



FINANCIAL PERFORMANCE FOR THE PERIOD ENDED DECEMBER 31, 2011.

BOB's financial performance is positive and in line with business expectations having regard for the continued weakness in the economy.

Net Income for the year-to-date period settled at B\$3.2 million slightly lower than the B\$3.3 million earned for the same period last year. Limited credit and investment opportunities and systemically elevated loan delinquencies stemming from high unemployment continue to characterize the business environment, and thus, subduing earnings potential.

The Bank's balance sheet remains strong with total assets improving to B\$839 million at the period end compared to B\$824 million as of June 30, 2011. Overall deposits stood at B\$663 million compared to B\$649 million as at June 2011, representing an increase of 2.2%. The Bank's total capital stood at B\$118 million while risk adjusted capital ratio ending at 23.24% versus 22.75% in the prior year, well above regulatory requirements.

Conditions of the "new norm" are starting to become evident. We are, however, confident that the ongoing retooling of our business model takes full account of what these realities are likely to be and will position the Bank well for future growth and expansion opportunities.

On the horizon there are signs of improving economic trends. We are cautiously optimistic that such momentum will become broad based and cultivate renewed economic vigour in the medium term and translate into improving opportunities throughout our archipelago.

Again, we thank our staff, directors and shareholders for their undiminished support.

Paul J. I McWeeney
Managing Director

BANK OF THE BAHAMAS LIMITED

UNAUDITED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL CONDITION

As at December 31, 2011 with comparative figures as at June 30, 2011

(Expressed in Bahamian Dollars)

| | December 31, 2011 | June 30, 2011 |
|--|-----------------------|-----------------------|
| ASSETS | | |
| Cash and account with The Central Bank | 44,905,430 | \$ 46,009,883 |
| Due from banks | 36,347,047 | 40,638,307 |
| Investment securities | 59,092,396 | 48,868,456 |
| Loans and advances to customers, net | 680,809,464 | 669,164,555 |
| Investment property | 3,882,873 | 3,882,873 |
| Other assets | 2,619,101 | 4,320,511 |
| Property and equipment | 7,353,995 | 6,884,863 |
| Intangible assets, net | 3,892,914 | 4,045,361 |
| TOTAL | 838,903,220 | \$ 823,814,809 |
| LIABILITIES | | |
| Deposits from customers and banks | \$ 663,640,714 | \$ 649,390,752 |
| Other borrowed funds | 37,000,000 | 37,000,000 |
| Other liabilities | 14,903,681 | 14,667,369 |
| Deferred loan fees | 5,347,437 | 5,387,213 |
| Total liabilities | 720,891,832 | 706,445,334 |
| EQUITY | | |
| Share capital | 50,015,990 | 50,015,990 |
| Share premium | 28,587,866 | 28,587,866 |
| Treasury shares | (531,767) | (473,822) |
| Reserves | 4,184,707 | 4,117,767 |
| Retained earnings | 35,754,592 | 35,121,674 |
| Total equity | 118,011,388 | 117,369,475 |
| TOTAL | \$ 838,903,220 | \$ 823,814,809 |

BANK OF THE BAHAMAS LIMITED

UNAUDITED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the three and six months ended December 31, 2011
with comparatives for the three and six months ended December 31, 2010
(Expressed in Bahamian Dollars)

