BANK OF THE BAHAMAS LIMITED

Audited Consolidated Financial Statements
Year Ended June 30, 2010
with Independent Auditors' Report

Bank of The Bahamas Limited

Audited Financial Statements

Year ended June 30, 2010

Contents

Page

One Montague Place
3rd Floor
East Bay Street
P.O. Box N-3231
Nassau, Bahamas

Tel: +242 502 6000
Fax: +242 502 6090

Independent Auditors' Report to the Shareholders and Directors of Bank of The Bahamas Limited

We have audited the consolidated financial statements of Bank of The Bahamas Limited (the "Bank") which comprise the consolidated statement of financial condition as of June 30, 2010, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

ERNST & YOUNG

Independent Auditors' Report to the Shareholders and Directors of Bank of The Bahamas Limited (continued)

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Bank as of June 30, 2010, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst + Young

September 10, 2010

Bank of The Bahamas Limited

Consolidated Statement of Financial Condition
(Expressed in Bahamian dollars)

June 30, 2010

	Note		2010		2009
ASSETS					
Cash and account with The Central Bank	5	$	46,073,254	$	29,944,137
Due from banks	5		33,820,445		100,612,566
Investment securities	6		50,714,140		50,679,783
Loans and advances to customers, net	7		629,212,269		555,612,338
Investment property	8		3,882,873		3,876,052
Other assets	9		5,535,143		8,690,850
Property and equipment	10		5,203,674		4,505,107
Intangible assets, net	11		3,927,147		4,378,289
TOTAL		**$**	**778,368,945**	**$**	**758,299,122**
LIABILITIES					
Deposits from customers and banks	12		602,919,291		588,089,178
Other borrowed funds	13		37,000,000		37,000,000
Other liabilities	14		17,453,513		15,245,396
Deferred loan fees			4,567,074		4,011,894
Total liabilities			**661,939,878**		**644,346,468**
EQUITY					
Share capital	15		50,015,990		50,015,990
Share premium			28,587,866		28,587,866
Treasury shares	16		(30,244)		(30,244)
Reserves	17		4,057,051		22,694
Retained earnings			33,798,404		35,356,348
Total equity			**116,429,067**		**113,952,654**
TOTAL		**$**	**778,368,945**	**$**	**758,299,122**

These consolidated financial statements were approved by the Board of Directors on September 10, 2010 and are signed on its behalf by:

Wm Robertson

Director

Director

See accompanying notes.

Bank of The Bahamas Limited

Consolidated Statement of Comprehensive Income
(Expressed in Bahamian dollars)

Year ended June 30, 2010

	Note		2010		2009
Interest and similar income	18	$	55,999,685	$	51,047,071
Interest and similar expense	18	$	24,587,509		23,349,444
Net interest income	18	$	31,412,176		27,697,627
Fees and commission income	19		3,647,091		4,506,334
Fees and commission expense			770,615		694,265
Net fees and commission income			2,876,476		3,812,069
Other operating income	20		3,397,719		3,454,891
Total operating income			37,686,371		34,964,587
Credit loss expense, net			(3,657,626)		(2,596,254)
Net operating income			34,028,745		32,368,333
Operating expenses	21		26,366,306		26,580,416
Net income			**7,662,439**		**5,787,917**
Other comprehensive income					
Net gain on available-for-sale financial assets			34,357		22,694
Total comprehensive income for the year			**7,696,796**		**5,810,611**
Net income			7,662,439		5,787,917
Preference share dividends			(2,725,000)		(1,357,274)
Net income available to common shareholders		**$**	**4,937,439**	**$**	**4,430,643**
Earnings per share					
Basic earnings per ordinary share	27	$	0.32	$	0.28

See accompanying notes.

Bank of The Bahamas Limited

Consolidated Statement of Changes in Equity
(Expressed in Bahamian dollars)

Year ended June 30, 2010

	Share Capital	Share Premium	Treasury Shares	Reserves	Retained Earnings	Total Equity
Balance at June 30, 2008	$ 30,364,990	$ 28,587,866	$ (30,244)	$ -	$ 34,980,703	$ 93,903,315
Net income for the year	-	-	-	-	5,787,917	5,787,917
Other comprehensive income	-	-	-	22,694	-	22,694
Preference share issuance	19,651,000	-	-	-	-	19,651,000
Dividends on preference shares	-	-	-	-	(1,357,274)	(1,357,274)
Dividends paid to ordinary shareholders	-	-	-	-	(4,054,998)	(4,054,998)
Balance at June 30, 2009	$ 50,015,990	$ 28,587,866	$ (30,244)	$ 22,694	$ 35,356,348	113,952,654
Net income for the year	-	-	-	-	7,662,439	7,662,439
Appropriation of retained earnings	-	-	-	4,000,000	(4,000,000)	-
Other comprehensive income	-	-	-	34,357	-	34,357
Dividends on preference shares	-	-	-	-	(2,725,000)	(2,725,000)
Dividends paid to ordinary shareholders	-	-	-	-	(2,495,383)	(2,495,383)
Balance, June 30, 2010	**$ 50,015,990**	**$ 28,587,866**	**$ (30,244)**	**$ 4,057,051**	**$ 33,798,404**	**$ 116,429,067**

See accompanying notes.

Bank of The Bahamas Limited

Consolidated Statement of Cash Flows
(Expressed in Bahamian dollars)

Year ended June 30, 2010

	Note		2010		2009
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net income		$	7,662,439	$	5,787,917
Adjustments for:					
Depreciation and amortization			1,716,254		1,757,533
Gain on disposal of fixed assets			(287,841)		(13,545)
Net provision for loan losses			3,657,626		3,205,261
Net provision for other impairments			144,462		(165,000)
			12,892,940		10,572,166
Change in operating assets and liabilities			3,454,293		(6,620,019)
Increase in loans and advances to customers, net			(77,257,558)		(36,705,792)
Increase in deposits from customers and banks			14,830,113		7,920,272
Net cash used in operating activities			(46,080,212)		(24,833,373)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Acquisition of property and equipment			(1,661,748)		(812,815)
Net acquisition of intangible assets			(14,090)		(880,418)
Purchase of investments			-		(25,334,089)
Proceeds from disposal of property and equipment			-		29,401
Investment property additions			(6,821)		(274,552)
Net cash used in investing activities			(1,682,659)		(27,272,473)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Preference shares issuance	15	$	-	$	19,651,000
Dividends paid on common stock			(2,495,383)		(4,054,998)
Dividends on preference shares			(2,725,000)		(1,357,274)
Increase/(decrease) in interest payable on bonds			2,562		(716,480)
Net cash used in financing activities			(5,217,821)		13,522,248
Net decrease in cash and cash equivalents			(52,980,692)		(38,583,598)
Cash and cash equivalents, beginning of year			110,876,391		149,459,989
Cash and cash equivalents, end of year	5	$	57,895,700	$	110,876,391
SUPPLEMENTAL INFORMATION:					
Interest received		$	53,490,627	$	48,467,594
Interest paid		$	24,017,521	$	23,516,509
Dividends paid		$	5,220,383	$	5,412,272

See accompanying notes.

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 the 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 common shares are owned by approximately 4,000 Bahamian shareholders. The Bank's 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.

The Bank's services include the provision of commercial and retail banking and trust services, private banking and the issuance of Visa branded stored value, prepaid and credit cards. The Bank has twelve branches: four in New Providence, two in Grand Bahama, two in Andros, one in San Salvador, one in Exuma, one in Inagua and one in Cat Island. A subsidiary named BOB Financial Services Inc. was incorporated in Coral Gables, Florida on June 30, 2005 and commenced operations December 10, 2007. The main activities of BOB Financial Services Inc. are the provision of trade financing and other financial services.

The Bank carries out international business through its correspondent banking relationships with Bank of America, JP Morgan Chase, Bank of Montreal, Standard Chartered Bank, Citibank NA and Lloyds Bank PLC. The Bank is also an agent for American Express and MoneyGram.

2. Basis of Preparation

The Bank's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and investment property. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 3.

2. Basis of Preparation (Continued)

(a) Adoption of new and revised international financial reporting standards
The accounting policies adopted are consistent with those used in the previous financial year. The following International Accounting Standards (IAS) issued by the International Accounting Standards Board ("IASB") and International Financial Reporting Standards (IFRS) issued by the International Financial Reporting Interpretations Committee ("IFRIC") are relevant to the Bank.

