

**FINANCIAL PERFORMANCE FOR THE PERIOD ENDED MARCH 31, 2011**

The Bank continued to yield positive results. However, we remain concerned that systemic weakness within the overall economy will maintain pressure on earnings over the medium term. Moreover, the recent 75bp reduction in the Discount Rate to 4.25% which led to a similar reduction in the Prime Rate to 4.75% will add to the pressure on earnings over the short term.

Driven by new business net income increased by 19% to B\$1.4 million when comparing the two quarters. Although there was a large increase in new loan provisions, growth in other income and operating expense containment collectively contributed to the improved performance. Total assets stood at B\$824 million, growth of 6%, while total capital was a healthy B\$118 million.

The Bank is confident that its business will continue to grow multiple times GDP, due in part, to an expansion of its electronic banking products and services. Meanwhile, the fragility of the credit market dictates that we continue to strengthen the balance sheet by increasing provisions for potential loan losses. This along with a strong capital base will adequately insulate the Bank from the negative influences of a persistently weak economy.

Drawn from recently reported economic data we are cautiously optimistic that the economy will exhibit trends of a sustained recovery heading into 2012 which is expected to provide broad based benefit to all Bahamians.

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



Paul J. I. McWeeney  
 Managing Director

**BANK OF THE BAHAMAS LIMITED**
**UNAUDITED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL CONDITION**

As at March 31, 2011 with comparative figures as at June 30, 2010  
 (Expressed in Bahamian Dollars)

	March 31, 2011	June 30, 2010
<b>ASSETS</b>		
Cash and account with The Central Bank	\$ 45,923,033	\$ 46,073,254
Due from banks	40,614,451	33,820,445
Investment securities	51,819,521	50,714,140
Loans and advances to customers, net	667,524,502	629,212,269
Investment property	3,882,873	3,882,873
Other assets	4,614,324	5,535,143
Property and equipment	6,506,997	5,203,674
Intangible assets, net	3,590,134	3,927,147
<b>TOTAL</b>	<b>\$ 824,475,834</b>	<b>\$ 778,368,945</b>
<b>LIABILITIES</b>		
Deposits from customers and banks	\$ 649,262,845	\$ 602,919,291
Other borrowed funds	37,000,000	37,000,000
Other liabilities	14,936,674	17,453,513
Deferred loan fees	5,197,707	4,567,074
<b>Total liabilities</b>	<b>706,397,226</b>	<b>661,939,878</b>
<b>EQUITY</b>		
Share capital	50,015,990	50,015,990
Share premium	28,587,866	28,587,866
Treasury shares	(206,113)	(30,244)
Reserves	4,068,832	4,057,051
Retained earnings	35,612,033	33,798,404
<b>Total equity</b>	<b>118,078,608</b>	<b>116,429,067</b>
<b>TOTAL</b>	<b>\$ 824,475,834</b>	<b>\$ 778,368,945</b>

