



**FINANCIAL PERFORMANCE FOR THE
QUARTER ENDED SEPTEMBER 30, 2012**

We are pleased to report positive net income results for the quarter ended September 30, 2012. Net income for the quarter was \$2.1 million versus \$1.1 million for the same period in the prior year, an increase of 91%. The increase in profitability reflects success as we transition through the remodeling of the Bank's book of business aimed at counterbalancing systemic economic weaknesses that have manifested themselves in elevated unemployment rates causing loan arrears to remain high and a need to recognize considerable loan loss provisions.

Total operating income is up from prior year by approximately 30% and is primarily attributable to an increase in new business and improved margins as a result of healthy system liquidity and a redemption in a portion of the mortgage backed bonds. While provisions grew \$1.3 million over prior year, the Bank was able to minimize the growth in operating expenses to less than 5% for the period.

In light of constraints demonstrated in the current environment, the Bank continues to maintain a strong balance sheet with total assets of \$845 million as of September 30, 2012. The total risk adjusted capital ratio for the Bank of 20.13% is above the Central Bank's guidelines of 14%-17%. The Bank continues to maintain strong prudential standards and proactively review 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 CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at September 30, 2012 with comparative figures as at June 30, 2012
(Expressed in Bahamian Dollars)

	September 30, 2012	June 30, 2012
ASSETS		
Cash and account with The Central Bank	\$ 27,919,510	\$ 57,827,169
Due from banks	21,649,617	34,756,798
Investment securities	65,216,388	59,174,584
Loans and advances to customers, net	710,177,364	687,623,605
Investment property	3,882,873	3,882,873
Other assets	2,584,319	4,881,860
Property and equipment	10,468,052	9,490,096
Intangible assets, net	3,439,463	3,621,049
TOTAL	845,337,586	\$ 861,258,034
LIABILITIES		
Deposits from customers and banks	\$ 678,684,438	\$ 671,423,360
Other borrowed funds	27,500,000	37,000,000
Other liabilities	13,686,133	28,634,318
Deferred loan fees	7,548,733	7,083,064
Total liabilities	727,419,303	744,140,742
EQUITY		
Share capital	50,015,990	50,015,990
Share premium	28,587,866	28,587,866
Treasury shares	(601,740)	(531,768)
Reserves	4,308,699	4,266,896
Retained earnings	35,607,468	34,778,308
Total equity	117,918,283	117,117,292
TOTAL	\$ 845,337,586	\$ 861,258,034

BANK OF THE BAHAMAS LIMITED

UNAUDITED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the three months ended September 30, 2012

with comparatives for the three months ended September 30, 2011

(Expressed in Bahamian Dollars)

	Three Months	
	2012	2011
Interest and similar income	\$ 16,156,184	\$ 14,507,181
Interest and similar expenses	5,548,736	6,438,429
Net Interest income	<u>10,607,448</u>	<u>8,068,752</u>
Fees and commission income	946,390	704,405
Fees and commission expense	106,131	90,880
Net fees and commission income	<u>840,259</u>	<u>613,525</u>
Other operating income	678,962	625,163
Total operating income	12,126,668	9,307,440
Credit loss expense, net	2,418,015	1,055,326
Net operating Income	<u>9,708,654</u>	<u>8,252,114</u>
Operating expenses	7,648,244	7,162,541
Net Income	<u>\$ 2,060,410</u>	<u>\$ 1,089,573</u>
Other comprehensive income		
Net gain/(loss) on available-for-sale financial assets	41,803	(5,674)
Total comprehensive income for the period	<u>\$ 2,102,213</u>	<u>\$ 1,083,899</u>
EARNINGS PER SHARE CALCULATION:		
NET INCOME	\$ 2,060,410	\$ 1,089,573
PREFERENCE SHARE DIVIDEND	(1,231,250)	(1,231,250)
NET INCOME/(LOSS) AVAILABLE TO COMMON SHAREHOLDERS	<u>\$ 829,160</u>	<u>\$ (141,677)</u>
WEIGHTED AVERAGE NUMBER OF COMMON SHARES	<u>15,512,011</u>	<u>15,519,891</u>
EARNINGS/(LOSS) PER SHARE	<u>\$ 0.05</u>	<u>\$ (0.01)</u>

BANK OF THE BAHAMAS LIMITED

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended September 30, 2012

with comparatives for the three months ended September 30, 2011

(Expressed in Bahamian Dollars)