The following standards, amendments and interpretations are effective on or after July 1, 2009:

Amendments to IFRS 7, 'Financial instruments: Disclosures' The IASB published amendments to IFRS 7 in March 2009. The amendment requires enhanced disclosures about fair value measurements and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The adoption of the amendment results in additional disclosures but does not have an impact on the financial position or the comprehensive income of the Bank.

IFRS 8 - Operating Segments. This standard was issued in November 2006 and replaces IAS 14 'Segment Reporting' and requires reporting of financial and descriptive information about operating segments which are based on how financial information is reported and evaluated internally. The new standard is effective for annual periods after January 1, 2009. The Bank is presently not organized on a segment basis and therefore no segment information is presented in these consolidated financial statements.

IAS 1 - Presentation of financial statements (Revised). The revised standard is effective for annual periods after July 1, 2009 and prohibits the presentation of items of income and expense (that is non-owner changes in equity) in the statement of changes in equity, requiring non-owner changes in equity to be presented separately from owner changes in equity. All non-owner changes in equity are required to be shown in a performance statement. Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Since the change in accounting policy only impacts presentation aspects, there is no impact on retained earnings. The Bank has chosen to present one statement of comprehensive income.

2. Basis of Preparation (Continued)

(a) Adoption of new and revised international financial reporting standards (continued)

IAS 23 - Borrowing Costs -. A revised version of IAS 23 was issued in March 2007. It eliminates the option of immediate recognition of borrowing costs as an expense for assets that require a substantial period of time to get ready for their intended use. The application of the IAS 23 amendment does not have a material impact on the consolidated result or items of the consolidated statement of financial position.

IFRS 3 (Revised 2008) - Business Combinations' and *IAS 27 (Revised 2008) 'Consolidated and Separate Financial Statements* - The revised standards were issued in January 2008 and become effective for financial years beginning on or after July 1, 2009. IFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognized, for future business combinations, the reported results in the period that an acquisition occurs and future reported results. IAS 27 (Revised 2008) requires that a change in the ownership interest of a subsidiary is accounted for as an equity transaction. The adoption of IFRS 3 revised has not had a significant effect on the consolidated financial statements.

Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation - The IASB amended IAS 32 in February 2008. It now requires some financial instruments that meet the definition of a financial liability to be classified as equity. Puttable financial instruments that represent a residual interest in the net assets of the entity are now classified as equity provided that specified conditions are met. Similar to those requirements is the exception to the definition of a financial liability for instruments that entitle the holder to a pro rata share of the net assets of an entity only on liquidation. The adoption of the IAS 32 amendment does not have any material effects for the Bank.

IFRIC 15 Agreements for the Construction of Real Estate - IFRIC 15 is effective for accounting periods beginning January 1, 2009. The interpretation applies to revenue recognition in entities associated with real estate construction. This interpretation did not have an effect on the Bank's consolidated financial statements.

2. Basis of Preparation (Continued)

(a) Adoption of new and revised international financial reporting standards (continued)
IFRIC 16 Hedges of a Net Investment in a Foreign Operation - IFRIC 16 is effective for accounting periods beginning on or after October 1, 2008 with early application permitted. The interpretation applies to an entity that hedges the foreign currency risk arising from its net investments in foreign operations and wishes to qualify for hedge accounting in accordance with IAS 39. This interpretation does not have a material impact on the Bank's consolidated financial statements.

IFRIC 17 Distributions of Non-cash Assets to Owners – IFRIC 17 is effective for accounting periods beginning July 1, 2009. The interpretation applies to non-cash dividends to shareholders. This interpretation did not have an effect on the Bank's consolidated financial statements.

Improvements to IFRSs - In May 2008 the IASB issued its second annual set of non-urgent amendments to the standards, primarily with a view to removing inconsistencies and clarifying wording. The Bank has decided not to early adopt the amendments and does not expect that their application will have a significant effect on the Bank's consolidated financial statements.

IFRS 9, 'Financial instruments part 1: Classification and measurement' IFRS 9 was issued in November 2009 and replaces those parts of IAS 39 relating to the classification and measurement of financial assets. Key features are as follows:

• Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortized cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.
• An instrument is subsequently measured at amortized cost only if it is a debt instrument and both the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and the asset's contractual cash flows represent only payments of principal and interest (that is, it has only 'basic loan features'). All other debt instruments are to be measured at fair value through profit or loss.

2. Basis of Preparation (Continued)

(a) Adoption of new and revised international financial reporting standards (continued)

• All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognize unrealized and realized fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.

• While adoption of IFRS 9 is mandatory from 1 January 2013, earlier adoption is permitted.

The Bank is considering the implications of the standard, the impact on the Bank and the timing of its adoption by the Bank.

(b) Basis of consolidation

Subsidiaries are all entities over which the Bank has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Bank controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Bank. They are de-consolidated from the date on which control ceases.

Inter-company transactions, balances and unrealized gains on transactions are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred.

These consolidated financial statements include the financial statements of the Bank's wholly-owned subsidiary BOB Financial Services Inc, Coral Gables, Florida; Multi-Card Services Ltd., and West Bay Property Holdings Ltd, Commonwealth of the Bahamas.

3. Critical Accounting Judgments and Key Sources of Estimation Uncertainty

The consolidated financial statements have been prepared in accordance with IFRS as promulgated by the IASB and with the interpretations issued by the International Financial Reporting Interpretations Committee of the IASB. Certain amounts included in or affecting the consolidated financial statements and related disclosures must be estimated, requiring management to make assumptions with respect to values or conditions which cannot be known with certainty at the time the consolidated financial statements are prepared. A "critical accounting estimate" is one which is both important to the presentation of the Bank's financial condition and results and requires management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. Management evaluates such estimates on an ongoing basis based upon historical results and experience, consultation with experts, trends and other methods considered reasonable in the particular circumstances.

Impairment

Tangible assets

The Bank has made significant investments in physical assets. These are tested for impairment when circumstances indicate there may be a potential impairment. Changes in circumstances and management's evaluations and assumptions may give rise to impairment losses in the relevant future periods. As at June 30, 2010, no impairment losses were recorded for the reporting period.

Depreciation and amortization

Depreciation and amortization is based on management estimates of the future useful lives of property and equipment. Estimates may change due to technological developments, competition, changes in market conditions and other factors and may result in changes in the estimated useful lives and in the amortization or depreciation charges. The Bank reviews the future useful lives of property and equipment periodically taking into consideration the factors mentioned above and all other important factors. Estimated useful lives for similar types of assets may vary due to factors such as growth rate, maturity of the market, history and expectations for replacements or transfer of assets, climate etc. In case of significant changes in the estimated useful lives, depreciation and amortization charges are adjusted prospectively.

3. Critical Accounting Judgments and Key Sources of Estimation Uncertainty (Continued)

Impairment (continued)

Impairment losses on loans and advances to customers and banks

The Bank has significant investments in loans receivable. These assets are assessed for impairment at least on a quarterly basis. Management's process for this assessment is presented in Note 4d. Loans receivable are closely monitored, and adjustments made in future periods if the performance of the portfolio declines due to circumstances which arise during those periods.

Investments

The Bank has significant investment holdings. These investments are primarily Bahamas Government Registered Stock and are assessed for impairment on an ongoing basis. Management's process for this assessment is presented in Note 4d. Changes in circumstances and management's evaluations and assumptions may give rise to impairment losses in the relevant future periods.

Goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The impairment test calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Cash flows are determined by using the projected inflows and adjusting for non-cash transactions primarily depreciation and loan losses, less projected capital outflows.

The impairment charge is determined by taking the difference between the present value of the unit's projected cash flow and its book value. As of June 30, 2010 no impairment loss was recognized for the reported period.

Further details are presented in Note 11.

4. Summary of Significant Accounting Policies

The following accounting policies have been consistently applied by the Bank:

(a) Revenue recognition

Interest and similar income

For all financial instruments measured at amortized cost, interest income or expense is recorded at the effective interest rate. The calculation of amortized costs takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument. The carrying amount of the financial asset or financial liability is adjusted if the Bank revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expenses.

