



**FINANCIAL PERFORMANCE FOR THE
QUARTER ENDED DECEMBER 31, 2012**

The Bank's second quarter results were significantly impacted by an approximately \$4.0 million increase in provision for loan loss expenses. Despite the substantial increase in credit provisions, we are pleased to report positive net income for the quarter ended December 31, 2012. Net income for the quarter was \$0.7 million versus \$2.0 million for the prior year quarter. For the six months ended December 2012 income was \$2.8 million versus \$3.1 million for the same period in the prior year. Comparatively, although we experienced a slight decline in overall profitability, the positive results demonstrates resilience despite the continued challenge of systemically high loan delinquencies due primarily to an elevated unemployment rate.

Worthy of note is the growth in overall revenue, an expansion of the net interest margin and stable operating expenses. Collectively they reflect sound management within a difficult economic environment. The decline in net income for the quarter and year-to-date is directly attributable to the considerable provisions undertaken by the Bank given the weak economic reality which is beyond its control. Such loan loss provisions are necessary to provide adequate insulation against the realization of credit risks.

The Bank continues to actively monitor and manage its loan portfolio and we are pleased to show a net growth of \$44.4 million in loans and advances during the period. Overall, loans stood at \$732 million representing an increase of 6.45% from the end of the fiscal year June 30, 2012.

The Bank maintains a strong balance sheet with total assets of \$896 million as of December 31, 2012. The total risk adjusted capital ratio for the Bank of 19.29% is above the Central Bank's guidelines of 14% - 17%. The Bank continues to maintain strong prudential standards and proactively reviews strategic initiatives.

We remain focused on sustainable quality growth for the Bank. Although the Bank will continue to face significant head winds in the near term, our outlook is positive for the medium to long term. Achieving further operating efficiencies and increased value to each of our stakeholders are paramount commitments.

Again, we say a special thank you to all and recognize the unselfishness and undiminishing hard work and combined supporting efforts of our partnered BOB team of employees, senior management, directors, shareholders and most importantly our individual and institutional customers.


Paul J. I. McWeeney
Managing Director

BANK OF THE BAHAMAS LIMITED

UNAUDITED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at December 31, 2012 with comparative figures as at June 30, 2012

(Expressed in Bahamian Dollars)

	December 31, 2012	June 30, 2012
ASSETS		
Cash and account with The Central Bank	\$ 53,226,908	\$ 57,827,169
Due from banks	24,141,390	34,756,798
Investment securities	65,292,390	59,174,584
Loans and advances to customers, net	731,996,395	687,623,605
Investment property	3,882,873	3,882,873
Other assets	3,040,992	4,881,860
Property and equipment, net	11,152,655	9,490,096
Intangible assets, net	3,258,001	3,621,049
TOTAL	\$ 895,991,605	\$ 861,258,034
LIABILITIES		
Deposits from customers and banks	\$ 725,322,293	\$ 671,423,360
Other borrowed funds	27,500,000	37,000,000
Other liabilities	16,552,243	28,634,318
Deferred loan fees	8,120,636	7,083,064
Total liabilities	777,495,173	744,140,742
EQUITY		
Share capital	\$ 50,015,990	50,015,990
Share premium	28,587,866	28,587,866
Treasury shares	(770,137)	(531,768)
Reserves	4,384,702	4,266,896
Retained earnings	36,278,013	34,778,308
Total equity	118,496,433	117,117,292
TOTAL	\$ 895,991,605	\$ 861,258,034

BANK OF THE BAHAMAS LIMITED

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three and six months ended December 31, 2012
with comparatives for the three and six months ended December 31, 2011
(Expressed in Bahamian Dollars)