**BANK OF THE BAHAMAS LIMITED**
**UNAUDITED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME**

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

	Three Months 2011		Nine Months 2011	
Interest and similar income	\$ 16,113,616	14,970,804	\$ 46,726,487	41,085,107
Interest and similar expenses	6,901,367	6,307,127	20,567,320	18,399,547
<b>Net interest income</b>	<b>9,212,249</b>	<b>8,663,677</b>	<b>26,159,167</b>	<b>22,685,560</b>
Fees and commission income	655,830	596,365	2,755,611	2,257,978
Fees and commission expense	(170,156)	(18,032)	(340,921)	(334,587)
<b>Net fees and commission income</b>	<b>485,674</b>	<b>578,333</b>	<b>2,414,690</b>	<b>1,923,391</b>
Other operating income	538,336	301,139	2,394,936	2,006,058
<b>Total operating income</b>	<b>10,236,259</b>	<b>9,543,149</b>	<b>30,968,793</b>	<b>26,615,009</b>
Credit loss expense, net	2,487,822	1,866,262	5,658,038	1,120,262
<b>Net operating income</b>	<b>7,748,437</b>	<b>7,676,887</b>	<b>25,310,755</b>	<b>25,494,747</b>
Operating expenses	6,307,255	6,466,447	20,575,010	19,379,622
<b>Net income</b>	<b>\$ 1,441,182</b>	<b>\$ 1,210,440</b>	<b>\$ 4,735,745</b>	<b>\$ 6,115,125</b>
<b>Other comprehensive income</b>				
Net gain on available-for-sale financial assets	14,145	16,942	11,781	115,521
<b>Total comprehensive income for the period</b>	<b>1,455,327</b>	<b>1,227,382</b>	<b>4,747,526</b>	<b>6,230,646</b>
<b>EARNINGS PER SHARE CALCULATION:</b>				
NET INCOME	\$ 1,441,182	\$ 1,210,440	\$ 4,735,745	\$ 6,115,125
PREFERENCE SHARE DIVIDEND	(1,362,500)	-	(1,362,500)	(1,362,500)
<b>NET INCOME AVAILABLE TO COMMON SHAREHOLDERS</b>	<b>\$ 88,682</b>	<b>\$ 1,210,440</b>	<b>\$ 3,373,245</b>	<b>\$ 4,752,625</b>
WEIGHTED AVERAGE NUMBER OF COMMON SHARES	15,592,400	15,596,145	15,592,400	15,596,145
<b>EARNINGS PER SHARE</b>	<b>\$ 0.01</b>	<b>\$ 0.08</b>	<b>\$ 0.22</b>	<b>\$ 0.30</b>

**BANK OF THE BAHAMAS LIMITED**
**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

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

	Share Capital	Share Premium	Treasury Shares	Reserves	Retained Earnings	Total
Balance at July 1, 2009	\$ 50,015,990	\$ 28,587,866	\$ (30,244)	\$ 22,694	\$ 35,356,348	\$ 113,952,634
Net income	-	-	-	-	6,115,125	6,115,125
Appropriation of retained earnings	-	-	-	4,000,000	(4,000,000)	-
Other comprehensive income	-	-	-	115,521	-	115,521
Dividends on preference shares	-	-	-	-	(1,362,500)	(1,362,500)
Dividends on ordinary shares	-	-	-	-	(2,495,383)	(2,495,383)
<b>Balance at March 31, 2010</b>	<b>\$ 50,015,990</b>	<b>\$ 28,587,866</b>	<b>\$ (30,244)</b>	<b>\$ 4,138,215</b>	<b>\$ 33,613,590</b>	<b>\$ 116,325,417</b>
Balance at July 1, 2010	\$ 50,015,990	\$ 28,587,866	\$ (30,244)	\$ 4,057,051	\$ 33,798,404	\$ 116,429,067
Net income	-	-	-	-	4,735,745	4,735,745
Other comprehensive income	-	-	-	11,781	-	11,781
Increase in treasury shares	-	-	(175,869)	-	-	(175,869)
Dividends on preference shares	-	-	-	-	(1,362,500)	(1,362,500)
Dividends on ordinary shares	-	-	-	-	(1,559,616)	(1,559,616)
<b>Balance at March 31, 2011</b>	<b>\$ 50,015,990</b>	<b>\$ 28,587,866</b>	<b>\$ (206,113)</b>	<b>\$ 4,068,832</b>	<b>\$ 35,612,033</b>	<b>\$ 118,078,608</b>