Fee and commission income

The Bank earns fee and commission income from a diverse range of services it provides to its customers. Fees and commissions are generally recognized on an accrual basis when the service has been provided.

Fee income earned from services that are provided over a certain period of time

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and asset management, custody and other management and advisory fees. Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognized as an adjustment to the effective interest rate on the loan. When it is unlikely that a loan will be drawn down, the loan commitment fees are recognized over the commitment period on a straight line basis.

Fee income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, are recognized on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognized after fulfilling the corresponding criteria.

4. Summary of Significant Accounting Policies (Continued)

(b) Cash and cash equivalents

For purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash with The Central Bank of The Bahamas, amounts due from other banks, and short-term government securities.

(c) Financial assets

The Bank classifies its financial assets in the following categories: Loans and receivables; held-to-maturity investments; and available-for-sale investments. Management determines the classification of its investments at initial recognition.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Bank upon initial recognition designates as available-for-sale; or those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

(ii) Held-to-maturity financial assets

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Bank's management has the positive intention and ability to hold to maturity. If the Bank were to sell other than an insignificant amount of held-to-maturity assets, the entire category would be reclassified as available for sale. After initial measurement held-to-maturity investments are measured at amortized cost using the effective interest method. Gains and losses are recognized in the consolidated statement of comprehensive income when the investments are derecognized or impaired, as well as through the amortization process.

(iii) Available-for-sale financial assets

Available-for-sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. After initial measurement, available-for-sale financial assets are measured at fair value with unrealized gains or losses recognized directly in equity until the investment is derecognized, at which time the cumulative gain or loss recorded in equity is recognized in the consolidated statement of comprehensive income, or determined to be impaired, at which time the cumulative loss recorded in equity is recognized in the consolidated statement of comprehensive income.

4. Summary of Significant Accounting Policies (Continued)

(d) Impairment of financial assets

The Bank assesses at each statement of financial condition date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The criteria that the Bank uses to determine that there is objective evidence of an impairment loss include:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower (for example, equity ratio, net income percentage of sales);
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower's competitive position;
- Deterioration in the value of collateral; and
- Downgrading below investment grade level.

The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the consolidated statement of comprehensive income. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

4. Summary of Significant Accounting Policies (Continued)

(d) Impairment of financial assets (continued)

Non-accrual loans and overdrafts are identified as impaired and placed on a cash (non-accrual) basis when it is determined that the payment of interest or principal is doubtful of collection, or when interest or principal is past due 90 days or more, except for loans that are fully secured and in the process of collection, and loans to or guaranteed by The Government of The Commonwealth of The Bahamas. A loan is fully secured when the net realizable value of the collateral equals or exceeds the principal and outstanding interest. A loan is considered to be in the process of collection if the collection efforts are reasonably expected to result in repayment of principal and interest, or restoration to current status.

When a loan is identified as non-accrual, the accrual of interest is discontinued and any previously accrued but unpaid interest is charged against current earnings. Thereafter, interest is included in earnings only to the extent actually received in cash. While accrued interest is tracked for non-accrual loans, it is not added to the principal nor recognized as income, but rather is suspended.

Cash basis loans are returned to accrual status when all contractual principal and interest amounts are reasonably assured of repayment and/or there is a sustained period of repayment performance in accordance with contractual terms.

Provision for loan losses

Provision for loan losses represents management’s estimate of probable losses inherent in the loan portfolio. The provision for loan losses is increased by charges to operating expense net of recoveries. Provision for loan losses is comprised of specific and a collective assessment.

The specific provision is maintained to reflect anticipated losses related to specific loans, or in the case of consumer loans that are not secured by real estate, on the aggregate portfolio. This specific provision is established for non-consumer loans and consumer loans secured by real estate individually when, in management’s view, collection of interest and/or principal is doubtful. The amount of specific provision is based on the extent to which the principal is judged to be uncollectible.

4. Summary of Significant Accounting Policies (Continued)

(d) Impairment of financial assets (continued)

The specific provision for an impaired collateral-dependent loan, where repayment is expected to be provided solely by the sale of the underlying collateral, is set at an amount equal to the difference between the principal balance and the net realizable value of the collateral. Net realizable value represents the discounted market price of the collateral less all costs associated with its disposition. For unsecured loans, the Bank calculates the provision by applying factors based on the past due status of the loans.

For the purposes of a collective assessment of impairment, loans are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for loans by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Future cash flows for loans that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the loans in the Bank and historical loss experience for loans with similar credit risk characteristics. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Consumer loans that are not fully secured by real estate are fully provided for when they are contractually in arrears more than 180 days. All other loans are provided for when the following conditions exist: i) contractually in arrears; ii) underlying collateral has been exhausted; and iii) no payment has been received within 180 days thereafter. Where a loan is being provided for, specific provision is increased to the principal amount of the loan.

(e) Foreign currency

The reporting and functional currency of the Bank is the Bahamian dollar (B$). Transactions in foreign currencies are converted to B$ at the rate of exchange prevailing at the date of the transaction. Foreign currency monetary assets and liabilities are converted into B$ at market rates of exchange prevailing on the statement of financial condition date. Realized and unrealized foreign exchange gains and losses are included in the consolidated statement of comprehensive income. Non-monetary assets and liabilities denominated in foreign currencies that are stated at historical cost or amortized cost are recorded at the exchange rate ruling at the date of transaction.

4. Summary of Significant Accounting Policies (Continued)

(f) Property and equipment

Property and equipment (excluding the building) are stated at historical cost less accumulated depreciation. The building is stated at estimated salvage value of $384,951 with subsequent additions at cost less accumulated depreciation. Historical costs include expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the financial period in which they are incurred.

Depreciation and amortization are calculated on a straight-line basis using the following annual rates:

Building	2%
Leasehold improvements	20 - 33.33%
Furniture, fixtures and equipment	20 - 50%

Leasehold improvements are amortized over the shorter of the economic useful life of the asset or the lease term and taking into consideration any extension of the lease term if there is reasonable expectation of renewal. The amortization term however does not exceed five years. Land is not depreciated.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the consolidated statement of comprehensive income.

(g) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

4. Summary of Significant Accounting Policies (Continued)

(h) Provisions

Provisions are recognized when the Bank has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Bank expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of comprehensive income net of any reimbursement.

(i) Related parties

Related parties include all Ministries and Departments of The Bahamas Government, Government Corporations, Subsidiaries and Agencies as well as directors and key management personnel of the Bank. All transactions with related parties are based on rates and terms used in the normal course of business, except for reduced rates for the Bank's personnel's borrowings.

(j) Employee benefits

The Bank operates a defined contribution plan where the Bank pays fixed contributions into a separate entity. The Bank has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The Bank's current plan (the "Plan") allows eligible employees (those who have attained 25 years of age and confirmed in their positions) to contribute a minimum of 3.5% of their annual salaries and the Bank contributes 6.5%.

Employees become fully vested after 2 years of plan membership. The Plan's costs are charged to general and administrative expenses and are funded as accrued.

(k) Earnings per share

Basic earnings per share is computed by dividing the net income attributable to common shareholders by the weighted average number of shares outstanding during the year.

(l) Fiduciary activities

The Bank acts as trustee and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets and income arising thereon are excluded from these consolidated financial statements, as they are not assets of the Bank.

4. Summary of Significant Accounting Policies (Continued)

(m) Taxes

A subsidiary of the Bank is required to comply with United States Federal and State tax laws. The accounts for the tax effect of the subsidiary are recognized in accordance with IAS 12 Accounting for Taxes on Income. Accordingly deferred income tax is provided on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and Laws) that have been enacted or substantially enacted by the statement of financial condition date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Deferred tax assets are recognized where it is probable that future taxable profit will be available against which the temporary differences can be utilized. The Bank provides a valuation allowance against deferred tax assets, if based on the weight of evidence available, it is more likely than not that some or all of the deferred tax assets will not be realized.

(n) Investment property

Investment property, which is property that management intends to develop for rental purposes, is measured initially at cost, including transaction costs and thereafter it is stated at fair value based on appraisals by recognized valuation experts. Additions to investment property are also recorded at cost. On an annual basis the investment property is assessed for impairment with gains and losses arising from changes in the fair value of the investment property included in the consolidated statement of comprehensive income for the period in which they arise.

