



## **MANAGING DIRECTOR'S COMMENTARY**

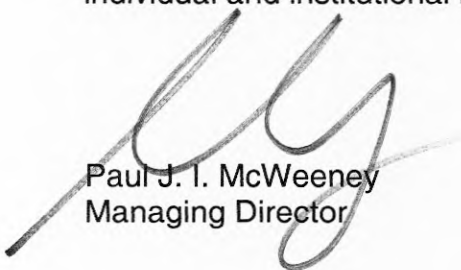
### **FINANCIAL PERFORMANCE FOR THE THREE MONTH PERIOD ENDED SEPTEMBER 30, 2010.**

General macro economic indicators continue to show that the overall Bahamian economy remains weak although there are some modest indicators of improvement. We are encouraged from developments in the Tourism sector, however, levels of general unemployment remain high, which are negatively impacting loan delinquencies and provisions. Despite these challenges the Bank yielded positive, yet tempered, results for the first quarter. Net income for the first quarter of fiscal year 2011 was \$1.1 million or \$0.07 cents per common share.

Supporting the positive net income for the quarter, revenue grew by 14% to \$14.8 million for the review period. Higher yielding assets and modest growth of the loan portfolio were the major contributing factors. The growth in supporting customer deposits which naturally led to an increase in interest expense was offset by improvements in other income sources. As a result net operating income improved by 10.5%.

The Bank continues to execute its long-term value oriented strategic plan. Consequently, the acquisition of skills and technical resources, along with the recognition of increased bank license fees, rationalize the 11% increase in operating expenses. Reflective of the weak economy and resulting influence on loans, net credit loss or provisions amounted to \$1.4 million in contrast to a significant credit recovery recognized the same time last year due to a change in the policy for classification of loan loss provisions.

We continue to value the effectiveness of our employees and senior management in overcoming the challenges being faced and the foresight of our Directors to continue to guide us, with the undiminished support from our growing customers, individual and institutional investors.



Paul J. I. McWeeney  
Managing Director

# BANK OF THE BAHAMAS LIMITED

## UNAUDITED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL CONDITION

As at September 30, 2010 with comparative figures as at June 30, 2010

(Expressed in Bahamian Dollars)

	September 30, 2010	June 30, 2010
<b>ASSETS</b>		
Cash and account with The Central Bank	\$ 42,332,116	\$ 46,073,254
Due from banks	37,539,028	33,820,445
Investment securities	50,728,876	50,714,140
Loans and advances to customers, net	644,133,700	629,212,269
Investment property	3,882,873	3,882,873
Other assets	5,323,781	5,535,143
Property and equipment	5,135,461	5,203,674
Intangible assets, net	3,824,795	3,927,147
<b>TOTAL</b>	<b>\$ 792,900,630</b>	<b>\$ 778,368,945</b>
<b>LIABILITIES</b>		
Deposits from customers and banks	\$ 619,742,493	\$ 602,919,291
Other borrowed funds	37,000,000	37,000,000
Other liabilities	13,930,738	17,453,513
Deferred loan fees	4,676,026	4,567,074
<b>Total liabilities</b>	<b>675,349,257</b>	<b>661,939,878</b>
<b>EQUITY</b>		
Share capital	50,015,990	50,015,990
Share premium	28,587,866	28,587,866
Treasury shares	(30,244)	(30,244)
Reserves	4,071,787	4,057,051
Retained earnings	34,905,974	33,798,404
<b>Total equity</b>	<b>117,551,373</b>	<b>116,429,067</b>
<b>TOTAL</b>	<b>\$ 792,900,630</b>	<b>\$ 778,368,945</b>

# BANK OF THE BAHAMAS LIMITED

## UNAUDITED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the three months ended September 30, 2010  
with comparatives for the three months ended September 30, 2009  
(Expressed in Bahamian Dollars)

