



FINANCIAL PERFORMANCE FOR THE QUARTER ENDED MARCH 31, 2013

Broadly the conditions of the economy remain weak. Consequently, loan delinquencies remain elevated forcing classifications to non-performing status. Moreover, significant levels of foreclosed properties system-wide have negatively affected underlying property values. As a result of these circumstances the Bank must be prudent and take the necessary steps to put aside additional loan loss reserves to protect its balance sheet for the long term. Therefore, during the currency of the review quarter the Bank increased such provisions by an additional sum of approximately \$9 million. This action led to a year-to-date loss of \$1.5 million meaning that the said amount was taken from the Bank's healthy level of retained earnings to assist in supporting this action. However, it is the expectation that such loan loss provisions will be clawed back into income as the economy improves.

All other factors of the Bank's operations are performing well. This is evidenced by growth in revenue and operating income. Concurrently, the Bank continued its initiative to reduce inorganic liabilities and up to the review period \$13 million of such liabilities were redeemed which will boost further improvements in operating income in the near term.

The key objective during these periods of uncertainty remains stability through prudent asset growth, sound liquidity management while maintaining healthy reserves and capital levels.

In light of constraints demonstrated in the current environment, the Bank continues to maintain a strong balance sheet with total assets of \$901 million as of March 31, 2013. The total risk adjusted capital ratio for the Bank of 19.04% is above the Central Bank's guidelines of 14% - 17%. The Bank continues to maintain strong prudential standards and proactively reviews long-term strategic initiatives.

We remain focused on sustainable growth for the Bank and 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 Interim Condensed Consolidated Financial Statements
For the Period Ended March 31, 2013

BANK OF THE BAHAMAS LIMITED

UNAUDITED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at March 31, 2013 with comparative figures as at June 30, 2012

(Expressed in Bahamian Dollars)

	March 31, 2013	June 30, 2012
ASSETS		
Cash and account with The Central Bank	\$ 62,404,741	\$ 57,827,169
Due from banks	25,818,127	34,756,798
Investment securities	65,508,575	59,174,584
Loans and advances to customers, net	725,144,211	687,623,605
Investment property	3,882,873	3,882,873
Other assets	3,515,260	4,881,860
Property and equipment, net	11,259,478	9,490,096
Intangible assets, net	3,076,867	3,621,049
TOTAL	\$ 900,610,132	\$ 861,258,034
LIABILITIES		
Deposits from customers and banks	\$ 743,655,333	\$ 671,423,360
Other borrowed funds	24,000,000	37,000,000
Other liabilities	11,958,791	28,634,318
Deferred loan fees	7,935,330	7,083,064
Total liabilities	787,549,453	744,140,742
EQUITY		
Share capital	\$ 50,015,990	50,015,990
Share premium	28,587,866	28,587,866
Treasury shares	(814,884)	(531,768)
Reserves	4,440,886	4,266,896
Retained earnings	30,830,822	34,778,308
Total equity	113,060,679	117,117,292
TOTAL	\$ 900,610,132	\$ 861,258,034

BANK OF THE BAHAMAS LIMITED

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three and nine months ended March 31, 2013
with comparatives for the three and nine months ended March 31, 2012
(Expressed in Bahamian Dollars)