(o) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Bank's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(p) Amortization of software

Costs relating to software are stated at costs less amortization. Amortization is calculated on a straight-line basis using the annual rate of 10 – 33.33%.

4. Summary of Significant Accounting Policies (Continued)

(q) Borrowings

Borrowings are recognized initially at fair value net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between proceeds net of transaction costs and the redemption value is recognized in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method.

(r) Group insurance funds

The Banks provisions for insurance policies related to mortgage indemnity policies and consumer protection policies. Provisions are made for claims notified and for claims incurred but which have not yet been notified. The associated outflows are estimated to arise over a period of up to five years from the statement of financial condition date. Amounts related to these liabilities are included in the statement of Financial Condition in the 'Other liabilities' line.

(s) Share capital

(i) Share issue costs

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

(ii) Dividends on ordinary shares

Dividends on common and preferred shares are recognized in equity in the period in which they are approved by the Bank's Directors.

(iii) Treasury shares

Where the Bank has purchased its own equity share capital, the consideration paid is deducted from total shareholders' equity as treasury shares until they are cancelled. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity.

(t) Going concern

The Bank's management has made an assessment of the Bank's ability to continue as a going concern and is satisfied that the Bank has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

5. Cash and Cash Equivalents

The following is an analysis of cash and cash equivalents.

Not included in cash and cash equivalents is the statutory reserve account with The Central Bank of The Bahamas("the Central Bank") of $21,998,000 (2009: $19,680,312). Mandatory reserve deposits represent the Bank's regulatory requirement to maintain a percentage of deposit liabilities as cash or deposits with the Central Bank. These funds are not available to finance the Bank's day-to-day operations. All balances with The Central Bank of The Bahamas are non-interest bearing.

		2010		**2009**
Cash	$	6,546,506	$	5,820,598
Deposits with the Central Bank non-interest bearing		39,526,748		24,123,539
Due from banks		33,820,445		100,612,566
Cash and due from banks		79,893,699		130,556,703
Less: mandatory reserve deposits with the Central Bank		21,998,000		19,680,312
	$	**57,895,699**	**$**	**110,876,391**

6. Investment Securities

Investment securities comprise equity and debt securities classified into the following categories:

		2010		2009
AVAILABLE - FOR- SALE				
Bahamas Registered Stock	$	25,111,400	$	25,111,400
Equity Securities		279,740		245,383
	$	25,391,140	$	25,356,783
HELD TO MATURITY				
Bahamas Registered Stock	$	25,186,500	$	25,186,500
Bridge Authority Bond		136,500		136,500
	$	25,323,000	$	25,323,000
Total investment securities	**$**	**50,714,140**	**$**	**50,679,783**

As of the year-end reporting date, government securities mainly comprise variable rate bonds tied to the Bahamian $ Prime Rate issued by The Bahamas Government with interest rates ranging from 5.59% to 7.00% per annum (2009: from 5.59% to 7.00% per annum) and scheduled maturities between 2010 and 2033 (2009: between 2010 and 2033).

6. Investment Securities (Continued)

The movements in the categories of investment securities are as follows:

	Available- for-sale	Held-to- maturity	Total
At July 1, 2008	$ -	$ 25,323,000	$ 25,323,000
Additions	25,334,089	-	25,334,089
Net Fair value gain	22,694	-	22,694
At June 30, 2009	**$ 25,356,783**	**$ 25,323,000**	**$ 50,679,783**
At July 1, 2009	$ 25,356,783	$ 25,323,000	$ 50,679,783
Additions	-	-	-
Net fair value gain	34,357	-	34,357
At June 30, 2010	**$ 25,391,140**	**$ 25,323,000**	**$ 50,714,140**

7. Loans and Advances to Customers, Net

Loans and advances to customers are as follows:

		2010		2009
Mortgage loans	$	334,886,517	$	248,935,228
Commercial loans		133,832,103		175,689,311
Consumer loans		62,348,676		53,230,865
Credit cards		2,312,217		1,364,024
Business overdrafts		73,490,658		57,267,028
Personal overdrafts		21,127,931		16,925,294
Government guaranteed student loans		7,284,636		7,626,571
	$	**635,282,738**	**$**	**561,038,321**

		2010		2009
Less: Provision for loan losses				
At beginning of year	$	9,172,385	$	8,220,745
Amount written-off		(793,546)		(2,253,621)
Recoveries		291,046		609,007
Net provision charged to expense		3,657,626		2,596,254
At end of year		12,327,511		9,172,385
Accrued interest receivable		6,257,042		3,746,402
Loans and advances to customers, net	**$**	**629,212,269**	**$**	**555,612,338**

During the year, the Bank wrote-off loans totaling $793,546 (2009: $2,253,621) against its specific provision. These loans, however, are subject to the Bank's ongoing collections efforts.

7. Loans and Advances to Customers, Net (Continued)

Loan loss provisions are as follows:

		2010		2009
Specific Provisions				
Mortgage Loans	$	2,408,537	$	1,103,340
Commercial Loans		5,171,032		1,354,948
Consumer Loans		2,768,704		1,712,609
Credit Cards		340,994		120,000
		10,689,267		**4,290,897**
General Provisions		**1,638,244**		**4,881,488**
TOTAL	**$**	**12,327,511**	**$**	**9,172,385**
Total provisions as a percentage of the net loan portfolio.		1.96%		1.65%
Provisions and equity provisions as a percentage of the net loan portfolio.		2.6%		1.65%

Non-accrual loans are as follows:

		2010		2009
Mortgage Loans	$	33,673,078	$	9,950,985
Commercial Loans		18,205,705		13,090,646
Consumer Loans		4,780,307		1,799,778
Credit Cards		625,230		320,458
TOTAL	**$**	**57,284,320**	**$**	**25,161,867**
Percentage of loan portfolio		9.11%		4.48%
Percentage of total assets		7.36%		3.32%

7. Loans and Advances to Customers, Net (Continued)

The following is an analysis of the concentration of loans and advances to customers by outstanding balances:

	2010 Value	2010 No. of Loans	2009 Value	2009 No. of Loans
$0 - $10,000	13,145,325	4,710	$ 16,273,003	2,856
$10,001 - $20,000	14,778,853	998	20,905,947	1,847
$20,001 - $30,000	12,881,705	535	29,297,967	1,147
$30,001 - $40,000	8,553,164	249	21,409,408	593
$40,001 - $50,000	8,749,543	194	16,337,988	363
Over $50,000	577,174,148	2,192	456,814,008	2,075
	$ 635,282,738	**8,878**	**$ 561,038,321**	**8,881**

The table below shows the distribution of loans and advances to customers that are neither past due or impaired:

	2010	2009
Satisfactory Risk	$ 353,115,544	$ 408,783,687
Watch List	56,096,108	22,287,638
Sub-standard but not impaired	69,390,348	27,359,919
	$ 478,602,000	**$ 458,431,244**

7. Loans and Advances to Customers, Net (Continued)

The following is an analysis of loans and advances by credit quality:

In ($000s)	2010 PRINCIPAL BALANCE	2010 RESTRUCTURED	2010 TOTAL	2009 PRINCIPAL BALANCE	2009 RESTRUCTURED	2009 TOTAL
MORTAGES						
Neither past due or impaired	$ 232,063	$ 12,468	$ 244,531	$ 195,812	$ 3,478	$ 199,290
Past due but not impaired	50,678	6,005	56,683	34,963	4,731	39,694
Impaired	29,366	4,307	33,673	5,844	4,107	9,951
	$ 312,107	$ 22,780	$ 334,887	$ 236,619	$ 12,316	$ 248,935
COMMERCIAL						
Neither past due or impaired	$ 71,841	$ 10,212	$ 82,053	$ 129,424	$ 2,523	$ 131,947
Past due but not impaired	30,286	3,287	33,573	29,675	977	30,652
Impaired	17,780	426	18,206	12,665	426	13,091
	$ 119,907	$ 13,925	$ 133,832	$ 171,763	$ 3,926	$ 175,689
CONSUMER						
Neither past due or impaired	$ 54,283	$ 1,808	$ 56,091	$ 51,639	$ 556	$ 52,195
Past due but not impaired	7,871	891	8,762	6,004	859	6,863
Impaired	3,280	1,500	4,780	931	869	1,800
	$ 65,434	$ 4,199	$ 69,633	$ 58,573	$ 2,284	$ 60,857
CREDIT CARDS						
Neither past due or impaired	$ 1,308	$ -	$ 1,308	$ 807	$ -	$ 807
Past due but not impaired	379	-	379	236	-	236
Impaired	625	-	625	320	-	320
	$ 2,312	$ -	$ 2,312	$ 1,364	$ -	$ 1,364
BUSINESS OVERDRAFTS						
Neither past due or impaired	$ 73,491	$ -	$ 73,491	$ 57,267	$ -	$ 57,267
Past due but not impaired	-	-	-	-	-	-
Impaired	-	-	-	-	-	-
	$ 73,491	$ -	$ 73,491	$ 57,267	$ -	$ 57,267
PERSONAL OVERDRAFTS						
Neither past due or impaired	$ 21,128	$ -	$ 21,128	$ 16,925	$ -	$ 16,925
Past due but not impaired	-	-	-	-	-	-
Impaired	-	-	-	-	-	-
	$ 21,128	$ -	$ 21,128	$ 16,925	$ -	$ 16,925

