

**FINANCIAL PERFORMANCE FOR THE THREE-MONTH PERIOD  
ENDED SEPTEMBER 30, 2009**

For the first quarter of the new financial year the Bank achieved Net Income of B\$3.6 million or \$0.24 cents per common share. Compared to the same period last year, these results represent sound growth of 29%. Total Assets settled at B\$744 million slightly below the mark of B\$758 million as at June 30, 2009.

During the review quarter the Bank changed the policy on general provisioning. This is reflected in the recognition of an allocation of Retained Earnings in the form of a General Reserve which represents local regulatory guidelines in support of potential credit risk in the long term.

Equally significant is the Bank's conservative approach to short term credit risk and the consequential recognition of new specific provisions for loan losses in the amount of B\$2.6 million. We are cautiously confident that this transaction will extricate the significant credit weakness in the Bank's loan portfolio for the currency of this fiscal period.

Although the Bank continues to perform well we are cognizant of the broad economic indicators which suggest that the Bahamian economy remains weak. Declines in premier sectors across the business landscape have caused high levels of unemployment which exert direct influence on commerce expansion. Consequently, loan delinquencies remain systemically high and negatively impacts revenue growth and business opportunities.

In light of constraints imposed by the current environment the Bank has moved to continue to strengthen its balance sheet resulting in an increased risk adjusted capital ratio as of September 30, 2009 of 24% well above the new guideline of 14% to 17% recently introduced by The Central Bank. Further, the Bank's liquidity ratio stands at 20% providing sound financial resilience to combat the general economic weakness. Such financial fortification enables the Bank to continue its efforts to seek viable lending and investment opportunities and remain supportive of providing solutions to customers faced with financial challenges at this time.

The Bank continues to explore opportunities for future value creation and is therefore pleased to report the successful completion of the transfer in-house of its credit card platform. Over time this change is expected to significantly improve operating efficiency. This initiative is a major strategic milestone, which will allow the Bank to offer a new range of innovative products and services.

We continue to recognize the effectiveness of our employees and management, the foresight of our Directors as they to continue to guide us, and the undiminished support of our ever expanding customers, individual and institutional investors.



Paul J. I. McWeeney  
Managing Director

# BANK OF THE BAHAMAS LIMITED

## UNAUDITED CONSOLIDATED BALANCE SHEET

(Expressed in Bahamian dollars)

	September 30, 2009	June 30, 2009
<b>ASSETS</b>		
Cash and account with The Central Bank	31,811,688	29,944,137
Due from banks	68,144,054	100,612,566
Investment securities	50,704,054	50,679,783
Loans and advances to customers, net	570,036,456	555,612,338
Investment property	3,876,052	3,876,052
Other assets	10,163,920	8,690,850
Property and equipment	4,778,126	4,505,107
Intangible assets, net	4,266,373	4,378,289
<b>TOTAL</b>	<b>743,780,723</b>	<b>758,299,122</b>
<b>LIABILITIES</b>		
Deposits from customers and banks	566,815,268	588,089,178
Other borrowed funds	37,000,000	37,000,000
Cheques and other items in transit	9,713,109	7,561,710
Other liabilities	8,630,292	7,683,686
Deferred loan fees	3,979,736	4,011,894
<b>Total liabilities</b>	<b>626,138,405</b>	<b>644,346,468</b>
<b>EQUITY</b>		
Share capital	50,015,990	50,015,990
Share premium	28,587,866	28,587,866
Treasury shares	(30,244)	(30,244)
Reserves	4,046,965	22,694
Retained earnings	35,021,741	35,356,348
Total equity	<b>117,642,318</b>	<b>113,952,654</b>
<b>TOTAL</b>	<b>743,780,723</b>	<b>758,299,122</b>

# BANK OF THE BAHAMAS LIMITED

## UNAUDITED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the three months ended September 30, 2009

with comparatives for the three month period ended September 30, 2008

(Expressed in Bahamian dollars)

	2009	2008
Total Interest Income	12,775,273	13,645,307
Total Interest Expense	5,981,511	6,106,114
Net Interest Revenue	<u>6,793,762</u>	<u>7,539,193</u>
Fees and commission income	911,594	1,165,333
Fees and commission expense	153,008	24,952
Net fees and commission income	<u>758,586</u>	<u>1,140,381</u>
Other operating income	868,172	1,457,216
Total operating income	8,420,520	10,136,790
Credit loss expense, net	1,281,093	(596,585)
Net operating Income	<u>9,701,613</u>	<u>9,540,205</u>
Operating expenses	6,036,220	6,709,284
Net Income	<u>3,665,393</u>	<u>2,830,921</u>
<b>Other comprehensive income</b>		
Net gain on available-for-sale financial assets	24,271	-
Total comprehensive income for the period	<u>3,689,664</u>	<u>2,830,921</u>
EARNINGS PER SHARE CALCULATION:		
NET INCOME	\$ 3,665,393	\$ 2,830,921
PREFERENCE SHARE DIVIDEND	-	(281,250)
NET INCOME AVAILABLE TO COMMON SHAREHOLDERS	<u>\$ 3,665,393</u>	<u>\$ 2,549,671</u>
WEIGHTED AVERAGE NUMBER OF COMMON SHARES	<u>15,596,145</u>	<u>15,596,145</u>
EARNINGS PER SHARE	<u>\$ 0.24</u>	<u>\$ 0.16</u>