	Three Months		Six Months	
	2012	2011	2012	2011
Interest and similar income	\$ 16,639,799	\$ 15,369,716	\$ 32,795,984	\$ 29,876,898
Interest and similar expenses	5,522,368	6,184,556	11,071,105	12,622,985
Net Interest income	<u>11,117,431</u>	<u>9,185,160</u>	<u>21,724,879</u>	<u>17,253,913</u>
Fees and commission income	1,039,870	918,433	1,986,260	1,622,838
Fees and commission expense	101,408	87,167	207,539	178,047
Net fees and commission income	<u>938,463</u>	<u>831,266</u>	<u>1,778,721</u>	<u>1,444,791</u>
Other operating income	690,596	832,256	1,370,202	1,457,419
Total operating income	12,746,490	10,848,683	24,873,803	20,156,123
Credit loss expense, net	3,975,030	1,159,990	6,393,045	2,215,316
Net operating Income	<u>8,771,460</u>	<u>9,688,693</u>	<u>18,480,758</u>	<u>17,940,807</u>
Operating expenses	8,100,915	7,682,850	15,749,803	14,845,391
Net Income	<u>\$ 670,545</u>	<u>\$ 2,005,843</u>	<u>\$ 2,730,955</u>	<u>\$ 3,095,416</u>
Other comprehensive income				
Net gain/(loss) on available-for-sale financial assets	76,003	72,614	117,806	66,940
Total comprehensive income for the period	<u>\$ 746,548</u>	<u>\$ 2,078,457</u>	<u>\$ 2,848,761</u>	<u>\$ 3,162,356</u>
EARNINGS PER SHARE CALCULATION:				
NET INCOME	\$ 670,545	\$ 2,005,843	\$ 2,730,955	\$ 3,095,416
PREFERENCE SHARE DIVIDEND	-	(1,231,250)	(1,231,250)	(2,462,500)
NET INCOME/(LOSS) AVAILABLE TO COMMON SHAREHOLDERS	<u>\$ 670,545</u>	<u>\$ 774,593</u>	<u>\$ 1,499,705</u>	<u>\$ 632,916</u>
WEIGHTED AVERAGE NUMBER OF COMMON SHARES	<u>15,492,412</u>	<u>15,518,256</u>	<u>15,492,412</u>	<u>15,518,256</u>
EARNINGS/(LOSS) PER SHARE	<u>\$ 0.04</u>	<u>\$ 0.05</u>	<u>\$ 0.10</u>	<u>\$ 0.04</u>

BANK OF THE BAHAMAS LIMITED

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended December 31, 2012
with comparatives for the six months ended December 31, 2011
(Expressed in Bahamian Dollars)

	Share Capital	Share Premium	Treasury Shares	Reserves	Retained Earnings	Total
Balance at June 30, 2011 (as previously reported)	\$ 50,015,990	\$ 28,587,866	\$ (473,822)	\$ 4,117,767	\$ 35,121,674	\$ 117,369,475
Prior-period adjustment (note 8)	-	-	-	-	(782,259)	(782,259)
Balance, June 30, 2011 (as restated)	50,015,990	28,587,866	(473,822)	4,117,767	34,339,415	116,587,216
Net income	-	-	-	-	3,095,416	3,095,416
Purchase of treasury shares	-	-	(57,945)	-	-	(57,945)
Other comprehensive income	-	-	-	66,940	-	66,940
Dividends on preference shares	-	-	-	-	(2,462,500)	(2,462,500)
Balance at December 31, 2011	\$ 50,015,990	\$ 28,587,866	\$ (531,767)	\$ 4,184,707	\$ 34,972,331	\$ 117,229,127
Balance at June 30, 2012	\$ 50,015,990	\$ 28,587,866	\$ (531,768)	\$ 4,266,896	\$ 34,778,308	\$ 117,117,292
Net income	-	-	-	-	2,730,955	2,730,955
Purchase of treasury shares	-	-	(238,369)	-	-	(238,369)
Other comprehensive income	-	-	-	117,806	-	117,806
Dividends on preference shares	-	-	-	-	(1,231,250)	(1,231,250)
Balance at December 31, 2012	\$ 50,015,990	\$ 28,587,866	\$ (770,137)	\$ 4,384,702	\$ 36,278,013	\$ 118,496,433

BANK OF THE BAHAMAS LIMITED

UNAUDITED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six months ended December 31, 2012
with comparatives for the six months December 31, 2011
(Expressed in Bahamian Dollars)

	December 31, 2012	December 31, 2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 2,730,955	\$ 3,095,416
Adjustments for:		
Depreciation and amortization	1,118,836	842,128
Net provision for loan losses	6,393,045	2,215,316
	<u>10,242,836</u>	<u>6,152,860</u>
Change in other assets and liabilities	(18,922,530)	2,018,004
Increase in loans and advances to customers, net	(50,765,834)	(13,860,226)
Increase in deposits from customers and banks	53,898,933	14,249,963
Net cash (used in)/provided by operating activities	<u>(5,546,595)</u>	<u>8,560,601</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	\$ (2,418,348)	\$ (986,064)
Acquisition of intangible assets	-	(172,749)
Purchase of investment securities	(10,000,000)	(10,157,000)
Proceeds from maturity of investment securities	4,000,000	-
Net cash used in investing activities	<u>(8,418,348)</u>	<u>(11,315,813)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Dividends on preference shares	\$ (1,231,250)	\$ (2,462,498)
Increase in interest payable on bonds	374,551	863
Purchase of treasury shares	(238,369)	(57,946)
Net cash used in financing activities	<u>(1,095,068)</u>	<u>(2,519,581)</u>
Net decrease in cash and cash equivalents	(15,060,011)	(5,274,793)
Cash and cash equivalents, beginning of year	66,169,279	62,334,520
Cash and cash equivalents, end of period	<u><u>\$ 51,109,268</u></u>	<u><u>\$ 57,059,727</u></u>