7. Loans and Advances to Customers, Net (Continued)

The analysis of the age of loans and advances to customers that were past due but not impaired is as follows:

	2010				
In ($000s)	RESIDENTIAL MORTGAGE	COMMERCIAL	CONSUMER	CREDIT CARD	TOTAL
Past due up to 29 days	$ 16,379	$ 7,333	$ 1,731	$ 146	$ 25,589
Past due 30 - 59 days	22,501	17,956	3,820	114	44,391
Past due 60 - 89 days	17,803	8,284	3,211	119	29,417
	$ 56,683	$ 33,573	$ 8,762	$ 379	$ 99,397

	2009				
In ($000s)	RESIDENTIAL MORTGAGE	COMMERCIAL	CONSUMER	CREDIT CARD	TOTAL
Past due up to 29 days	$ 14,058	$ 7,994	$ 1,870	$ 144	$ 24,066
Past due 30 - 59 days	15,070	11,229	2,955	58	29,312
Past due 60 - 89 days	10,566	11,429	2,038	35	24,068
	$ 39,694	$ 30,652	$ 6,863	$ 236	$ 77,445

8. Investment Property

The Bank owns land which is located at West Bay Street, Nassau.

It is management’s intention to construct a commercial office complex on this land. 30% of the complex will be used to house the Bank’s headquarters, a retail branch and the remaining 70% will be available for commercial rental. Management has allocated the land using these percentages and in accordance with IAS 16 Property, Plant and Equipment management has classified the portion of that land that has been allocated to be used for its headquarters as fixed assets and that portion of the land that has been allocated for commercial rental as investment property in accordance with IAS 40: Investment Property. During the year, the land was appraised by a qualified appraiser who provided the valuation of the land.

8. Investment Property (Continued)

The movement in investment property during the year is as follows:

		2010		2009
Beginning balance	$	3,876,052	$	3,601,500
Additions		6,821		274,552
	$	**3,882,873**	**$**	**3,876,052**

9. Other Assets

Other assets are comprised of the following:

		2010		2009
Accounts receivables	$	1,469,540	$	1,735,246
Prepaid assets		1,992,028		1,510,703
Cheque clearing account		1,255,488		3,496,166
Other assets		818,087		1,948,735
	$	**5,535,143**	**$**	**8,690,850**

10. Property and Equipment, Net

The movement in property and equipment during the year is as follows:

	Land and Building	Leasehold Improvements	Furniture, Fixtures and Equipment	Total
COST				
Balance as at June 2008	$ 2,600,755	$ 5,244,805	$ 6,864,294	$ 14,709,854
Additions	117,021	152,332	543,462	812,815
Disposal	-	-	(117,178)	(117,178)
Balance as at June 2009	2,717,776	5,397,137	7,290,578	15,405,491
Additions	1,638	13,303	1,646,807	1,661,748
Disposal	(171,599)	(2,366,181)	(5,043,812)	(7,581,592)
Balance as at June 2010	**$ 2,547,815**	**$ 3,044,259**	**$ 3,893,573**	**$ 9,485,647**
ACCUMULATED DEPRECIATION				
Balance as at June 2008	$ 897,978	$ 3,312,544	$ 5,437,473	$ 9,647,995
Depreciation	5,278	581,956	766,478	1,353,711
Disposal	-	-	(101,322)	(101,322)
Balance as at June 2009	903,256	3,894,500	6,102,629	10,900,384
Depreciation	2,940	539,319	708,762	1,251,022
Disposal	(171,599)	(2,514,007)	(5,183,827)	(7,869,433)
Balance as at June 2010	**$ 734,597**	**$ 1,919,812**	**$ 1,627,564**	**$ 4,281,973**
NET BOOK VALUE :				
Balance as at June 30, 2010	**$ 1,813,218**	**$ 1,124,447**	**$ 2,266,009**	**$ 5,203,674**
Balance as at June 30, 2009	**$ 1,814,520**	**$ 1,502,637**	**$ 1,187,949**	**$ 4,505,107**

Land in the amount of $1,105,281 (2009: $1,105,281) is included in land and building.

11. Intangible Assets, Net

		Goodwill		Software		Total
Balance as at June 30, 2008	$	1,075,759	$	2,825,934	$	3,901,693
Additions		-		880,418		880,418
Amortisation		-		(403,822)		(403,822)
Closing as at June 30, 2009	$	1,075,759	$	3,302,530	$	4,378,289
Balance as at June 30, 2009	$	1,075,759	$	3,302,530	$	4,378,289
Additions		-		192,630		192,630
Disposal		-		(178,540)		(178,540)
Amortisation		-		(465,232)		(465,232)
Closing as at June 30, 2010	**$**	**1,075,759**	**$**	**2,851,388**	**$**	**3,927,147**

Goodwill arose during the bank's acquisition of the business of the former Workers Bank Limited. Goodwill is allocated to the Harrold Road Branch where the book of business is managed. The recoverable amount is based on a value in use calculation using cash flow projections from budgets approved by management covering a five year period. The discount rate applied to the cash flow projections is 7.38%. As at June 30, 2010, management determined that goodwill was not impaired (2009: $0).

12. Deposits from Customers and Banks

Deposits from customers and banks are as follows:

	2010	2009
Term deposits	$ 466,027,638	$ 457,221,372
Demand deposits	89,515,710	83,164,614
Savings accounts	40,915,540	41,810,215
	596,458,888	582,196,201
Accrued interest payable	6,460,403	5,892,977
	$ 602,919,291	$ 588,089,178

The following is an analysis of the concentration of deposits from customers and banks by size of deposits:

	2010		2009	
	Value	No. of Deposits	Value	No. of Deposits
$0 - $10,000	$ 23,341,372	31,234	$ 22,443,053	29,662
$10,001 - $20,000	12,118,501	868	12,064,740	875
$20,001 - $30,000	8,514,827	344	8,230,141	338
$30,001 - $40,000	6,517,137	190	6,823,077	198
$40,001 - $50,000	5,975,703	131	2,939,516	123
Over $50,000	539,991,348	965	529,695,674	865
	$ 596,458,888	**33,732**	**$ 582,196,201**	**32,061**

In 1999, The Central Bank established the Deposit Insurance Corporation (the "Corporation"). The Bank paid an annual premium of $149,251 (2009: $188,801) to the Corporation, which insures the funds of all individual Bahamian dollar depositors of the Bank up to a maximum of $50,000.

13. Other Borrowed Funds

Bonds payable

Bonds payable were issued to the National Insurance Board on May 1, 2002, and bear interest at the Bahamian dollar prime rate which at year-end was 5.50% (2009: 5.50%). Interest expense during the year totaled $935,000 (2009: $935,000). These bonds are secured under a trust agreement by specific performing loans granted under the Government Guaranteed Advanced Education Loan Scheme and/or other qualifiable assets which include Government registered stock and cash. Interest payable on bonds at the year end was $15,370 (2009: $12,808)

The amounts and maturity dates are as follows:

Description	Maturity	2010	2009
Prime bond series A	Due December 31, 2012	$ 3,500,000	$ 3,500,000
Prime bond series B	Due December 31, 2013	4,800,000	4,800,000
Prime bond series C	Due December 31, 2014	2,600,000	2,600,000
Prime bond series D	Due December 31, 2015	6,100,000	6,100,000
		$ 17,000,000	**$ 17,000,000**

13. Other Borrowed Funds (Continued)

Mortgage backed bonds

Mortgage backed bonds bearing interest of 1.75% above Bahamian dollar prime rate which yields an effective rate of 7.25% were issued in a private placement on January 1, 2007. Interest expense during the year 2010 totaled $1,450,000 (2009: $1,450,000). In accordance with the trust agreement, these bonds are secured by the equivalent amount of performing mortgage loans in the Bank's loan portfolio.