	Three Months 2013		2012		Nine Months 2013		2012	
Interest and similar income	\$	16,249,489	\$	15,561,332	\$	49,045,473	\$	45,438,230
Interest and similar expenses		5,556,413		5,999,048		16,627,518		18,622,033
Net interest income		<u>10,693,076</u>		<u>9,562,284</u>		<u>32,417,955</u>		<u>26,816,197</u>
Fees and commission income		1,066,860		945,585		3,053,121		2,568,423
Fees and commission expense		133,539		114,797		341,078		292,844
Net fees and commission income		<u>933,321</u>		<u>830,788</u>		<u>2,712,043</u>		<u>2,275,579</u>
Other operating income		734,641		686,670		2,104,843		2,144,189
Total operating income		12,361,038		11,079,742		37,234,840		31,235,965
Credit loss expense, net		8,977,280		4,425,217		15,370,325		6,640,533
Net operating Income		<u>3,383,757</u>		<u>6,654,525</u>		<u>21,864,515</u>		<u>24,595,432</u>
Operating expenses		7,599,701		7,043,784		23,349,504		21,889,275
Net income/(loss)	\$	<u>(4,215,943)</u>	\$	<u>(389,259)</u>	\$	<u>(1,484,988)</u>	\$	<u>2,706,157</u>
Other comprehensive income								
Net gain on available-for-sale financial assets		56,184		62,725		173,990		129,665
Total comprehensive income/(loss) for the period	\$	<u>(4,159,759)</u>	\$	<u>(326,534)</u>	\$	<u>(1,310,999)</u>	\$	<u>2,835,822</u>
EARNINGS PER SHARE CALCULATION:								
NET INCOME/(LOSS)	\$	<u>(4,215,943)</u>	\$	<u>(389,259)</u>	\$	<u>(1,484,988)</u>	\$	<u>2,706,157</u>
PREFERENCE SHARE DIVIDEND		-		-		(2,462,498)		(2,462,498)
NET INCOME/(LOSS) AVAILABLE TO COMMON SHAREHOLDERS	\$	<u>(4,215,943)</u>	\$	<u>(389,259)</u>	\$	<u>(3,947,486)</u>	\$	<u>243,659</u>
WEIGHTED AVERAGE NUMBER OF COMMON SHARES		<u>15,464,069</u>		<u>15,513,414</u>		<u>15,482,964</u>		<u>15,516,642</u>
EARNINGS/(LOSS) PER SHARE	\$	<u>(0.27)</u>	\$	<u>(0.03)</u>	\$	<u>(0.25)</u>	\$	<u>0.02</u>

BANK OF THE BAHAMAS LIMITED

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended March 31, 2013

with comparatives for the nine months ended March 31, 2012

(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 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	-	-	-	-	2,706,157	2,706,157
Purchase of treasury shares	-	-	(57,945)	-	-	(57,945)
Other comprehensive income	-	-	-	129,665	-	129,665
Dividends on preference shares	-	-	-	-	(2,462,498)	(2,462,498)
Dividends on ordinary shares	-	-	-	-	(775,670)	(775,670)
Balance at March 31, 2012	\$ 50,015,990	\$ 28,587,866	\$ (531,767)	\$ 4,247,432	\$ 33,807,404	\$ 116,126,925
Balance at June 30, 2012	\$ 50,015,990	\$ 28,587,866	\$ (531,768)	\$ 4,266,896	\$ 34,778,308	\$ 117,117,292
Net income	-	-	-	-	(1,484,988)	(1,484,988)
Purchase of treasury shares	-	-	(283,116)	-	-	(283,116)
Other comprehensive income	-	-	-	173,990	-	173,990
Dividends on preference shares	-	-	-	-	(2,462,498)	(2,462,498)
Balance at March 31, 2013	\$ 50,015,990	\$ 28,587,866	\$ (814,884)	\$ 4,440,886	\$ 30,830,822	\$ 113,060,679

BANK OF THE BAHAMAS LIMITED

UNAUDITED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the nine months ended March 31, 2013
with comparatives for the nine months March 31, 2012
(Expressed in Bahamian Dollars)