| | Three Months | | Six Months | |
|--|---------------------|---------------------|---------------------|---------------------|
| | 2011 | 2010 | 2011 | 2010 |
| Interest and similar income | \$ 15,369,717 | 16,005,692 | \$ 29,876,898 | \$ 30,837,067 |
| Interest and similar expenses | 6,184,556 | 6,596,662 | 12,622,985 | 13,666,953 |
| Net Interest income | <u>9,185,160</u> | <u>9,409,030</u> | <u>17,253,913</u> | <u>17,170,114</u> |
| Fees and commission income | 918,433 | 1,053,966 | 1,622,838 | 2,079,369 |
| Fees and commission expense | 87,167 | 55,060 | 178,047 | 177,379 |
| Net fees and commission income | <u>831,266</u> | <u>998,906</u> | <u>1,444,791</u> | <u>1,901,990</u> |
| Other operating income | 832,256 | 950,649 | 1,457,419 | 1,592,686 |
| Total operating income | 10,848,683 | 11,358,585 | 20,156,123 | 20,664,790 |
| Credit loss expense, net | 1,159,990 | 1,638,149 | 2,215,316 | 3,170,216 |
| Net operating Income | <u>9,688,693</u> | <u>9,720,436</u> | <u>17,940,807</u> | <u>17,494,574</u> |
| Operating expenses | 7,682,850 | 7,534,444 | 14,845,391 | 14,201,012 |
| Net Income | <u>\$ 2,005,843</u> | <u>2,185,991</u> | <u>\$ 3,095,416</u> | <u>\$ 3,293,562</u> |
| Other comprehensive income | | | | |
| Net gain/(loss) on available-for-sale financial assets | 72,614 | (17,100) | 66,940 | (2,364) |
| Total comprehensive income for the period | <u>2,078,457</u> | <u>2,168,891</u> | <u>\$ 3,162,356</u> | <u>\$ 3,291,198</u> |
| EARNINGS PER SHARE CALCULATION: | | | | |
| NET INCOME | \$ 2,005,843 | \$ 2,185,991 | \$ 3,095,416 | \$ 3,293,562 |
| PREFERENCE SHARE DIVIDEND | (1,231,249) | - | (2,462,498) | - |
| NET INCOME AVAILABLE TO COMMON SHAREHOLDERS | <u>\$ 774,594</u> | <u>\$ 2,185,991</u> | <u>\$ 632,918</u> | <u>\$ 3,293,562</u> |
| WEIGHTED AVERAGE NUMBER OF COMMON SHARES | <u>15,518,256</u> | <u>15,596,145</u> | <u>15,518,256</u> | <u>15,596,145</u> |
| EARNINGS PER SHARE | <u>\$ 0.05</u> | <u>\$ 0.14</u> | <u>\$ 0.04</u> | <u>\$ 0.21</u> |

BANK OF THE BAHAMAS LIMITED

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended December 31, 2011
with comparatives for the six months ended December 31, 2010
(Expressed in Bahamian Dollars)

| | Share Capital | Share Premium | Treasury Shares | Reserves | Retained Earnings | Total |
|-------------------------------------|----------------------|----------------------|---------------------|---------------------|----------------------|-----------------------|
| 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 |
| Balance at December 31, 2010 | \$ 50,015,990 | \$ 28,587,866 | \$ (30,244) | \$ 4,071,787 | \$ 34,905,974 | \$ 117,551,373 |
| Balance at July 1, 2011 | \$ 50,015,990 | \$ 28,587,866 | \$ (473,822) | \$ 4,117,767 | \$ 35,121,674 | \$ 117,369,475 |
| 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 | - | - | - | - | (2,462,498) | (2,462,498) |
| Balance at December 31, 2011 | \$ 50,015,990 | \$ 28,587,866 | \$ (531,767) | \$ 4,184,707 | \$ 35,754,592 | \$ 118,011,388 |

BANK OF THE BAHAMAS LIMITED

UNAUDITED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six months ended December 31, 2011
with comparatives for the six months ended December 31, 2010
(Expressed in Bahamian Dollars)