Description	Maturity	2010	2009
Mortgage backed bonds Series F	2022	$ 4,000,000	$ 4,000,000
Mortgage backed bonds Series G	2023	4,000,000	4,000,000
Mortgage backed bonds Series H	2024	4,000,000	4,000,000
Mortgage backed bonds Series I	2025	4,000,000	4,000,000
Mortgage backed bonds Series J	2026	4,000,000	4,000,000
		$ 20,000,000	**$ 20,000,000**

14. Other Liabilities

Other liabilities consist of the following:

OTHER LIABILITIES

		2010		2009
Accounts Payable	$	2,934,936		1,755,904
Other Liabilities		5,208,355		3,661,701
Cardholders Liability		1,458,522		1,491,906
Cheques and other items in transit		6,705,213		7,561,710
Group Insurance Funds		1,146,487		774,175
	$	**17,453,513**	**$**	**15,245,396**

15. Share Capital

Share capital consists of the following:

		2010		2009
Authorized:				
150,000, preference shares of B$1,000 each (2009: 150,000)	$	150,000,000	$	150,000,000
25,000,000 Ordinary shares of B$1 each (2009: 25,000,000)	$	25,000,000	$	25,000,000
Issued and fully paid:				
34,415.99 preference shares of B$1,000 each (2009:34,415.99)	$	34,415,990	$	34,415,990
15,596,145 Ordinary shares of B$1 each (2009: 15,596,145)	$	15,569,756	$	15,569,756

15. Share Capital (Continued)

Preference shares
The Bank's shareholders have approved resolutions to increase the authorized share capital of the Bank and allow the issuance of non-voting cumulative preference shares redeemable at the discretion of the Board of Directors. On June 30, 2006 and during May 2009 the Bank issued a total of B$15,000,000 and B$20,000,000 in redeemable preference shares at a rate of 2.00% and 2.50% above the Bahamian dollar prime rate which yields an effective interest rate of 7.50% and 8.00% respectively per annum. In accordance with International Financial Reporting Standards, as the preference shares are classified as equity, the dividends on these shares are paid out of retained earnings. Costs totaling $235,010 and $349,000 related to the preference share offering respectively were netted against the proceeds.

16. Treasury Shares

In 2004, the Bank acquired 45,000 of its shares for the purpose of establishing an employee stock incentive plan. On June 30, 2007, the stock plan expired. The number of shares remaining at June 30, 2010 was 3,855 (2009: 3,855).

17. Reserves

Reserves comprise of the net gain on remeasurement of available-for-sale securities to fair value as of the reporting date and credit reserves for loan loss provisions. Previously, the Bank recorded all credit reserves as a valuation allowance against loans and advances to customers. During the first quarter of the Bank's fiscal year, the Bank established a 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.

		2010		**2009**
Balance, beginning of year	$	22,694	$	-
Credit reserves		4,000,000		-
Fair value gains, net during the year		34,357		22,694
Balance, end of year	**$**	**4,057,051**	**$**	**22,694**

18. Net Interest Income

	2010	2009
Interest and similar income		
Cash and short term investments	$ 137,715	$ 1,322,426
Investment securities	3,023,933	1,989,831
Loans and advances to customers	52,838,037	47,734,814
	55,999,685	51,047,071
Interest and similar expense		
Banks and customers	22,202,509	20,964,444
Debt securities	2,385,000	2,385,000
	24,587,509	23,349,444
Total net interest income	**$ 31,412,176**	**$ 27,697,627**

19. Fee and Commission Income

	2010	2009
Deposit services fees and commissions	$ 1,794,385	$ 2,100,960
Credit services fees and commissions	209,071	699,014
Card services fees and commissions	1,507,186	1,617,928
Other fees and commissions	136,448	88,432
Total fee and commission income	**$ 3,647,091**	**$ 4,506,334**

20. Other Operating Income

	2010	2009
Foreign exchange	1,633,904	$ 1,222,219
Other	1,763,815	2,232,672
Total other operating income	**3,397,719**	**$ 3,454,891**

21. Operating Expenses

	2010	2009
Staff costs	$ 15,041,298	$ 15,276,840
Occupancy	3,037,437	3,123,478
Information technology	981,872	898,755
Advertising, marketing and donations	731,841	868,195
Travel and entertainment	306,568	345,816
Telecommunication and postage	315,044	448,373
Licenses and other fees	1,692,425	1,871,272
Other administrative expenses	2,543,567	1,990,154
Operating expenses	$ 24,650,052	$ 24,822,883
Depreciation of property and equipment	1,251,022	1,353,711
Amortization of software	465,232	403,822
Depreciation and amortisation	$ 1,716,254	$ 1,757,533
Total operating Expenses	**$ 26,366,306**	**$ 26,580,416**

22. 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.

23. Commitments

(a) The approximate minimum rental commitments (exclusive of the effect of escalation clauses as to taxes, maintenance, etc.) under operating leases for the year ending June 30 2010, are as follows:

No later than 1 year	$	336,600
Later than 1 year and no later than 5 years		1,096,631
Total	$	1,433,231

Rental expense (including service charges) totaled $1,559,208 (2009: $1,570,879) net of rental income of $0 (2009: $20,698).

All leases contain renewal options for the next 5 years as well as escalation clauses. There are no contingent rent payables or any additional restrictions placed on these lease arrangements.

(a) The commitment for loans at June 30, 2010 was $22,125,288 (2009: $23,856,882).

(b) The Bank has a commitment for future capital expenditure of $149,478 (2009: $282,293).

(c) The Bank has a commitment with Visa of $450,000 (2009: $450,000).

(d) The Bank has a commitment with Master Card of $150,000 (2009: $0).

(e) The Bank has letters of credit and guarantees of $1,810,561 (2009: $2,880,837).

24. Transactions and Balances with Related Parties

All loans to related parties are secured in the regular course of business; there were no provisions for doubtful debts against any of these balances as at June 30, 2010 (2009: Nil). No provision expense has been recognized in these financial statements on loans to related parties.

	Government	Other Government Entities	Key Management	Total 2010	Total 2009
Assets					
Cash and cash equivalents	$ -	$ 39,526,748	$ -	$ 39,526,748	$ 19,680,312
Investment securities	50,434,400	-	-	50,434,400	50,434,400
Loans and advances to customers	5,018,114	11,578,204	3,002,006	19,598,324	14,953,100
Other Assets	851,864	-	-	851,864	848,960
Liabilities					
Deposits from customers and banks	$ 79,898,436	$ 108,936,053	$ 701,530	$ 189,536,019	$ 148,536,586
Other borrowed funds	-	17,000,000	-	17,000,000	$ 17,000,000
Other liabilities	-	15,370	-	15,370	$ 12,808

	Government	Other Government Entities	Key Management	Total 2010	Total 2009
Revenues					
Interest Income	$ 3,362,400	$ 566,143	$ 148,526	$ 4,077,068	$ 2,879,041
Total	**$ 3,362,400**	**$ 566,143**	**$ 148,526**	**$ 4,077,068**	**$ 2,879,041**
Expenses					
Interest Expense	$ 3,192,758	$ 5,377,408	$ 11,962	$ 8,582,128	$ 7,189,974
Directors fees	-	-	166,500	166,500	164,760
Other operating expenses	827,354	-	-	827,354	627,557
Short-term employee benefits	-	-	2,471,528	2,471,528	2,512,838
Post employment benefits	-	-	130,181	130,181	129,842
Termination benefits	-	-	-	-	490,035
Total	**$ 4,020,112**	**$ 5,377,408**	**$ 2,780,171**	**$ 12,177,691**	**$ 11,115,006**

25. Employee Benefits

The Bank has a defined contribution plan (the "Plan") in which eligible employees (those having attained 25 years of age and confirmed in their positions) contribute a minimum of 3.50% of their annual salaries and the Bank contributes 6.50%. Employees become fully vested after 2 years of plan membership. The plan assets are managed by an independent third party investment manager.

