

FINANCIAL PERFORMANCE FOR THE PERIOD ENDED DECEMBER 31, 2010

With the general macro economic factors stabilizing and certain key indicators showing signs of improvement we are cautiously optimistic of the future. However, we recognize that any such improvement will be gradual.

Despite current economic constraints, the Bank's balance sheet remains strong. We are pleased to have achieved a strategic goal during the currency of the review period with total assets exceeding the \$800 million mark settling at approximately \$817 million at the period end, compared to \$778 million as of June 30, 2010. Overall deposits stood at approximately \$640 million compared to \$603 million as at June 2010, representing an increase of 6.2%. The Bank's risk adjusted total capital ratio ended at 23.72% versus 22.54% in the prior year, substantially ahead of regulatory requirements.

The current low level of economic output makes revenue growth challenging. However, we are pleased to report year to date growth in net interest income of approximately \$3.2 million. While our profitability this quarter exceeded last year's by 67% we are still concerned about the credit market as unemployment remains high and continues to negatively influence the status of non-accrual loans. Loan loss provisions year to date were \$3.1 million, driven by, comparatively, a larger number of non-accrual loans.

The Bank continues with its strategic imperative to build its electronic banking capacity and concurrently expand its franchise and enhance its delivery channels. This important thrust impacts the increase in operating expenses period over period. However, the overall improvement in both revenue and profitability is reflective of improvements in market share and operating efficiency.

The Bank is cognizant that it is operating within a highly dynamic economic environment with rapidly evolving regulatory standards. It is committed to ensuring that its financial condition remains strong and resilient while balancing the need to optimize stakeholder value.

Again, we thank our directors, shareholders, management and our team of administrative professionals for their undiminished support.

Paul J. McWeeney
Managing Director

BANK OF THE BAHAMAS LIMITED

UNAUDITED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL CONDITION

As at December 31, 2010 with comparative figures as at June 30, 2010
(Expressed in Bahamian Dollars)

	December 31, 2010	June 30, 2010
ASSETS		
Cash and account with The Central Bank	\$ 46,805,072	\$ 46,073,254
Due from banks	39,509,075	33,820,445
Investment securities	51,805,376	50,714,140
Loans and advances to customers, net	660,875,343	629,212,269
Investment property	3,882,873	3,882,873
Other assets	3,646,450	5,535,143
Property and equipment	6,490,771	5,203,674
Intangible assets, net	3,694,023	3,927,147
TOTAL	\$ 816,708,983	\$ 778,368,945
LIABILITIES		
Deposits from customers and banks	\$ 639,934,204	\$ 602,919,291
Other borrowed funds	37,000,000	37,000,000
Other liabilities	14,786,982	17,453,513
Deferred loan fees	5,266,532	4,567,074
Total liabilities	696,987,718	661,939,878
EQUITY		
Share capital	50,015,990	50,015,990
Share premium	28,587,866	28,587,866
Treasury shares	(30,244)	(30,244)
Reserves	4,054,687	4,057,051
Retained earnings	37,092,966	33,798,404
Total equity	119,721,265	116,429,067
TOTAL	\$ 816,708,983	\$ 778,368,945

BANK OF THE BAHAMAS LIMITED

UNAUDITED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the three and six months ended December 31, 2010
with comparatives for the three and six months ended December 31, 2009
(Expressed in Bahamian Dollars)

	Three Months 2010		Six Months 2010	
	2010	2009	2010	2009
Interest and similar income	\$ 16,005,692	13,057,477	\$ 30,837,067	\$ 26,114,303
Interest and similar expenses	6,669,112	6,110,909	13,665,953	12,092,420
Net interest income	9,336,580	6,946,568	17,171,114	14,021,883
Fees and commission income	534,798	568,035	2,099,781	1,661,613
Fees and commission expense	114,606	163,547	394,961	316,555
Net fees and commission income	420,192	404,488	1,704,820	1,345,058
Other operating income	1,602,813	1,300,284	1,789,857	1,704,919
Total operating income	11,359,585	8,651,340	20,665,791	17,071,860
Credit loss expense, net	1,743,433	535,093	3,170,216	(746,000)
Net operating income	9,616,152	8,116,247	17,495,575	17,817,860
Operating expenses	7,429,159	6,876,955	14,201,012	12,913,175
Net income	\$ 2,186,993	1,239,292	\$ 3,294,562	\$ 4,904,685
Other comprehensive income				
Net gain on available-for-sale financial assets	2,246	74,308	(2,364)	98,579
Total comprehensive income for the period	2,189,239	1,313,600	3,292,198	5,003,264
EARNINGS PER SHARE CALCULATION:				
NET INCOME	\$ 2,186,993	\$ 1,239,292	\$ 3,294,562	\$ 4,904,685
PREFERENCE SHARE DIVIDEND	-	(1,362,500)	-	(1,362,500)
NET INCOME AVAILABLE TO COMMON SHAREHOLDERS	\$ 2,186,993	\$ (123,208)	\$ 3,294,562	\$ 3,542,185
WEIGHTED AVERAGE NUMBER OF COMMON SHARES				
	15,596,145	15,596,145	15,596,145	15,596,145
EARNINGS PER SHARE	\$ 0.14	\$ (0.01)	\$ 0.21	\$ 0.23

