



## **FINANCIAL PERFORMANCE FOR THE THREE-MONTH PERIOD ENDED DECEMBER 31, 2009.**

The Bank continued to yield positive financial performance, although tempered by the overall weakness in the Bahamian economy.

Despite the contracting economy, the Bank continues to grow with total assets now standing at \$774 million. Most significant is Total Equity of B\$115 million. This reflects a risk adjusted Capital Ratio of 23.6%, standing well above recently heightened regulatory requirements and demonstrates a strong capacity to absorb the inherent business risk of the financial sector.

Systemic weakness in the credit market clearly played a role in the comparative decline in net income for the review quarter. However, the year over year decline was a much softer 2% enabling net income to settle at a comfortable level of B\$4.9 million.

With the continuation of present anemic economic conditions and with its high unemployment, management's proactive strategies aimed at maintaining strong capital and liquidity ratios and arresting the growth in delinquent loans remain paramount.

Also, we wish to recognize the significant effort put forth by our staff in assisting with the successful launch of the Automated Clearing House.

Once again, we thank our directors, shareholders, team of administrative professionals and our growing customer base for their continued support.

Paul J. I. McWeeney  
Managing Director

# BANK OF THE BAHAMAS LIMITED

## UNAUDITED CONSOLIDATED BALANCE SHEET

(Expressed in Bahamian dollars)

	December 31, 2009	June 30, 2009
<b>ASSETS</b>		
Cash and account with The Central Bank	\$ 33,566,328	\$ 29,944,137
Due from banks	64,029,997	100,612,566
Investment securities	50,778,362	50,679,783
Loans and advances to customers, net	604,279,930	555,612,338
Investment property	3,876,052	3,876,052
Other assets	8,710,217	8,690,850
Property and equipment	4,917,998	4,505,107
Intangible assets, net	4,026,528	4,378,289
<b>TOTAL</b>	<b>\$ 774,185,412</b>	<b>\$ 758,299,122</b>
<b>LIABILITIES</b>		
Deposits from customers and banks	\$ 598,200,404	\$ 588,089,178
Other borrowed funds	37,000,000	37,000,000
Cheques and other items in transit	10,824,311	7,561,710
Other liabilities	9,082,926	7,683,686
Deferred loan fees	3,979,736	4,011,894
<b>Total liabilities</b>	<b>659,087,377</b>	<b>644,346,468</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	4,121,273	22,694
Retained earnings	32,403,150	35,356,348
Total equity	<b>115,098,035</b>	<b>113,952,654</b>
<b>TOTAL</b>	<b>\$ 774,185,412</b>	<b>\$ 758,299,122</b>

# BANK OF THE BAHAMAS LIMITED

## UNAUDITED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the three and six months ended December 31, 2009  
with comparatives for the three and six month period ended December 31, 2008  
(Expressed in Bahamian dollars)

