



OUR VALUES

LEADERSHIP: We are called to be leaders

EXCELLENCE: We deliver what we promise to our stakeholders and add value beyond what is expected

ATTITUDE & ETHICS: We recognise that a positive attitude, honesty, trust, fairness and integrity are essential for meeting the highest level of ethical behaviour

PEOPLE DEVELOPMENT: We value our people

TEAMWORK: We depend on each other to succeed

VISION

To be the best and most respected Bahamian financial enterprise

MISSION

To work together to consistently provide exceptional customer experience and superior financial solutions

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COVER PHOTO: Bahamian Olympic Gold Medal winner Chris 'Fireman' Brown trains at the Thomas A. Robinson track in Nassau. 'Fireman' was part of the team that captured the Gold in the Men's 4x400M relay at the 2012 London Summer Olympics. BOB believed in the team's promise, lending support prior to the Games and cementing the relationship with the FORWARD theme.





Chris 'Fireman' Brown

FORWARD



In the summer of 2006—the season when track stars compete and earn their rankings—Chris “Fireman” Brown was the second fastest man on earth. Invitations to compete in meets should have been pouring in. Yet the summer passed without a single invite. Chris had done everything right, worked and trained hard, won titles, remained squeaky clean. Frustration mingled with disbelief. But he never gave up. Determined, he trained harder than ever, pushing himself as far as humanly possible.

Fast forward six years to 2012 and Chris ‘Fireman’ Brown, champion, stood on the highest platform of the London Summer Olympics as the Gold Medal was placed around his neck. Grinning, fighting back emotion, he was one of four Bahamians who broke a half-century record of American victories in the 4x400m Men’s Relay.

The lessons of the past, even

that summer that was so hard, prepared him for the future.

FORWARD

In the world of banking, the last four years have been much like Chris Brown’s summer of ‘06, waiting for the world to right itself, never failing to believe that it would.

We knew that the financial storm that caused massive correction and contraction was not an aberration, but a permanent alteration of our financial universe.

Still, the waiting, like the super athlete’s, tested us. At BOB, it also sharpened our skills, reinforced our commitment to community, made us dig deeper for initiatives to assist those affected by the economic downturn. It made us look anew at our core.

In the end, it made us stronger. We increased our capital reserves, continued to take adequate loan loss

provisions, tightened our operating belt even more, and invested in training and technology.

Today, we are ready to move **FORWARD**, to greet the future with energy and strength.

It is to the victorious Golden Knights, to the Golden Girls, to Arianna Vanderpool-Wallace, to Anthonique Strachan, Tonique Williams, to all our amazing athletes and to every determined child who tries harder at school despite challenges, and every mother who is determined that her children will grow up safe from harm, every father who wants more for his offspring than he had, for every business that invests in the people who make it successful, every volunteer who wants to make a difference, to everyone who knows that all the right decisions you make now make it better for the future that this annual report **FORWARD** is dedicated.



Highlights

Highlights appear when you least expect them and occasionally arrive in the least expected form—like this letter:

On April 30, 2012, a customer in Grand Bahama who had been through terrible times—a woman who had lost her job and nearly everything she had, including hope—penned a two-page hand-written letter. It was addressed to Terrance Carey, Senior Manager, Corporate Credit, GB.

Dear Sir,

"This letter to each of you is long overdue...Whenever I think of your kindness it is with humility. Each time, I'm reminded that people do care... The first visit from you all to my home is a day I shall never forget. It may have been insignificant to you all but it meant the world to me. The Xmas gift literally brought tears to my eyes. It was so unexpected but so very much appreciated. I can never express in words the joy I felt that day.

Mr. Carey, since you all's visit, the mortgage has been paid by myself on a regular monthly basis...You and your colleagues were the only ones to reach out to me... I am not afraid anymore because I'm sure God is working something out for me...Since I last spoke with you all, I have applied for the Government's Jump Start Programme, have started free French classes at the Susan J. Wallace Centre...Please know that I am forever grateful for your visits, gift, hugs and prayers. I am more grateful for having met you fine gentlemen. You all have inspired me...