Contributions for the year ended June 30, 2010 totaled $644,310 (2009: $583,568).

The Plan owns 210,826 (2009: 210,826) shares of the Bank. The holdings represent approximately 12.00% (2009: 17.00%) of the Plan's net assets.

The Plan has deposits totaling $6,573,077 (2009: $5,687,956) with the Bank.

The Bank serves as the Trustee of the Plan.

26. Assets under Administration

Assets under administration for clients in the Bank's fiduciary capacity are as follows:

	2010	**2009**
Government- guaranteed student education loans	$ 79,402,833	$ 73,582,887
Trust assets	$ 58,379,640	$ 45,399,863

During the period, the Bank recognized fees totaling $208,558 (2009: $166,368), for the administration of the Government Guaranteed Student Loans program.

27. Dividends and Earnings 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 Bank to ordinary shareholders in 2010 totaled $2,495,383 or $0.16 per share (2009: $4,054,998 or $0.26 per share).

During the year the Bank paid dividends on its preference shares of $2,725,000 (2009:$1,357,274).

	2010	2009
Net income attributable to equity shareholders	$ 7,662,439	$ 5,787,917
Preference share dividends	(2,725,000)	(1,357,274)
Net income attributable to ordinary shareholders	$ 4,937,439	$ 4,430,643
Weighted average number of ordinary shares outstanding	15,596,145	15,596,145
Basic earnings per ordinary share	$ 0.32	$ 0.28

28. Fair Value of Financial Assets and Liabilities

The estimated fair values represent values at which financial instruments could be exchanged in a current transaction between willing parties. Where there is no available trading market, fair values are estimated using appropriate valuation techniques. The fair values of non-financial instruments, such as property and equipment and investment property, are explained in previous notes.

The estimated fair values represent values at which financial instruments could be exchanged in a current transaction between willing parties. Where there is no available trading market, fair values are estimated using appropriate valuation techniques. The fair values of non-financial instruments, such as property and equipment and investment property, are explained in previous notes.

28. Fair Value of Financial Assets and Liabilities (Continued)

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Bank's market assumptions. These two types of inputs have created the following fair value hierarchy:

• Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges (for example, Bahamas International Securities Exchange and New York Stock Exchange).
• Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes the majority of the OTC derivative contracts, traded loans and issued structured debt. The sources of input parameters like LIBOR yield curve or counterparty credit risk are Bloomberg and Reuters.
• Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The Bank considers relevant and observable market prices in its valuations where possible.

As of June 30, 2010 the Bank held equity securities classified as available-for-sale totaling $279,740 (2009: $245,383) which have been valued as a Level 1 investment. All other investments totaling $50,434,400 (2009: $50,434,400) are classified as Level 2. No transfers were made during the period for any investments between the hierarchy.

The following methods and assumptions have been used in determining fair value:

Cash and cash equivalents, other assets and other liabilities
Due to their short-term maturity, the carrying values of these financial instruments are assumed to approximate their fair values.

Investments
The estimated fair values of investments are based on quoted market prices, when available. If quoted market prices are not available the estimated fair value of investments are deemed to reflect cost or amortized cost.

28. Fair Value of Financial Assets and Liabilities (Continued)

Loans
For floating rate loans that are subject to re-pricing within a short period of time, fair values are assumed to be equal to their carrying values.

Deposits
The estimated fair values of deposits are assumed to be equal to their carrying values due to their short-term nature.

29. Regulatory Capital

The Bank maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Bank's capital is monitored using, among other measures, the rules and ratios established by The Central Bank.

During the past year, the Bank had complied in full with all its externally imposed capital requirements.

Capital risk management
The primary objectives of the Bank's capital management are to ensure that the Bank complies with externally imposed capital requirements and that the Bank maintains strong capital ratios in order to support its business and to maximize shareholders' value.

The Bank manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. No changes were made in the objective, policies and processes from the previous years.

The capital structure is designed to provide optimal risk absorption consistent with the risk profile of the Bank's statement of financial condition which therefore ensures that the Bank has the ability to continue as a going concern. The capital mix is intended to maximize the return for shareholders. The Bank utilizes a balance of equity and debt issuances to achieve an ideal capital structure as shown in Note 15.

28. Fair Value of Financial Assets and Liabilities (Continued)

At June 30, 2010 the capital structure of the Bank consists of equity held by common shareholders, including issued capital, share premium, preference shares and retained earnings. The Bank's Board and Asset/Liability management committee monitor the capital structure and review the structure at least quarterly, reviewing the capital mix and the cost of capital for each class of capital. Ongoing capital management includes the payment of dividends, new share issuances, redemptions of preferences shares, reserves, retained earnings and common share issuances.

29. Regulatory Capital

Regulatory capital

(in $'000s)	**Actual 2010**	**Actual 2009**
Tier 1 capital	$ 115,296	$ 118,581
Tier 2 capital	12,385	9,195
Total capital	$ 127,681	$ 127,776
Risk weighted assets	$ 507,338	$ 446,314
Tier 1 capital ratio	14.58%	15.53%
Total capital ratio	16.15%	16.74%

Regulatory capital consists of Tier 1 capital, which comprises share capital, reserves less goodwill and retained earnings including current year profit. The other component of regulatory capital is Tier 2 capital, which comprises long term debt, revaluation reserves on available-for-sale securities and loan loss provisions.

29. Regulatory Capital (Continued)

Regulatory capital (continued)
The Central Bank's regulations requires, consistent with international best practice, as defined by the Bank of International Settlements Basel 1 Capital Accord, that the Bank maintains a risk adjusted capital to asset ratio equal to or greater than 8.00%. The Bank's risk adjusted capital ratio at the end of the fiscal year was 24.07% (2009: 27.70%).

30. Comparatives

The following adjustments were made to prior year's financial statement balances. In the Consolidated Statement of Cash Flows the cash and cash equivalents at the beginning of the year for 2009 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 $2,012,912 increase in the mandatory reserve balance with the Central Bank for the period July 2008 through to June 2009. Included in Other Liabilities for the prior year, is the reclassification of cheques and other items in transit of $7,561,710. In the consolidated statement of comprehensive income there was a reclass of $1,292,268 from fees and commission income to interest and similar income.

31. Risk Management

There are a number of risks inherent in commercial banking that the Bank manages on an ongoing basis. Among these risks, the more significant are credit, operational, currency, liquidity, capital and interest rate risks.

31. Risk Management (Continued)

Credit risk

Credit risk arises from the failure of counterparty to perform according to the terms of the contract. From this perspective, the Bank's significant exposure to credit risk is primarily concentrated in cash and due from banks, investments and loans. The cash, due from banks and investments are predominantly in Bahamian and United States dollars and have been placed with high quality institutions. The Bank maintains deposits in foreign currencies with top rated corresponding banks in the United States, Canada and the United Kingdom. Credit risk arising from loans is mitigated through the employment of a comprehensive credit risk management regime that sets limits for sector concentration, as well as single and related party exposure. The Board of Directors approves credit granting limits. In addition, credits are subject to regular review by the Bank's credit risk management department, internal audit department and annual review by credit officers. The vast majority of the Bank's loans are collateralized and guaranteed thus providing further mitigation of credit risk.

The Bank assesses credit exposure on loans by utilizing risk ratings. The ratings are categorized into a variety of segments such as minimal risk, moderate risk, high risk and non-performing. The purpose of credit rating is to provide a simple, but effective and ongoing system of credit risk gradation by which relative credit worthiness of borrowers may be identified and accordingly the level of credit enhancements, degree of monitoring, frequency of reviews, level of provisioning, and pricing can be determined. The credit rating would reflect both the likelihood of default and the potential extent of loss given default.

The credit worthiness of most borrowers is not constant over a period of time. For this reason changes in ratings must reflect changes in the relative strength of the borrowers and their obligations. Appropriate credit ratings must be assigned to every borrowing relationship. A rating must be assigned at the time of credit extension and reviewed and updated in each periodic review or if the situation warrants a change at any other time. A rating change highlights a change in the credit worthiness, or corrects a previous rating that did not fully reflect the quality of the credit. Because of their very nature, changes are to be expected more frequently among credits with lower ratings that among credits of higher ratings. Typically loans within a retail credit portfolio which are performing are not assess for changes in ratings unless the customer approaches the Bank for additional credit.