BANK OF THE BAHAMAS LIMITED

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended December 31, 2010
with comparatives for the six months ended December 31, 2009
(Expressed in Bahamian Dollars)

	Share Capital	Share Premium	Treasury Shares	Reserves	Retained Earnings
Balance at July 1, 2009	\$ 50,015,990	\$ 28,587,866	\$ (30,244)	\$ 22,694	\$ 35,356,348
Net income	-	-	-	-	4,904,685
Appropriation of retained earnings	-	-	-	4,000,000	(4,000,000)
Other comprehensive income	-	-	-	98,579	-
Dividends on preference shares	-	-	-	-	(1,362,500)
Dividends on ordinary shares	-	-	-	-	(2,495,383)
Balance at December 31, 2009	\$ 50,015,990	\$ 28,587,866	\$ (30,244)	\$ 4,121,273	\$ 32,403,150
Balance at July 1, 2010	\$ 50,015,990	\$ 28,587,866	\$ (30,244)	\$ 4,057,051	\$ 33,798,404
Net income	-	-	-	-	3,294,562
Other comprehensive income	-	-	-	(2,364)	-
Balance at December 31, 2010	\$ 50,015,990	\$ 28,587,866	\$ (30,244)	\$ 4,054,687	\$ 37,092,966

BANK OF THE BAHAMAS LIMITED

UNAUDITED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six months ended December 31, 2010
with comparatives for the six months ended December 31, 2009
(Expressed in Bahamian Dollars)

	December 31, 2010	December 31, 2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 3,294,562	\$ 4,904,685
Adjustments for:		
Depreciation and amortization	760,662	958,861
Net provision for loan losses	3,170,216	746,000
	7,225,440	6,609,546
Change in operating assets and liabilities	(684,466)	4,650,419
Increase in loans and advances to customers, net	(34,833,290)	(49,413,592)
Increase in deposits from customers and banks	37,014,913	10,111,225
Net cash used in operating activities	8,722,597	(28,042,402)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	\$ (1,803,028)	\$ (1,019,991)
Acquisition of intangible assets	(11,607)	-
Purchase of investment securities	(1,777,100)	-
Proceeds from maturity of investments	683,500	-
Net cash used in investing activities	(2,908,235)	(1,019,991)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Dividends paid on common stock	\$ -	\$ (2,495,383)
Dividends on preference shares	-	(1,362,500)
Increase in interest payable on bonds	5,123	7,685
Net cash provided by financing activities	5,123	(3,850,198)
Net decrease in cash and cash equivalents	5,819,485	(32,912,591)
Cash and cash equivalents, beginning of year	57,895,699	110,876,391
Cash and cash equivalents, end of period	\$ 63,715,184	\$ 77,963,800

SUPPLEMENTAL INFORMATION:

Interest received	\$ 31,057,753	\$ 26,634,192
Interest paid	\$ 12,500,626	\$ 11,630,279

For the period ended December 31, 2010
(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, 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.

3. Dividends per Share

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

4. Provision for Loan Losses

	December 31, 2010	December 31, 2009
At beginning of year	\$ 12,327,511	\$ 9,172,385
Amount written-off	(2,646,231)	(330,724)
Provision charged to expense (net)	3,170,216	3,165,541
Policy change reflected in income statement	-	(3,911,542)
Provision at the end of period	\$ 12,851,496	\$ 8,095,660

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, 2010 was \$13,114,460 (2009: \$15,915,156).

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, 2010 was 15.85% (2009: 14.63%) and 23.72% (2009: 22.54%) respectively.

(in \$'000s)	December 31, 2010	December 31, 2009
Tier 1 capital	\$ 120,872	\$ 105,416
Tier 2 capital	10,624	8,867
Total capital	\$ 131,496	\$ 114,283
Total qualifying assets	\$ 829,560	\$ 781,036
Risk weighted assets	\$ 534,360	\$ 489,464
Tier 1 capital ratio	14.57%	13.50%
Total capital ratio	15.85%	14.63%
Risk adjusted tier 1 capital ratio	22.62%	21.54%
Risk adjusted total capital ratio	23.72%	22.54%

7. Cash and Cash Equivalents

	December 31, 2010	December 31, 2009
Cash	\$ 11,851,040	\$ 6,485,233
Deposits with the Central Bank- non-interest bearing	34,954,032	27,081,095
Due from banks	39,509,075	64,029,997
Cash and due from Banks	86,314,147	97,596,325
Less: Mandatory reserve deposits with the Central Bank	(22,598,963)	(19,632,525)
Total cash and cash equivalents	\$ 63,715,184	\$ 77,963,800

8. Comparatives

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