The writer went on to explain that she hand-wrote the letter rather than typing it because she wanted it to be personal.

In a business world where focus is most often on the bottom line, it is good to be reminded that whatever the business, whatever the interest, it is people—the people you deal with and how you treat them every single day—who matter.

Letters like this and the many other notes of appreciation we get make us proud because they tell us that you believe our staff exceeds expectations and that our relationships go beyond banking to touch lives. We strive to be the best we can be in all we do from the most basic chequing and savings services to the most complex corporate trust asset management.



FINANCIAL HIGHLIGHTS

- Strong capital base
- Remains profitable throughout the deepest recession since the great depression
- Capital reserves exceed Central Bank requirements
- 47,000 deposit accounts
- 4,000 shareholders
- \$861 million total assets, 23% in total risk-adjusted capital ratio
- \$688 million in net loans and advances to customers and banks

- \$671 million total deposits
- Nearly \$78 million in assets under management by Private Banking & Trust
- 5% growth, home mortgages
- \$0.08 earnings per share
- Share price stability
- \$3.68 million net income
- \$3.2 million paid in dividends, bringing total dividends to local shareholders since the bank went public in 1994 to more than \$51 million

INSTITUTIONAL HIGHLIGHTS

- Recipient of **Euromoney Award for Excellence** as Best Bank in the Country for the fourth time since 2006
- Recipient of the coveted **Bracken Award for Country's Best Bank**, presented by The Banker, part of the Financial Times Group. It was the third time BOB was named the top bank in the nation
- Installation of **BOB Express**, new handicapped-friendly, multi-lingual ATMs with instructions in English, Creole and Braille located at Arawak Cay, Lynden Pindling International Airport, Phil's Food Services, and several branches including Shirley Street, Village Road, Thompson Boulevard, Harrold Road and Grand Bahama with more due to be installed throughout the year
- Introduction of **e-commerce** enabling all businesses that qualify to open an account with BOB to accept orders and payment for goods and services online, opening one of the most powerful avenues available internationally for growth

- Increased involvement among staff for community outreach, including presentation of **Shared Success awards** for volunteer work
- BOB stepped up **re-branding** with nationwide signage reflecting BOB's lighter, brighter, more organic look and feel
- **Shareholder value re-affirmed** through:
 - Capital reserves boosted to more than \$117 million
- Launch of **suite of customer-oriented campaigns** tied to specific returns or seasonal events: B\$ investments with competitive interest rates, Christmas Club Accounts, Christmas Cash Back program, Junior Savings, with minimum of \$10 to open an account and establish good savings habits
- Customer Appreciation Day in all branches
- Introduction of Saturday banking at two branches in New Providence

Board of Directors



**Dr. Richard C. Demeritte,
Chairman**

**RICHARD C. DEMERITTE, CA,
FCGA, CHAIRMAN**

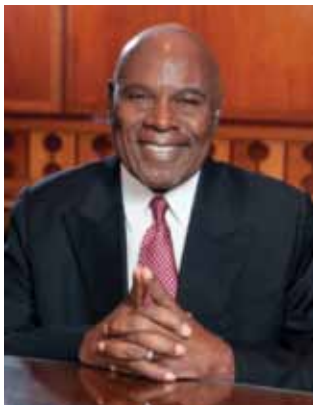
Certified Public Accountant, former Auditor General of the Ministry of Finance, author, corporate and civic director, consummate diplomat and statesman, Dr. Richard C. Demeritte has served as High Commissioner to the United Kingdom and as The Bahamas' first Ambassador Extraordinary and Plenipotentiary to the Kingdom of Belgium, the Federal Republic of Germany; the Federal Republic of France; and the European Economic Community. Throughout his career, his knowledge has been sought by a wide array of private and

public boards, including the Council of the Association of International Accountants where he served as the first non-British President and Chairman and has remained a member of the Council for nearly three decades. Following his retirement from the public service in 1996, he established his accounting firm MGI Richard C. Demeritte & Co.-Chartered Accountants & Management Consultants and continued to serve on numerous charitable and non-profit organisation boards. He is also a Fellow of the Royal Society of Arts (London), and a Certified General Accountants Association (Canada) and the Association of