SUPPLEMENTAL INFORMATION:

Interest received	\$ 29,596,776	\$ 28,432,242
Interest paid	\$ 11,305,196	\$ 12,205,139
Dividends paid	\$ 1,231,250	\$ 2,462,500

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

For the period ended December 31, 2012
(Expressed in Bahamian Dollars)

1. General Information

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

The Bank’s shares are publicly traded and listed on The Bahamas International Securities Exchange. The Government of The Commonwealth of The Bahamas and The National Insurance Board own 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, 2012 with the exception of those noted below. The annual consolidated financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”) and under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities and investment property that are required to be remeasured at estimated fair value.

3. Dividends per Share

The Bank declared and paid preference shares dividends of \$1,231,250 during the current period.

BANK OF THE BAHAMAS LIMITED
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4. Provision for Loan Losses

	December 31, 2012	December 31, 2011 (as restated)
At beginning of year	\$ 26,117,805	\$ 18,875,957
Amount written-off	(933,970)	(973,022)
Net recoveries	(224,872)	(104,534)
Provision charged to expense	6,617,917	2,319,850
Provision at the end of period	<u>\$ 31,576,880</u>	<u>\$ 20,118,251</u>

5. Commitments and Contingencies

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

The commitment for loans at December 31, 2012 was \$17,831,543 (2011: \$9,289,523).

BANK OF THE BAHAMAS LIMITED
Selected Explanatory Notes to the Unaudited Interim Condensed Consolidated
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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 December 31, 2012 was 13.00% (2011: 13.82%) and 19.29% (2011: 21.05%) respectively.

(in \$'000s)	December 31, 2012	December 31, 2011
Tier 1 capital	\$ 85,959	\$ 84,216
Tier 2 capital	120,759	118,816
Total capital	<u>\$ 206,718</u>	<u>\$ 203,032</u>
 Total qualifying assets	 <u>\$ 928,644</u>	 <u>\$ 859,644</u>
 Risk weighted assets	 <u>\$ 626,033</u>	 <u>\$ 566,933</u>
 Tier 1 capital ratio	 9.26%	 9.80%
Total capital ratio	13.00%	13.82%
 Risk adjusted tier 1 capital ratio	 13.73%	 14.94%
Risk adjusted total capital ratio	19.29%	21.05%

BANK OF THE BAHAMAS LIMITED
Selected Explanatory Notes to the Unaudited Interim Condensed Consolidated
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(Expressed in Bahamian Dollars)

7. Cash and Cash Equivalents

	December 31, 2012	December 31, 2011
Cash	\$ 13,551,652	10,842,076
Deposits with the Central Bank- non-interest bearing	39,675,256	34,063,354
Due from Banks	24,141,390	36,347,047
Cash and due from Banks	<u>77,368,298</u>	<u>81,252,477</u>
Less: Mandatory reserve deposits with the Central Bank	<u>(26,259,030)</u>	<u>(24,192,750)</u>
Total cash and cash equivalents	<u>\$ 51,109,268</u>	<u>\$ 57,059,727</u>

8. Restatement

Mortgage Indemnity Product

The Bank sold a mortgage indemnity product as an integral part of the mortgage loan facility, recorded as other liabilities with income being recognized as other operating income. During the fiscal year ending June 2012, the Bank reviewed the accounting for the product and determined that the product should be accounted for as an additional loan commitment fee and changed its income recognition method to amortize over the life of the related loan on a straight line basis and reclassified the ending liability portion to deferred loan fees. Previously, the Bank reviewed its mortgage indemnity product by comparing the original note amount less current principal balance to the indemnified portion and if the repaid balance was more than the indemnified portion, then the assessed premium was taken into income. The correction of this error was accounted for retrospectively. As a result, deferred loan fees increased by \$328,544 as of June 30, 2011 with a decrease in net income of \$115,811 for the year ended June 30, 2011 and the opening retained earnings decreased by \$212,733 for the year ended June 30, 2010.

BANK OF THE BAHAMAS LIMITED
Selected Explanatory Notes to the Unaudited Interim Condensed Consolidated
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For the period ended December 31, 2012
(Expressed in Bahamian Dollars)

8. Restatement (Continued)

Credit Loss Expense

The Bank had understated its credit loss expense by \$453,715 for the year ended June 30, 2011 by inappropriately considering the mortgage indemnity product as part of the collateral amount in assessing any shortfall between the security value and the outstanding balance. The correction of this error has been accounted for retrospectively. As a result, there was a decrease in loans and advances to customers, net of \$453,715 as of June 30, 2011 and a corresponding decrease in net income for the year ended June 30, 2011.

9. Comparatives

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