**BANK OF THE BAHAMAS LIMITED**
**UNAUDITED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS**

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

	March 31, 2011	March 31, 2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 4,735,745	\$ 6,115,125
Adjustments for:		
Depreciation and amortization	1,106,207	1,300,056
Gain on disposal of fixed assets	-	4
Provision for other losses	-	160,211
Net provision for loan losses	5,658,038	1,120,262
	11,499,990	8,695,658
Change in operating assets and liabilities	(2,808,264)	1,110,302
Increase in loans and advances to customers, net	(43,970,271)	(62,643,361)
Increase in deposits from customers and banks	46,343,553	29,834,194
<b>Net cash provided by/(used in) operating activities</b>	<b>11,065,008</b>	<b>(23,003,207)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Acquisition of property and equipment	\$ (2,043,840)	\$ (1,170,329)
Acquisition of intangible assets	(28,677)	-
Purchase of investment securities	(1,777,100)	-
Proceeds from maturity of investments	683,500	-
Investment property additions	-	(3,822)
<b>Net cash used in investing activities</b>	<b>(3,166,117)</b>	<b>(1,174,151)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Dividends paid on common stock	(1,559,616)	\$ (2,495,383)
Dividends on preference shares	(1,362,500)	(1,362,500)
Increase in interest payable on bonds	597,178	599,740
Purchase of treasury shares	(175,869)	-
<b>Net cash provided by financing activities</b>	<b>(2,500,807)</b>	<b>(3,258,143)</b>
Net increase/(decrease) in cash and cash equivalents	5,398,084	(27,435,501)
Cash and cash equivalents, beginning of year	57,895,699	110,876,391
<b>Cash and cash equivalents, end of period</b>	<b>\$ 63,293,783</b>	<b>\$ 83,440,890</b>

**SUPPLEMENTAL INFORMATION:**

Interest received	\$ 46,437,842	\$ 41,472,341
Interest paid	\$ 20,037,122	\$ 17,879,724
Dividends paid on preference shares	\$ 1,362,500	\$ 1,362,500
Dividends paid on common shares	\$ 1,559,616	\$ 2,495,383

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

For the period ended March 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 common 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**

The Bank paid dividends of \$1,362,500 and \$1,559,616 respectively to preference and ordinary shareholders during the current period.

**4. Provision for Loan Losses**

	March 31, 2011	March 31, 2010
At beginning of year	\$ 12,327,511	\$ 9,172,385
Amount written-off	(2,797,114)	(306,980)
Provision charged to expense (net)	5,658,038	5,031,803
Policy change reflected in income statement	-	(3,911,542)
<b>Provision at the end of period</b>	<b>\$ 15,188,435</b>	<b>\$ 9,985,666</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 March 31, 2011 was \$11,940,238 (2010: \$13,728,080).

**6. Regulatory Capital**

Regulatory capital consists of Tier 1 capital, which comprises share capital, general reserves 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 specific loan loss provisions.

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 March 31, 2011 was 15.78% (2009: 14.31%) and 23.20% (2009: 23.06%) respectively.

	March 31, 2011	March 31, 2010
(in '\$000s)		
Tier 1 capital	\$ 119,537	\$ 110,369
Tier 2 capital	13,004	4,138
<b>Total capital</b>	<b>\$ 132,541</b>	<b>\$ 114,507</b>
Total qualifying assets	\$ 839,665	\$ 800,421
Risk weighted assets	\$ 546,118	\$ 502,133
Tier 1 capital ratio	14.24%	13.79%
Total capital ratio	15.78%	14.31%
Risk adjusted tier 1 capital ratio	21.89%	21.98%
Risk adjusted total capital ratio	23.20%	23.06%

**7. Cash and Cash Equivalents**

	March 31, 2011	March 31, 2010
Cash	\$ 8,693,960	\$ 7,047,273
Deposits with the Central Bank- non-interest bearing	37,229,073	38,160,314
Due from Banks	40,614,451	58,897,183
Cash and due from Banks	86,537,483	104,104,770
Less: Mandatory reserve deposits with the Central Bank	(23,243,700)	(20,663,880)
<b>Total cash and cash equivalents</b>	<b>\$ 63,293,783</b>	<b>\$ 83,440,890</b>

**8. Comparatives**

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