International Accountants (London), Dr. Demeritte is a Certified Fraud Examiner. He was awarded a Ph.D. in Public Sector Accounting in 2003.

**RAWSON MCDONALD,
DEPUTY CHAIRMAN**

One of the country's senior attorneys, Rawson McDonald has had an industrious career in law and finance following honours performances and top prizes throughout an academic career that culminated in a Master of Laws degree from the University of Buckingham, England. From 1959-1965, Mr. McDonald worked with the Navios Corporation, followed by seven years



**Rawson McDonald,
Deputy Chairman**

as vice president of trading for Deltec Banking Corporation. In 1973, he was appointed resident manager of Swiss Italian Banking Corporation, later moving to Syntex Bahamas Chemical Division before launching his law career with Higgs & Johnson, followed by four years with Lobosky & Lobosky and three with Gwendolyn House. In 2003, he founded Rawson McDonald & Co.. Mr. McDonald has served on several boards including The Bahamas Hotel Corporation and Bahamas Telecommunications Corporation.

BISHOP ROSTON LIVINGSTON DAVIS

Community counselor, NGO director and prominent theologian, Bishop Roston Davis has touched thousands of lives in The Bahamas in his 40-year service as civic and religious leader. He began his career in the civil service as a teacher, followed by a posting in the Customs Department. He became a drug counselor and turned his attention to organised religion as he furthered his academic training. With a Master of Arts from Oxford, England, a second Master's Degree in counseling from the University of Miami, and two honorary doctorates, Bishop Davis was elected President of the Bahamas

Christian Council after serving in many posts on the Council. He has served in the highest capacities in the Golden Gates World Outreach Ministries and as Assemblies of God National Sunday School Superintendent. His lay duties include serving on the board of the Bahamas Mortgage Corporation and Great Commission Ministries among other organisations.

DON SHANNON DAVIS

A Certified Public Accountant with a 25-year career in banking, finance and private enterprise, Mr. Davis has served as CEO of JP Morgan Trust Company (Bahamas) Ltd., as a Director in the company, as senior accountant with the Bahamas office of a major international accounting firm and with a boutique accounting firm in his earlier career. In addition to audit, development, risk management and financial oversight, his vast leadership experience includes the Deputy Chairmanship of the Bahamas Electricity Corporation (2005-2007) following three years as a Director. He holds a Bachelor of Science in Accounting from the University of North Carolina. Since 2008, Mr. Davis has been President and CEO of Quality Home Centre and C. to C. Company Limited.

ERIC GIBSON JR.

With a diverse background blending top level Information Technology, accounting, management skills and successful entrepreneurship, Mr. Gibson was Director and Head of Operations & Information Technology at Ansbacher (Bahamas) Limited where he worked in several capacities for 15 years starting in 1994. Prior to joining Ansbacher, Mr. Gibson was a systems analyst and programmer for a major insurer, an analyst programmer for one of the country's largest wholesale/retail companies writing its accounts payable system and authoring its retail accounting and inventory programming. He was a computer programmer for BITCO from 1984-1988. Mr. Gibson holds a Bachelor's degree in Professional Management with a specialty in Accounting from Nova University and several certifications, including Project Management. In 2009, he opened his own business, Bahama Grill Café.