| | December 31, 2011 | December 31, 2010 |
|--|-----------------------------|-----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income | \$ 3,095,416 | \$ 3,294,562 |
| Adjustments for: | | |
| Depreciation and amortization | 842,128 | 760,662 |
| Net provision for loan losses | 2,215,316 | 3,170,216 |
| | <u>6,152,860</u> | <u>7,225,440</u> |
| Change in operating assets and liabilities | 2,018,004 | (684,466) |
| Increase in loans and advances to customers, net | (13,860,226) | (34,833,290) |
| Increase in deposits from customers and banks | 14,249,963 | 37,014,913 |
| Net cash provided by operating activities | <u>8,560,601</u> | <u>8,722,597</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Acquisition of property and equipment | \$ (986,064) | \$ (1,803,028) |
| Acquisition of intangible assets | (172,749) | (11,607) |
| Purchase of investment securities | (10,157,000) | (1,777,100) |
| Proceeds from maturity of investment securities | - | 683,500 |
| Net cash used in investing activities | <u>(11,315,813)</u> | <u>(2,908,235)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Dividends on preference shares | \$ (2,462,498) | \$ - |
| Increase in interest payable on bonds | 863 | 5,123 |
| Purchase of treasury shares | (57,946) | - |
| Net cash (used in)/provided by financing activities | <u>(2,519,581)</u> | <u>5,123</u> |
| Net decrease/(increase) in cash and cash equivalents | (5,274,793) | 5,819,485 |
| Cash and cash equivalents, beginning of year | 62,334,520 | 57,895,699 |
| Cash and cash equivalents, end of period | <u><u>\$ 57,059,727</u></u> | <u><u>\$ 63,715,184</u></u> |

SUPPLEMENTAL INFORMATION:

| | | |
|-------------------|---------------|---------------|
| Interest received | \$ 28,432,242 | \$ 31,057,753 |
| Interest paid | \$ 12,205,139 | \$ 12,500,626 |
| Dividends paid | \$ 2,462,498 | \$ - |

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

For the period ended December 31, 2011
(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 Claughton 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, 2011 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 \$2,462,498 during the current period.

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

For the period ended December 31, 2011
(Expressed in Bahamian Dollars)

4. Provision for Loan Losses

| | December 31, 2011 | December 31, 2010 |
|---------------------------------------|------------------------------|------------------------------|
| At beginning of year | \$ 18,422,242 | \$ 12,327,511 |
| Amount written-off | (973,022) | (2,646,231) |
| Net recoveries | (104,534) | - |
| Provision charged to expense | 2,319,850 | 3,170,216 |
| Provision at the end of period | <u>\$ 19,664,536</u> | <u>\$ 12,851,496</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, 2011 was \$9,289,523 (2010: \$13,114,460).

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

For the period ended December 31, 2011
(Expressed in Bahamian Dollars)

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 preference shares, 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, 2011 was 15.89% (2010: 15.61%) and 22.75% (2010: 23.24%) respectively.

| (in \$'000s) | December 31, 2011 | December 31, 2010 |
|------------------------------------|----------------------|----------------------|
| Tier 1 capital | \$ 85,035 | \$ 84,198 |
| Tier 2 capital | 136,599 | 129,309 |
| Total capital | <u>\$ 221,634</u> | <u>\$ 213,507</u> |
| | | |
| Total qualifying assets | <u>\$ 859,644</u> | <u>\$ 828,484</u> |
| | | |
| Risk weighted assets | <u>\$ 566,933</u> | <u>\$ 535,784</u> |
| | | |
| Tier 1 capital ratio | 9.89% | 10.16% |
| Total capital ratio | 15.89% | 15.61% |
| | | |
| Risk adjusted tier 1 capital ratio | 15.00% | 15.71% |
| Risk adjusted total capital ratio | 22.75% | 23.24% |

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

For the period ended December 31, 2011
(Expressed in Bahamian Dollars)

7. Cash and Cash Equivalents

| | December 31, 2011 | December 31, 2010 |
|--|------------------------------|------------------------------|
| Cash | 10,842,076 | \$ 11,851,040 |
| Deposits with the Central Bank- non-interest bearing | 34,063,354 | 34,954,032 |
| Due from Banks | <u>36,347,047</u> | <u>39,509,075</u> |
| Cash and due from Banks | 81,252,477 | 86,314,147 |
| Less: Mandatory reserve deposits with the Central Bank | <u>(24,192,750)</u> | <u>(22,598,963)</u> |
| Total cash and cash equivalents | <u>\$ 57,059,727</u> | <u>\$ 63,715,184</u> |

8. Comparatives

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