	Share Capital	Share Premium	Treasury Shares	Reserves	Retained Earnings	Total
Balance at July 1, 2011 (as restated)	\$ 50,015,990	\$ 28,587,866	\$ (473,822)	\$ 4,117,767	\$ 34,339,415	\$ 116,587,216
Net income	-	-	-	-	1,089,573	1,089,573
Purchase of treasury shares	-	-	(34,650)	-	-	(34,650)
Other comprehensive income	-	-	-	(5,674)	-	(5,674)
Dividends on preference shares	-	-	-	-	(1,231,250)	(1,231,250)
Balance at September 30, 2011 (as restated)	\$ 50,015,990	\$ 28,587,866	\$ (508,472)	\$ 4,112,093	\$ 34,197,738	\$ 116,405,215
Balance at July 1, 2012	\$ 50,015,990	\$ 28,587,866	\$ (531,768)	\$ 4,266,896	\$ 34,778,308	\$ 117,117,292
Net income	-	-	-	-	2,060,410	2,060,410
Purchase of treasury shares	-	-	(69,972)	-	-	(69,972)
Other comprehensive income	-	-	-	41,803	-	41,803
Dividends on preference shares	-	-	-	-	(1,231,250)	(1,231,250)
Balance at September 30, 2012	\$ 50,015,990	\$ 28,587,866	\$ (601,740)	\$ 4,308,699	\$ 35,607,468	\$ 117,918,283

BANK OF THE BAHAMAS LIMITED

UNAUDITED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the three months ended September 30, 2012
with comparatives for the three months September 30, 2011
(Expressed in Bahamian Dollars)

	September 30, 2012	September 30, 2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 2,060,410	\$ 1,089,573
Adjustments for:		
Depreciation and amortization	580,025	410,413
Net provision for loan losses	2,418,015	1,055,326
	<u>5,058,449</u>	<u>2,555,313</u>
Change in operating assets and liabilities	(21,250,630)	(76,071)
Increase in loans and advances to customers, net	(24,971,773)	(3,408,317)
Increase in deposits from customers and banks	7,261,078	1,924,780
Net cash (used in)/provided by operating activities	<u>(33,902,876)</u>	<u>995,705</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	\$ (1,376,395)	\$ (625,945)
Acquisition of intangible assets	-	(50,744)
Purchase of investment securities	(10,000,000)	(2,999,400)
Proceeds from maturity of investment securities	4,000,000	-
Net cash used in investing activities	<u>(7,376,395)</u>	<u>(3,676,089)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Dividends on preference shares	\$ (1,231,250)	\$ (1,231,250)
Increase in interest payable on bonds	374,551	531,206
Purchase of treasury shares	(69,972)	(34,650)
Net cash used in financing activities	<u>(926,671)</u>	<u>(734,694)</u>
Net decrease in cash and cash equivalents	(42,205,942)	(3,415,078)
Cash and cash equivalents, beginning of year	66,169,279	62,334,520
Cash and cash equivalents, end of period	<u><u>\$ 23,963,337</u></u>	<u><u>\$ 58,919,442</u></u>

SUPPLEMENTAL INFORMATION:

Interest received	\$ 14,824,046	\$ 13,898,429
Interest paid	\$ 6,016,995	\$ 6,249,223

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

For the period ended September 30, 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 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 \$1,231,250 during the current period.

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

For the period ended September 30, 2012
(Expressed in Bahamian Dollars)

4. Provision for Loan Losses

	September 30, 2012	September 30, 2011 (as restated)
At beginning of year	\$ 26,117,805	\$ 18,875,957
Amount written-off	(137,446)	(275,162)
Net recoveries	(86,356)	(93,987)
Provision charged to expense	2,504,371	1,149,313
Provision at the end of period	<u>\$ 28,398,374</u>	<u>\$ 19,656,121</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 September 30, 2012 was \$10,195,055 (2011: \$8,886,735).

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

For the period ended September 30, 2012
(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 total capital and risk adjusted capital ratio at September 30, 2012 was 13.72% (2011: 13.63%) and 20.13% (2011: 20.50%) respectively.

(in \$'000s)	September 30, 2012	September 30, 2011
Tier 1 capital	\$ 85,330	\$ 84,718
Tier 2 capital	120,054	118,767
Total capital	<u>\$ 205,385</u>	<u>\$ 203,485</u>
 Total qualifying assets	 <u>\$ 874,812</u>	 <u>\$ 871,213</u>
 Risk weighted assets	 <u>\$ 596,294</u>	 <u>\$ 581,683</u>
 Tier 1 capital ratio	 9.75%	 9.72%
Total capital ratio	13.72%	13.63%
 Risk adjusted tier 1 capital ratio	 14.31%	 14.56%
Risk adjusted total capital ratio	20.13%	20.50%

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

For the period ended September 30, 2012
(Expressed in Bahamian Dollars)

7. Cash and Cash Equivalents

	September 30, 2012	September 30, 2011
Cash	\$ 8,247,644	\$ 7,730,675
Deposits with the Central Bank- non-interest bearing	19,671,866	37,376,123
Due from Banks	21,649,617	37,869,874
Cash and due from Banks	49,569,127	82,976,672
Less: Mandatory reserve deposits with the Central Bank	(25,605,790)	(24,057,230)
Total cash and cash equivalents	\$ 23,963,337	\$ 58,919,442

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 Condensed Consolidated Financial
Statements

For the period ended September 30, 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 have been reclassified to conform to the financial statement presentation adopted in the current year.