	Three Months		Six Months	
	2009	2008	2009	2008
Total Interest Income	\$ 13,339,030	\$ 13,144,995	\$ 26,114,303	\$ 26,790,302
Total Interest Expense	6,110,909	5,926,256	12,092,420	12,032,370
Net Interest Revenue	<u>7,228,122</u>	<u>7,218,740</u>	<u>14,021,883</u>	<u>14,757,932</u>
Fees and commission income	776,575	1,413,731	1,688,169	2,579,064
Fees and commission expense	163,547	268,107	316,555	293,059
Net fees and commission income	<u>613,027</u>	<u>1,145,624</u>	<u>1,371,613</u>	<u>2,286,005</u>
Other operating income	810,192	687,309	1,678,364	2,144,525
Total operating income	8,651,341	9,051,672	17,071,860	19,188,462
Credit loss expense, net	(522,355)	(205,075)	758,738	(801,660)
Net operating Income	<u>8,128,986</u>	<u>8,846,598</u>	<u>17,830,598</u>	<u>18,386,802</u>
Operating expenses	6,889,694	6,666,448	12,925,914	13,375,732
Net Income	<u>\$ 1,239,292</u>	<u>\$ 2,180,149</u>	<u>\$ 4,904,685</u>	<u>\$ 5,011,070</u>
<b>Other comprehensive income</b>				
Net gain on available-for-sale financial assets	74,308	-	98,579	-
Total comprehensive income for the period	<u>1,313,600</u>	<u>2,180,149</u>	<u>5,003,264</u>	<u>5,011,070</u>
EARNINGS PER SHARE CALCULATION:				
NET INCOME	\$ 1,239,292	\$ 2,180,149	\$ 4,904,685	\$ 5,011,070
PREFERENCE SHARE DIVIDEND	(1,362,500)	(281,250)	(1,362,500)	(562,500)
NET INCOME AVAILABLE TO				
COMMON SHAREHOLDERS	<u>\$ (123,208)</u>	<u>\$ 1,898,899</u>	<u>\$ 3,542,185</u>	<u>\$ 4,448,570</u>
WEIGHTED AVERAGE NUMBER OF				
COMMON SHARES	<u>15,596,145</u>	<u>15,596,145</u>	<u>15,596,145</u>	<u>15,596,145</u>
EARNINGS PER SHARE	<u>\$ (0.01)</u>	<u>\$ 0.12</u>	<u>\$ 0.23</u>	<u>\$ 0.29</u>

# BANK OF THE BAHAMAS LIMITED

## UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended December 31, 2009

with comparatives for the six months ended December 31, 2008

(Expressed in Bahamian dollars)

	<u>Share Capital</u>	<u>Share Premium</u>	<u>Treasury Shares</u>	<u>Reserves</u>	<u>Retained Earnings</u>	<u>Total</u>
Balance at July 1, 2008	\$ 30,364,990	\$ 28,587,866	\$ (30,244)	-	\$ 34,980,703	\$ 93,903,315
Net income	-	-	-	-	5,011,070	5,011,070
Dividends on preference shares					(562,500)	(562,500)
Dividends on ordinary shares	-	-	-	-	(2,495,383)	(2,495,383)
<b>Balance at December 31, 2008</b>	<b><u>\$ 30,364,990</u></b>	<b><u>\$ 28,587,866</u></b>	<b><u>\$ (30,244)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 36,933,890</u></b>	<b><u>\$ 95,856,502</u></b>
Balance at July 1, 2009	\$ 50,015,990	\$ 28,587,866	\$ (30,244)	\$ 22,694	\$ 35,356,348	\$ 113,952,654
Net income	-	-	-	-	\$ 4,904,685	4,904,685
Appropriation of retained earnings	-	-	-	4,000,000	\$ (4,000,000)	-
Net gains on remeasurement of available-for-sale securities to fair value				98,579		98,579
Dividends on preference shares					\$ (1,362,500)	(1,362,500)
Dividends on ordinary shares	-	-	-	-	\$ (2,495,383)	(2,495,383)
<b>Balance at December 31, 2009</b>	<b><u>\$ 50,015,990</u></b>	<b><u>\$ 28,587,866</u></b>	<b><u>\$ (30,244)</u></b>	<b><u>\$ 4,121,273</u></b>	<b><u>\$ 32,403,150</u></b>	<b><u>\$ 115,098,035</u></b>

# BANK OF THE BAHAMAS LIMITED

## UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

(Expressed in Bahamian dollars)