	March 31, 2013	March 31, 2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income/(loss)	\$ (1,484,988)	\$ 2,706,157
Adjustments for:		
Depreciation and amortization	1,643,643	1,354,086
Gain on disposal of fixed assets	-	(324)
Net provision for loan losses	15,370,325	6,640,533
	<u>15,528,979</u>	<u>10,700,452</u>
Change in other assets and liabilities	(28,475,927)	(741,483)
Increase in loans and advances to customers, net	(52,890,931)	(22,449,561)
Increase in deposits from customers and banks	72,231,973	25,331,215
Net cash (used in)/provided by operating activities	<u>6,394,095</u>	<u>12,840,623</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	\$ (2,868,843)	\$ (1,833,266)
Acquisition of intangible assets	-	(269,632)
Purchase of investment securities	(10,160,000)	(10,157,000)
Proceeds from disposal of property and equipment	-	680
Proceeds from maturity of investment securities	4,000,000	-
Net cash used in investing activities	<u>(9,028,843)</u>	<u>(12,259,218)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Dividends on preference shares	\$ (2,462,498)	\$ (2,462,498)
Dividends paid on common stock	-	(775,670)
Increase in interest payable on bonds	374,551	533,418
Purchase of treasury shares	(283,116)	(57,945)
Net cash used in financing activities	<u>(2,371,063)</u>	<u>(2,762,695)</u>
Net decrease in cash and cash equivalents	(5,005,811)	(2,181,290)
Cash and cash equivalents, beginning of year	66,169,279	62,334,520
Cash and cash equivalents, end of period	<u>\$ 61,163,468</u>	<u>\$ 60,153,230</u>

SUPPLEMENTAL INFORMATION:

Interest received	\$ 44,414,052	\$ 42,640,023
Interest paid	\$ 16,970,254	\$ 18,795,162
Dividends paid	\$ 2,462,498	\$ 2,462,498

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

For the period ended March 31, 2013
(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, 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 \$2,462,498 (2012: \$2,462,498) during the period.

BANK OF THE BAHAMAS LIMITED
Selected Explanatory Notes to the Unaudited Interim Condensed Consolidated
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4. Provision for Loan Losses

	March 31, 2013	March 31, 2012 (as restated)
At beginning of year	\$ 26,117,805	\$ 18,875,957
Amount written-off	(2,493,829)	(1,975,211)
Net recoveries	(391,412)	(70,843)
Provision charged to expense	15,761,737	6,711,376
Provision at the end of period	<u>\$ 38,994,301</u>	<u>\$ 23,541,278</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 March 31, 2013 was \$19,117,036 (2012: \$10,050,548).

BANK OF THE BAHAMAS LIMITED
Selected Explanatory Notes to the Unaudited Interim Condensed Consolidated
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For the period ended March 31, 2013
(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 a risk adjusted capital to asset ratio equal to or greater than 17%. The Bank's total capital and risk adjusted capital ratio at March 31, 2013 was 12.74% (2012: 13.64%) and 19.04% (2012: 20.68%) respectively.

(in \$'000s)	March 31, 2013	March 31, 2012
Tier 1 capital	\$ 85,560	\$ 84,266
Tier 2 capital	119,975	118,929
Total capital	<u>\$ 205,535</u>	<u>\$ 203,195</u>
 Total qualifying assets	 <u>\$ 941,491</u>	 <u>\$ 872,104</u>
 Risk weighted assets	 <u>\$ 634,326</u>	 <u>\$ 575,005</u>
 Tier 1 capital ratio	 9.09%	 9.66%
Total capital ratio	12.74%	13.64%
 Risk adjusted tier 1 capital ratio	 13.49%	 14.65%
Risk adjusted total capital ratio	19.04%	20.68%

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

For the period ended March 31, 2013
(Expressed in Bahamian Dollars)

7. Cash and Cash Equivalents

	2013	2012
Cash	\$ 22,729,485	8,242,888
Deposits with the Central Bank- non-interest bearing	39,675,256	38,962,620
Due from Banks	<u>25,818,127</u>	<u>37,757,072</u>
Cash and due from Banks	88,222,868	84,962,580
Less: Mandatory reserve deposits with the Central Bank	<u>(27,059,400)</u>	<u>(24,809,350)</u>
Total cash and cash equivalents	<u>\$ 61,163,468</u>	<u>\$ 60,153,230</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.