DONNA MARIA HARDING-LEE

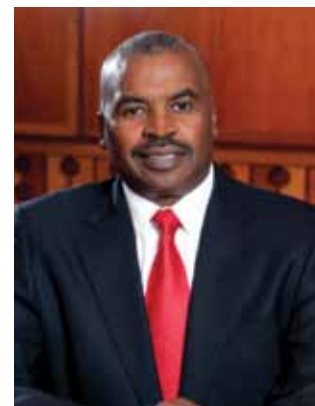
A senior attorney, Mrs. Harding-Lee was called to the Bahamas Bar in 1982 after articling with the firm Cash, Fountain & Co., where she began her practice and remained for 14 years until founding her own law



Bishop Roston Livingston Davis



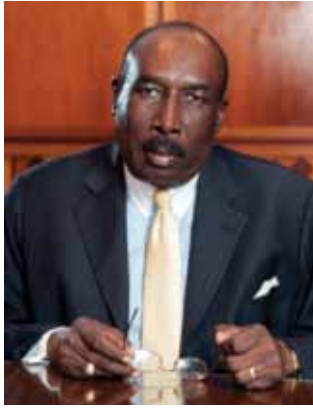
Don Shannon Davis



Eric Gibson Jr.



Donna Maria Harding-Lee

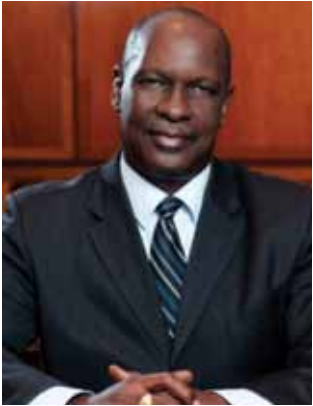


Errol John McKinney

offices, Harding-Lee & Co. in 1996. Mrs. Harding-Lee is a former Chairman of the Government School Board. She has been a director of an insurance/financial institution, served as a member of the Industrial Relations Board of The Bahamas, and has held various positions within the Bahamas Bar Association, including membership on the Disciplinary Tribunal.

ERROL JOHN MCKINNEY

Labour advocate, corporate director and consultant, Errol John McKinney is president of EM & Associates founded in 2006 to provide management, labour and human resources consulting services. Prior to establishing his own firm, Mr. McKinney served as Office Manager and Labour Advocate with Obie Ferguson & Co. law offices. His diverse background includes the food and hospitality industries and few contracts with major hotels in The Bahamas have been negotiated without Mr. McKinney's involvement. He has also served as director of the Bahamas Telecommunications Company (2002-2007), and from 1970 to 1982 on the Nassau Paradise Island Promotion Board, Bahamas Hotel Association, Bahamas Reservations Service and as a trustee and director of the Bahamas Employee Association. Having achieved certifications and



Roger L. Minnis

completed academic work at Cornell and the University of the West Indies, he is currently pursuing his LLB in law at the University of Wolverhampton.

ROGER L. MINNIS

A senior attorney, Mr. Minnis began his career in banking as a management trainee and loan officer with the Canadian Imperial Bank of Commerce before turning his attention to law and articling with the law firm that produced two prime ministers, Christie, Ingraham and Co. for five years beginning in 1985. He was called to the Bahamas Bar in 1990 and by the following year opened his own practice. Born in Nassau, Mr. Minnis attended St. Augustine's College, followed by St. John's College and Meisterschaft College in Toronto. He graduated from York University with a Bachelor or Arts in Economics and graduated with a Bachelor of Laws degree (LLB Honours) from University of Buckingham in 1985.