	<b>December 31, 2009</b>	<b>December 31, 2008</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 4,904,685	\$ 5,011,070
Adjustments for:		
Non-cash items	200,123	236,991
	<u>5,104,808</u>	<u>5,248,061</u>
Change in operating assets and liabilities	4,602,632	(6,866,110)
Increase in loans and advances to customers, net	(47,908,854)	(26,373,057)
Increase in deposits from customers and banks	10,111,225	12,033,930
Net cash used in operating activities	<u>(28,090,189)</u>	<u>(15,957,176)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Acquisition of property and equipment	\$ (1,019,991)	\$ (435,576)
Purchase of investment securities	-	(2,117,700)
Investment property additions	-	(639,201)
Net cash used in investing activities	<u>(1,019,991)</u>	<u>(3,192,477)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Dividends paid on common stock	\$ (2,495,383)	\$ (2,495,383)
Dividends on preference shares	(1,362,500)	(562,500)
Increase/(decrease) in interest payable on bonds	7,685	(34,712)
Net cash used in financing activities	<u>(3,850,198)</u>	<u>(3,092,595)</u>
Net decrease in cash and cash equivalents	(32,960,378)	(22,242,248)
Cash and cash equivalents, beginning of year	130,556,703	167,127,389
<b>Cash and cash equivalents, end of period</b>	<u><u>\$ 97,596,325</u></u>	<u><u>\$ 144,885,141</u></u>

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

For the period ended December 31, 2009  
(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, 2009 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.

***IAS 1 Presentation of Financial Statements***

The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognized income and expense in one single statement or in two linked statements. The Bank has elected to present on a single statement.

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

For the period ended December 31, 2009  
(Expressed in Bahamian Dollars)

---

***General Credit Reserve***

Previously the Bank recorded all credit reserves as a valuation allowance against loans and advances to customers. During the first quarter 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**

Dividends to the Bank's shareholders are recognized as a liability in the period in which they are declared by the Board of Directors. Dividends paid by the company to ordinary shareholders during the period totaled \$2,495,383 or \$.16 per share (2008: \$2,495,383 or \$.16 per share).

**4. Provision for Loan Losses**

	December 31, 2009	December 31, 2008
At beginning of year	\$ 9,172,385	\$ 8,220,745
Amount written-off	(360,182)	(1,003,406)
Recoveries	29,458	51,190
Provision charged to expense	3,165,541	801,660
Policy change reflected in income statement	(3,911,542)	-
<b>Provision at the end of period</b>	<b><u>\$ 8,095,660</u></b>	<b><u>\$ 8,070,189</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 December 31, 2009 was \$15,915,156 (2008: \$13,917,460).

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

For the period ended December 31, 2009  
(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 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 risk adjusted capital ratio at December 31, 2009 was 23.61% (2008: 22.27%).

	<b>December 31, 2009</b>	<b>December 31, 2008</b>
Tier 1 capital	109,901	94,781
Tier 2 capital	4,121	4,886
Total capital	<u>114,022</u>	<u>99,667</u>
Total qualifying assets	<u>775,794</u>	<u>748,518</u>
Risk weighted assets	<u>482,872</u>	<u>447,515</u>
Tier 1 capital ratio	14.17%	12.66%
Total capital ratio	14.70%	13.32%
Risk adjusted tier 1 capital ratio	22.76%	21.18%
Risk adjusted total capital ratio	23.61%	22.27%



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

For the period ended December 31, 2009  
(Expressed in Bahamian Dollars)

---

**7. Cash and Cash Equivalents**

	<b>December 31, 2009</b>	<b>December 31, 2008</b>
Cash	\$ 6,485,233	\$ 3,764,499
Deposits with the Central Bank- non-interest bearing	27,081,095	48,590,460
Due from Banks	64,029,997	92,530,182
Cash and due from Banks	<u>97,596,325</u>	<u>144,885,141</u>
Less: Mandatory reserve deposits with the Central Bank	(19,632,525)	(19,282,850)
<b>Total cash and cash equivalents</b>	<b><u>\$ 77,963,800</u></b>	<b><u>\$ 125,602,291</u></b>

**8. Comparatives**

The following adjustments were made to prior year's cash flow statement balances. The cash and cash equivalents at the beginning of the year for 2008 was adjusted for the \$17,667,400 mandatory reserve balance with the Central Bank. The change in operating assets and liabilities was adjusted for the \$1,615,450 increase in the mandatory reserve balance with the Central Bank for the period July 2008 through to December 2008.