31. Risk Management (Continued)

Credit risk (continued)

The assigning of a risk rating calls for professional judgment and can involve subjective elements. When a credit rating is assigned, all relevant information concerning the risk profile of the borrower is considered including, but not limited to, industry trends, economic climate, business environment and earnings track record. Consideration is given to such less quantifiable items such as opinion of management, perception of trustworthiness and character, hidden reserves and other factors.

The Bank conducts an impairment assessment on each of its loans. The main considerations for the loan impairment assessment included whether any payments of principal or interest are overdue or there are any known difficulties in the cash flows of counterparties, credit rating downgrades, or infringement of the original terms of the contract. The Bank addresses impairment on an individual and portfolio basis. In managing credit risk the Bank takes a holistic approach in assessing its impact and implications from a regulatory standpoint and potential consequences for liquidity and its capital.

31. Risk Management (Continued)

Credit risk (continued)

Concentration of risks and financial assets with credit risk exposure are as follows:

In ($000s)	2010 PRINCIPAL BALANCE	2010 RESTRUCTURED	2010 TOTAL	2009 PRINCIPAL BALANCE	2009 RESTRUCTURED	2009 TOTAL
CASH AND CASH EQUIVALENTS						
Neither past due or impaired	$ 79,894	$ -	$ 79,894	$ 130,568	$ -	$ 130,568
Past due but not impaired	-	-	-	-	-	-
Impaired	-	-	-	-	-	-
	$ 79,894	$ -	$ 79,894	$ 130,568	$ -	$ 130,568
INVESTMENT SECURITIES						
Neither past due or impaired	$ 50,714	$ -	$ 50,714	$ 50,680	$ -	$ 50,680
Past due but not impaired	-	-	-	-	-	-
Impaired	-	-	-	-	-	-
	$ 50,714	$ -	$ 50,714	$ 50,680	$ -	$ 50,680
LOANS AND ADVANCES TO CUSTOMERS						
Neither past due or impaired	$ 454,114	$ 24,488	$ 478,602	$ 451,874	$ 6,557	$ 458,431
Past due but not impaired	89,214	10,183	99,397	70,878	6,567	77,445
Impaired	51,051	6,233	57,284	19,760	5,402	25,162
	$ 594,379	$ 40,904	$ 635,283	$ 542,512	$ 18,526	$ 561,038

Financial assets are past due when a counterparty has failed to make a payment when contractually due.

Operational risk

Operational risk relates to the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. It is mitigated by documented policies and procedures, staff training and a rigorous risk-based internal audit regime.

31. Risk Management (Continued)

Foreign exchange risk

The Bank holds assets and liabilities denominated in currencies other than Bahamian dollars, the measurement currency of the Bank. Consequently the Bank is exposed to foreign exchange risk since the values of the assets and liabilities denominated in other currencies will fluctuate due to changes in exchange rates. The Bank manages these positions by matching assets with liabilities wherever possible. The table below summarized the Bank's exposure to foreign currency exchange risk at June 30, 2010. Included in the table are the Bank's financial instruments at carrying amounts, categorized by currency.

Concentrations of currency risk

June 30, 2010
(in $000s)

	B$	US$	CAD$	GPB£	Other	Total
Assets						
Cash and central bank balances	$ 43,912	$ 28,745	$ 6,705	$ 385	$ 147	$ 79,894
Financial assets - held to maturity	25,323	-	-	-	-	25,323
Financial assets - available for sale	25,111	280	-	-	-	25,391
Loans and advances	599,782	29,424	6	-	-	629,212
Total financial assets	$ 694,128	$ 58,449	$ 6,711	$ 385	$ 147	$ 759,820
Liabilities						
Deposits from customers and banks	$ 561,768	$ 34,942	$ 6,185	$ 15	$ 9	$ 602,919
Other borrowed funds	37,000	-	-	-	-	37,000
Cheques and other items in transit	4,134	2,059	175	335	2	6,705
Total financial liabilities	$ 602,902	$ 37,001	$ 6,360	$ 351	$ 11	$ 646,625
Net financial position	$ 91,226	$ 21,448	$ 351	$ 35	$ 136	$ 113,195

June 30, 2009

(in $000s)	B$	US$	CAD$	GPB£	Other	Total
Total financial assets	$ 606,225	$ 121,324	$ 5,966	$ 2,956	$ 377	$ 736,849
Total financial liabilities	524,962	99,415	5,974	2,318	29	632,698
Net financial position	$ 81,263	$ 21,909	$ (8)	$ 638	$ 348	$ 104,151

31. Risk Management (Continued)

Concentrations of currency risk

Interest rate risk - Interest rate sensitivity or interest rate risk results from differences in the maturities or re-pricing dates of earning assets and paying liabilities. Interest rate risk exposures may produce favorable or unfavorable effects on interest margins depending on the nature of the gap and the direction of interest rate movement and/or the expected volatility of those interest rates. Interest rate gaps are carefully monitored and scenario tests performed to determine the potential impact of various gap exposures.

The Bank analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration pricing, renewal of existing positions, and capital funding. Based on these scenarios, the bank calculates the impact on profit and loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. Based on the simulations performed, the impact on net income and consequently shareholders equity of a 100 basis point shift would be a maximum increase or decrease of $3.2 million (2009:$1.8 million).

Liquidity risk
Liquidity risk reflects the risk that the Bank will not be able to meet an obligation when it becomes due or honors a deposit withdrawal request or service loans. The Bank maintains a portion of its deposits in cash and other liquid assets to mitigate this risk. On a daily basis, the Bank monitors its cash and other liquid assets to ensure that they sufficiently meet the Bank's requirements. In addition, the Bank performs regular gap analyses showing the maturity exposure arising from the different maturity of assets and liabilities. As is the case throughout the sector, those gap analyses show that the Bank is liability-sensitive in the short term. Regular scenario tests are performed to determine the extent to which the Bank can withstand unforeseen withdrawals and the cost associated with meeting such demands should they arise.

31. Risk Management (Continued)

Liquidity risk (continued)

The following tables summarizes the carrying amount of consolidated financial assets and liabilities of the Bank into relevant maturity groupings based on the remaining period at the consolidated statement of financial condition date to the contractual maturity date. The actual maturity dates could be significantly different from the amounts in the table.

June 30, 2010 (in $000s)	**Within 3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
Cash and cash equivalents	$ 79,894	$ -	$ -	$ -	$ 79,894
Investment Securities	-	-	16,588	34,126	50,714
Loans and advances to customers, net	126,690	59,284	73,005	370,233	629,212
Total financial assets	$ 206,584	$ 59,284	$ 89,593	$ 404,359	$ 759,820

June 30, 2010 (in $000s)	**Within 3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
Deposits from customers and banks	$ 383,566	$ 196,053	$ 19,330	$ 3,970	$ 602,919
Other borrowed funds	-	-	17,000	20,000	37,000
Cheques and other items in transit	6,705	-	-	-	6,705
Total financial liabilities	$ 390,271	$ 196,053	$ 36,330	$ 23,970	$ 646,624
Net position	**$ (183,687)**	**$ (136,769)**	**$ 53,263**	**$ 380,389**	**$ 113,196**

June 30, 2009 (in $000s)	**Within 3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
Total financial assets	$ 45,705	$ 44,092	$ 118,770	$ 397,725	$ 606,292
Total financial liabilities	385,767	162,031	52,098	32,802	632,698
Net position	**$ (340,062)**	**$ (117,939)**	**$ 66,672**	**$ 364,923**	**$ (26,406)**

32. Subsidiaries

Subsidiaries of the Bank as at June 30, 2010 are as follows:

Name	Place of Incorporation	Shareholding	Nature of business
BOB Financial Services Inc.	Coral Cables, Florida	100%	Trade financing and other financial services
Multi-Card Services Ltd.	Commonwealth of the Bahamas	100%	Card processing and services
West Bay Property Holdings Ltd.	Commonwealth of the Bahamas	100%	Investment Property