JOHN FITZGERALD WILSON

A partner at the law firm McKinney Bancroft & Hughes, John F. Wilson specializes in Admiralty Law and commercial litigation with concentration in Trust, Shipping and Fraud Recovery. His writings on The Bahamas ship registry, Trustee power and matters related to banking have formed the basis of



John Fitzgerald Wilson



Paul J.J. McWeeney

lectures and papers and he is a contributing author to two important works on law, including The International Real Estate Handbook. One of the few Bahamians to have sat and passed the Michaelmas Exams of the London Bar Exams, Mr. Wilson earned his LLB degree from the University of Buckingham with honours and was awarded the Dean's Award for performance. He was admitted to the Bars of England and The Bahamas in 1994 and has served on the disciplinary committee of the Bahamas Institute of Chartered Accountants and as co-chair of the arbitration working group of the Bahamas Financial Services Board.

PAUL J.J. MCWEENEY

Starting his career at Chase Manhattan, N.A., Mr. McWeeney has served in the financial services industry internationally and in The Bahamas for more than 30 years. Joining Bank of The Bahamas in 1993, he was appointed Managing Director in 2001. He serves on several financial regulatory and civic boards, including holding the first chairmanship of the Bahamas Automated Clearing House.

*The Management and Staff
of Bank of The Bahamas*

*celebrate the life and dedication
of former BOB Chairman*

Mr. Alfred Jarrett, C.M.G.



August 23, 1942 - May 22, 2012

*Care more than others think wise,
Risk more than others think safe,
Dream more than others think practical,
Expect more than others think possible.*

**Al Jarrett cared, risked, dreamed and expected more than most and for that,
his was a life well lived and his absence that will be felt by The Bahamas.**

History of Bank of The Bahamas



Top: Julie Reckley (centre), Harrold Road Branch Manager until her recent retirement, was named Boss of the Year by the International Association of Administrative Professionals, an honour bestowed on only one person in The Bahamas every year.

Right: BOB Managing Director Paul McWeeney accepts the Bracken Award, presented by The Banker magazine, part of the Financial Times Group. It was the third time BOB was named Country's Best Bank by the prestigious organisation.



When Bank of The Bahamas received the Euromoney Award for Excellence this year for the fourth time and was named Best Bank in The Country by The Banker, part of the Financial Times Group, for the third time during the same fiscal year, it was an historic milestone in the nation and for the young bank. No other Bahamian bank had ever come close to achieving such international recognition. Yet Managing Director Paul

McWeeney hesitated to publicize the two awards, believing the news should be shared with shareholders in the annual report or at the annual general meeting as opposed to making it a reason for boasting when so many in the nation are still struggling.

The Bank, he believes, should continue to do what it has done to grow from infancy 24 years ago to where it is now, rather than basking in recognition.

Yet the history is nothing short of noteworthy.

Since its creation through the acquisition of an established Canadian bank in 1988, Bank of The Bahamas has grown from \$90 million in assets to nearly \$861 million as of June 30, 2012, from three locations to 13, from serving two islands to a presence on seven, from providing the most basic of retail banking services to the most comprehensive of financial products. In just over a decade, shareholder equity has grown from \$19 million in 2000 to \$117 million by 2012.

Bank of The Bahamas

Limited's record of firsts, highlighted throughout this report, includes first to provide trust services for Bahamians, first to offer full, comprehensive online banking complete with cheque imaging, first to comply with Check 21 Procedures using electronic images to clear US dollar deposits in a timely fashion, first to offer VISA pre-paid and gift cards, first to host a major mortgage fair attracting thousands and first to launch the unique Medline Visa card for medical services with negotiated rates enabling cardholders to benefit from reduced cost medical care at top facilities in The Bahamas and South Florida, first and only bank to win Euromoney's Best Bank award four times and The Banker's Bracken Award for Excellence three times.

THE BEGINNING

The Bank was incorporated in The Commonwealth of The Bahamas on April 17, 1970 as Bank of Montreal (Bahamas & Caribbean) Limited. In 1983, its name

The Euromoney Award of Excellence and The Banker's Bracken Award are to the financial services industry what the Oscars are to film, the recognition of outstanding performance. At BOB, we not only wear our seven international awards with great pride, we strive to be deserving of them every day in every transaction.

was changed to Bank of Montreal Bahamas Limited. In September 1988, the Government of The Bahamas created a joint venture with Euro Canadian Bank Limited. By purchasing 51% of the shares, the Government not only had controlling interest, but was able to ensure that Bahamian employees were offered employment with the new bank, appropriately renamed Bank of The Bahamas Limited.