	Three Months	
	2010	2009
Interest and similar income	\$ 14,831,375	\$ 13,056,826
Interest and similar expenses	6,996,841	5,981,511
Net Interest income	<u>7,834,534</u>	<u>7,075,315</u>
Fees and commission income	1,564,983	1,093,578
Fees and commission expense	280,355	153,008
Net fees and commission income	<u>1,284,628</u>	<u>940,570</u>
Other operating income	187,044	404,635
Total operating income	9,306,206	8,420,520
Credit loss expense, net	1,426,783	(1,281,093)
Net operating Income	<u>7,879,423</u>	<u>9,701,613</u>
Operating expenses	6,771,853	6,036,220
Net Income	<u>\$ 1,107,570</u>	<u>\$ 3,665,393</u>
<b>Other comprehensive income</b>		
Net gain on available-for-sale financial assets	14,736	24,271
Total comprehensive income for the period	<u>\$ 1,122,306</u>	<u>\$ 3,689,664</u>
<b>EARNINGS PER SHARE CALCULATION:</b>		
NET INCOME	\$ 1,107,570	\$ 3,665,393
PREFERENCE SHARE DIVIDEND	-	-
NET INCOME AVAILABLE TO COMMON SHAREHOLDERS	<u>\$ 1,107,570</u>	<u>\$ 3,665,393</u>
WEIGHTED AVERAGE NUMBER OF COMMON SHARES	<u>15,596,145</u>	<u>15,596,145</u>
EARNINGS PER SHARE	<u>\$ 0.07</u>	<u>\$ 0.24</u>

# BANK OF THE BAHAMAS LIMITED

## UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended September 30, 2010  
with comparatives for the three months ended September 30, 2009  
(Expressed in Bahamian Dollars)

	Share Capital	Share Premium	Treasury Shares	Reserves	Retained Earnings	Total
Balance at July 1, 2009	\$ 50,015,990	\$ 28,587,866	\$ (30,244)	\$ 22,694	\$ 35,356,348	\$ 113,952,654
Net income	-	-	-	-	3,665,393	3,665,393
Appropriation of retained earnings	-	-	-	4,000,000	(4,000,000)	-
Other comprehensive income	-	-	-	24,271	-	24,271
<b>Balance at September 30, 2009</b>	<b>\$ 50,015,990</b>	<b>\$ 28,587,866</b>	<b>\$ (30,244)</b>	<b>\$ 4,046,965</b>	<b>\$ 35,021,741</b>	<b>\$ 117,642,318</b>
Balance at July 1, 2010	\$ 50,015,990	\$ 28,587,866	\$ (30,244)	\$ 4,057,051	\$ 33,798,404	\$ 116,429,067
Net income	-	-	-	-	1,107,570	1,107,570
Other comprehensive income	-	-	-	14,736	-	14,736
<b>Balance at September 30, 2010</b>	<b>\$ 50,015,990</b>	<b>\$ 28,587,866</b>	<b>\$ (30,244)</b>	<b>\$ 4,071,787</b>	<b>\$ 34,905,974</b>	<b>\$ 117,551,373</b>

# BANK OF THE BAHAMAS LIMITED

## UNAUDITED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the three months ended September 30, 2010  
with comparatives for the three months September 30, 2009  
(Expressed in Bahamian Dollars)

	September 30, 2010	September 30, 2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 1,107,570	\$ 3,665,393
Adjustments for:		
Depreciation and amortization	379,178	396,225
Net provision for loan losses	1,426,783	(1,281,093)
	<u>2,913,531</u>	<u>2,780,525</u>
Change in operating assets and liabilities	(4,489,735)	1,798,199
Increase in loans and advances to customers, net	(16,348,215)	(13,143,025)
Increase/(decrease) in deposits from customers and banks	16,823,202	(21,273,910)
Net cash used in operating activities	<u>(1,101,217)</u>	<u>(29,838,211)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Acquisition of property and equipment	\$ (197,857)	\$ (557,328)
Acquisition of intangible assets	(10,756)	-
Net cash used in investing activities	<u>(208,613)</u>	<u>(557,328)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Increase in interest payable on bonds	\$ 601,150	\$ 601,150
Net cash provided by financing activities	<u>601,150</u>	<u>601,150</u>
Net decrease in cash and cash equivalents	(708,680)	(29,794,389)
Cash and cash equivalents, beginning of year	57,895,699	110,876,391
<b>Cash and cash equivalents, end of period</b>	<u><b>\$ 57,187,019</b></u>	<u><b>\$ 81,082,002</b></u>
<b>SUPPLEMENTAL INFORMATION:</b>		
Interest received	\$ 15,544,298	\$ 13,632,030
Interest paid	\$ 6,177,574	\$ 5,855,845

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

For the period ended September 30, 2010  
(Expressed in Bahamian Dollars)

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**1. General Information**

Bank of the Bahamas Limited (the “Bank”), trading as Bank of The Bahamas International is incorporated under the laws of The Commonwealth of The Bahamas. The Bank is licensed under the provisions of the Bank and Trust Companies Regulations Act 2000. The Bank is also licensed as an authorized dealer pursuant to the Exchange Control Regulations Act. The Bank is a holder of a broker dealer license from the Securities Commission.

