Management

The Group is susceptible to fiduciary risk, which is the risk that the Group may fail in carrying out certain mandates in accordance with the wishes of its customers. To manage exposure, the Group generally takes a conservative approach in its undertakings.

24. Fair Values of Financial Instruments

Financial instruments utilised by the Group comprise the recorded financial assets and liabilities disclosed in the consolidated financial statements. The Group's financial instruments are principally short term in nature, have interest rates that reset to market rates, or are carried at fair value; accordingly, their fair values approximate their carrying values. For long term financial assets and financial liabilities with fixed interest rates, despite a change in market rates since the issuance of the financial liabilities there has been no observable change in fair values; accordingly, the carrying values approximate fair values.

Financial instruments are principally Level 2 in the fair value hierarchy. The fair value of the financial assets and liabilities disclosed under that category have been determined considering, amongst other factors, discounted cash flows, with the most significant input being the Bahamian prime rate as the discount rate. The Bahamian dollar Prime rate has not experienced any changes since the year ended December 31, 2011.