During the second half of 1990, the Government purchased all of the shares held by Euro Canadian Bank Limited and issued an additional 7,000,000 shares, bringing the total number of shares issued to 10,000,000.

In September 1994 the Government sold 20% of its shareholding or 2,000,000 shares to the Bahamian public. In October 1995 the Government offered a further 3,000,000 shares of the Bank to the Bahamian public. Both offerings were substantially oversubscribed.

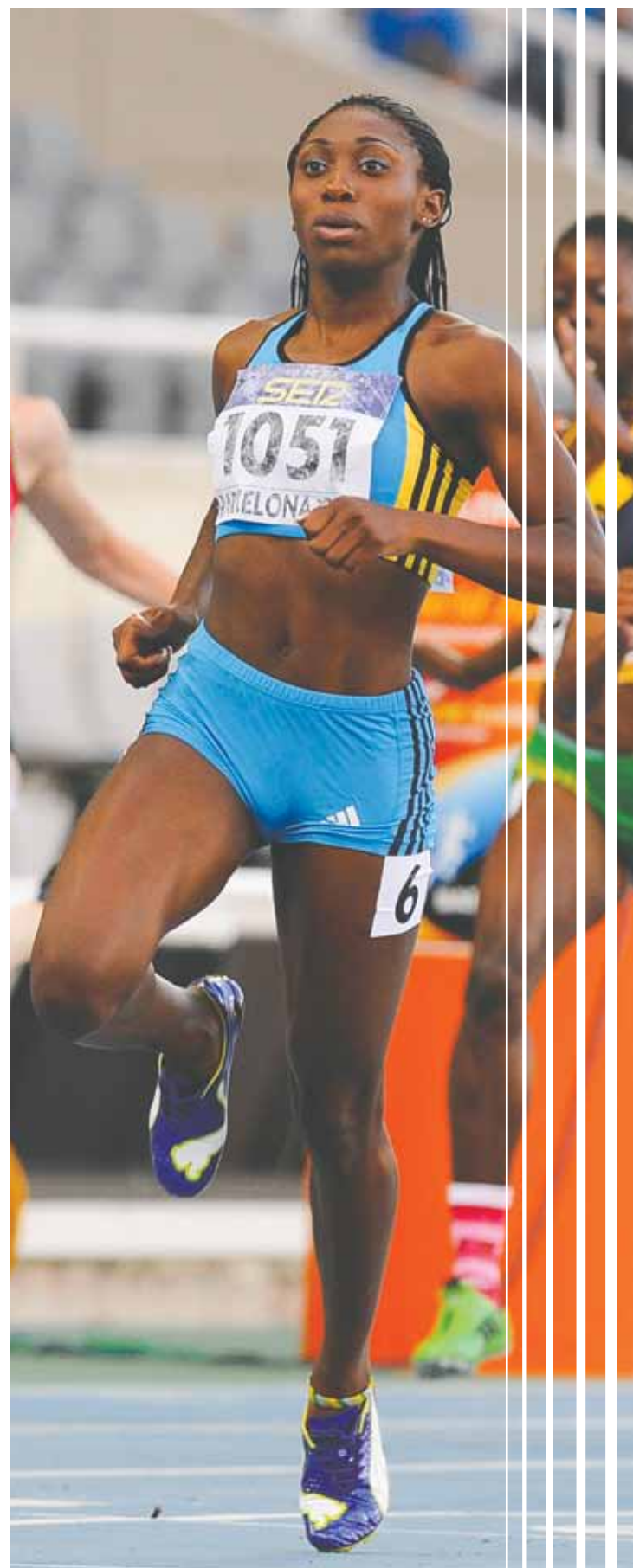
The Bank continued to experience extraordinary success as it was

Since BOB went public with an initial share offering in 1994, the Bank has paid approximately \$51 million in dividends to more than 4,000 private, corporate and institutional shareholders.


able to announce an oversubscribed rights offering of \$25 million in late 2005 and a subsequent \$15 million private placement preference share offering in 2006. Authorized capital of the Bank is at 150,000,000 Shares of B\$1 par value.