# BANK OF THE BAHAMAS LIMITED

## UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended September 30, 2009  
with comparatives for the three month period ended September 30, 2008  
(Expressed in Bahamian dollars)

	Share Capital	Share Premium	Treasury Shares	Reserves	Retained Earnings	Total
Balance at July 1, 2008	\$ 30,364,990	\$ 28,587,866	\$ (30,244)	-	\$ 34,980,703	\$ 93,903,315
Net income	-	-	-	-	2,830,921	2,830,921
Dividends on preference shares	-	-	-	-	(281,250)	(281,250)
Balance at September 30, 2008	<u>\$ 30,364,990</u>	<u>\$ 28,587,866</u>	<u>\$ (30,244)</u>	<u>-</u>	<u>\$ 37,530,374</u>	<u>\$ 96,452,986</u>
Balance at July 1, 2009	\$ 50,015,990	\$ 28,587,866	\$ (30,244)	\$ 22,694	\$ 35,356,348	\$ 113,952,654
Net income	-	-	-	-	3,665,393	3,665,393
Appropriation of retained earnings	-	-	-	4,000,000	(4,000,000)	-
Net gains on remeasurement of available-for-sale securities to fair value	-	-	-	24,271	-	24,271
<b>Balance at Sept 30, 2009</b>	<b><u>\$ 50,015,990</u></b>	<b><u>\$ 28,587,866</u></b>	<b><u>\$ (30,244)</u></b>	<b><u>\$ 4,046,965</u></b>	<b><u>\$ 35,021,741</u></b>	<b><u>\$ 117,642,318</u></b>

# BANK OF THE BAHAMAS LIMITED

## UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

(Expressed in Bahamian dollars)

	September 30, 2009	September 30, 2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 3,665,393	\$ 2,830,921
Adjustments for:		
Non-cash items	(884,868)	1,141,802
	<u>2,780,525</u>	<u>3,972,723</u>
Change in operating assets and liabilities	991,627	(2,422,927)
Increase in loans and advances to customers, net	(13,143,025)	(13,020,561)
(Decrease)/increase in deposits from customers and banks	(21,273,910)	33,264,262
Net cash (used in)/provided by operating activities	<u>(30,644,783)</u>	<u>21,793,497</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Acquisition of property and equipment	\$ (557,328)	\$ (780,442)
Purchase of investment securities	-	(1,567,700)
Net cash used in investing activities	<u>(557,328)</u>	<u>(2,348,142)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Dividends on preference shares	\$ -	\$ (281,250)
Increase in interest payable on bonds	601,150	-
Net cash provided by/(used in) financing activities	<u>601,150</u>	<u>(281,250)</u>
Net (decrease)/increase in cash and cash equivalents	(30,600,961)	19,164,105
Cash and cash equivalents, beginning of year	130,556,703	167,127,389
<b>Cash and cash equivalents, end of period</b>	<b><u>\$ 99,955,742</u></b>	<b><u>\$ 186,291,494</u></b>

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

For the period ended September 30, 2009  
(Expressed in Bahamian Dollars)

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**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 holder of a broker dealer license from the Securities Commission.

The Bank’s shares are publicly traded and listed on The Bahamas International Securities Exchange. The Government of The Commonwealth of The Bahamas and The National Insurance Board own 51% of the issued shares. The remaining shares are owned by approximately 4,000 Bahamian shareholders. The Banks head office is located at Claughton House, Shirley and Charlotte Streets. The registered office is located at Sassoon House Shirley Street, Victoria Avenue, Nassau, The Bahamas.

**2. Significant Accounting Policies**

The significant accounting policies and methods of computation followed in the preparation of these interim consolidated financial statements are the same as those followed in the preparation of the annual consolidated financial statements of the Bank for the year ended June 30, 2009 with the exception of those noted below. The annual consolidated financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”) and under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities and investment property that are required to be remeasured at estimated fair value.

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

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

### ***General Credit Reserve***

Previously the Bank recorded all credit reserves as a valuation allowance against loans and advances to customers. During the first quarter the Bank established a general credit reserve as an appropriation to retained earnings. In circumstances where the Central Bank guidelines and regulatory rules require provisions in excess of those calculated under IFRS, the difference is accounted for as an appropriation of retained earnings and is included in a non-distributable credit reserve in retained earnings.

### **3. Provision for Loan Losses**

	<b>2009</b>	<b>2008</b>
At beginning of year	9,172,385	8,220,745
Amount written-off	(360,182)	(104,685)
Recoveries	25,284	-
Provision charged to expense	2,655,733	596,585
Policy change reflected in income statement	(3,911,542)	-
<b>Provision at the end of period</b>	<u><u>7,581,678</u></u>	<u><u>8,712,645</u></u>

### **4. Cash and Cash Equivalent**

	<b>2009</b>	<b>2008</b>
Cash	\$ 6,604,375	\$ 6,756,122
Due from Banks	<u>68,144,054</u>	<u>125,461,813</u>
Cash and due from Banks	74,748,429	132,217,935
Account with The Central Bank of The Bahamas	<u>25,207,313</u>	<u>54,073,559</u>
	<u><u>\$ 99,955,742</u></u>	<u><u>\$ 186,291,494</u></u>