The Bank’s shares are publicly traded and listed on The Bahamas International Securities Exchange. The Government of The Commonwealth of The Bahamas and The National Insurance Board own 51% of the issued shares. The remaining shares are owned by approximately 4,000 Bahamian shareholders. The Banks head office is located at Cloughton House, Shirley and Charlotte Streets. The registered office is located at Sassoon House Shirley Street, Victoria Avenue, Nassau, The Bahamas.

**2. Significant Accounting Policies**

The significant accounting policies and methods of computation followed in the preparation of these interim consolidated financial statements are the same as those followed in the preparation of the annual consolidated financial statements of the Bank for the year ended June 30, 2010 with the exception of those noted below. The annual consolidated financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”) and under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities and investment property that are required to be remeasured at estimated fair value.

**General Credit Reserve**

During the first quarter of the fiscal year 2010, the Bank established a general credit reserve as an appropriation to retained earnings. In circumstances where the Central Bank guidelines and regulatory rules require provisions in excess of those calculated under IFRS, the difference is accounted for as an appropriation of retained earnings and is included in a non-distributable credit reserve in retained earnings.

**BANK OF THE BAHAMAS LIMITED**  
**Selected Explanatory Notes to the Unaudited Condensed Consolidated Financial**  
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For the period ended September 30, 2010  
(Expressed in Bahamian Dollars)

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**3. Dividends per Share**

There were no preference or ordinary share dividends declared or paid during the current period.

**4. Provision for Loan Losses**

	September 30, 2010	September 30, 2009
At beginning of year	\$ 12,327,511	\$ 9,172,385
Amount written-off	(2,125,272)	(360,182)
Recoveries	66,323	25,284
Provision charged to expense	1,493,105	2,655,733
Policy change reflected in income statement	-	(3,911,542)
<b>Provision at the end of period</b>	<b><u>\$ 11,761,667</u></b>	<b><u>\$ 7,581,678</u></b>

**5. Commitments and Contingencies**

Various legal proceedings are pending that challenge certain actions of the Bank. Most of these proceedings are loan-related and are reactions to steps taken by the Bank to collect delinquent loans and enforce its rights against collateral securing such loans. Management considers that the aggregate liability resulting from these proceedings will not be material.

The commitment for loans at September 30, 2010 was \$17,045,255 (2009: \$26,581,800).

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

For the period ended September 30, 2010  
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**6. Regulatory Capital**

Regulatory capital consists of Tier 1 capital, which comprises share capital, less goodwill and retained earnings including current year profit. The other component of regulatory capital is Tier 2 capital, which comprises revaluation reserves on available-for-sale securities and general reserves.

The Central Bank of The Bahamas regulations requires that the Bank maintains total capital and risk adjusted capital to asset ratio equal to or greater than 14% and 17% respectively. The Bank's total capital and risk adjusted capital ratio at September 30, 2010 was 15.94% (2009: 16.52%) and 23.69% (2009: 26.11%) respectively.

(in \$'000s)	September 30, 2010	September 30, 2009
Tier 1 capital	\$ 116,403	\$ 116,519
Tier 2 capital	128,237	124,147
Total capital	<u>\$ 244,640</u>	<u>\$ 240,666</u>
 Total qualifying assets	 <u>\$ 804,662</u>	 <u>\$ 751,362</u>
 Risk weighted assets	 <u>\$ 518,974</u>	 <u>\$ 462,462</u>
 Tier 1 capital ratio	 14.47%	 15.51%
Total capital ratio	15.94%	16.52%
 Risk adjusted tier 1 capital ratio	 22.43%	 25.20%
Risk adjusted total capital ratio	23.69%	26.11%



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**Statements**

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**7. Cash and Cash Equivalents**

	September 30, 2010	September 30, 2009
Cash	\$ 7,378,084	\$ 6,604,375
Deposits with the Central Bank- non-interest bearing	34,954,032	25,207,313
Due from Banks	<u>37,539,028</u>	<u>68,144,054</u>
Cash and due from Banks	79,871,144	99,955,742
Less: Mandatory reserve deposits with the Central Bank	<u>(22,684,125)</u>	<u>(18,873,740)</u>
<b>Total cash and cash equivalents</b>	<b><u>\$ 57,187,019</u></b>	<b><u>\$ 81,082,002</u></b>

**8. Comparatives**

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