By expanding its capital and continuously upgrading services and products, the Bank has steadily pioneered the way financial business is conducted in The Bahamas.

In September 2000, it launched a wholly-owned subsidiary, Bank of The Bahamas Trust Limited, becoming the first financial services center to offer Trust services for Bahamians. That subsidiary was later absorbed into the Bank. The



Anthonique Strachan



Trust also provides related fiduciary functions, including estate management for local residents and citizens as well as company incorporation.

Just over one year later, the Bank acquired the assets of Workers Bank Limited, increasing its branches in New Providence to four. Again, as it had at its creation, it offered employment to all who had been part of the acquired bank.

When the trading name Bank of The Bahamas International was introduced in 2002 to reflect the expanding direction of the institution, it marked one of many milestones in a history of notable changes.

In 2005, the Bank hosted an Incredible Dream Mortgage Fair, the first of its kind in the nation, and so successful it doubled the Bank's loan portfolio.

In 2006, the Bank embarked on a multimillion dollar technology investment to overhaul the back end of data entry and storage and enable Bank of The Bahamas to provide the best possible business solutions with ongoing analysis.

In 2007, Bank of The Bahamas became the first Bahamian bank with a financial services centre in Florida where Bahamians who do business there every day are able to do so with greater efficiency and ease. That same year, closer to home, BOB acquired the mortgage portfolio of Citibank as it shed its domestic book of business.

In 2007 and again in 2008, it was the first—and remained the only—publicly-held Bahamian company to produce an annual report on CD.

In 2009, a \$20 million preference share offering further increased capital to support expansion.

From 2008 to 2011, BOB grew its Private Banking and Trust services division, assisting clients with personalized banking to free up their most valuable asset, time. Through VIP services, the Bank's Private Banking professionals handled personal financial solutions ranging from bill payment to estate, trust, retirement, asset or insurance protection.

Over the past four years, during challenging

economic times, the Bank focused on prudent management, internal controls and invested heavily in technology as well as staff development. The result: automatic data updating, making thousands of hours once spent on inputting of information available for customer relations and business development. The Bank also began its rebranding, tightening up its name to BOB and embracing lighter, brighter colors.

In 2012, work was completed on the new Carmichael Road branch which was opened in December.

Two years earlier, BOB was at the forefront of a move to create the Bahamas Automated Clearing House (BACH). Eliminating the need to ferry paper cheques between banks and The Central Bank and replacing the system with quick electronic transaction processing, BACH is proving itself invaluable. The manual physical handling of paper cheques is a relic of the past and BACH is now handling 4.5 million cheque transactions annually.

And in fiscal 2012,

Leevan Sands

the Sponsorship Review Committee continued to refine the Bank's outreach by looking at it as a partnership with initiatives that grow communities and help ensure healthy development. Bank sponsorships included the Ride for Hope to raise funds for the fight against cancer, Tour of The Bahamas, the local version of the Tour de France, and *Love That Child*, original music produced to raise funds for the Ranfurly Home and Children's Emergency Hostel. The Bank also purchased uniforms for the Royal Bahamas Police Force Combined Youth Band and nearly 50 other law enforcement, education and youth development programs or campaigns. Support continued for the Downtown Nassau Partnership and BOB expanded its commitment to the Royal Bahamas Police Force Summer Youth Camps, this year, for the first time, providing support for every New Providence camp. This partnership gave youngsters in nine areas

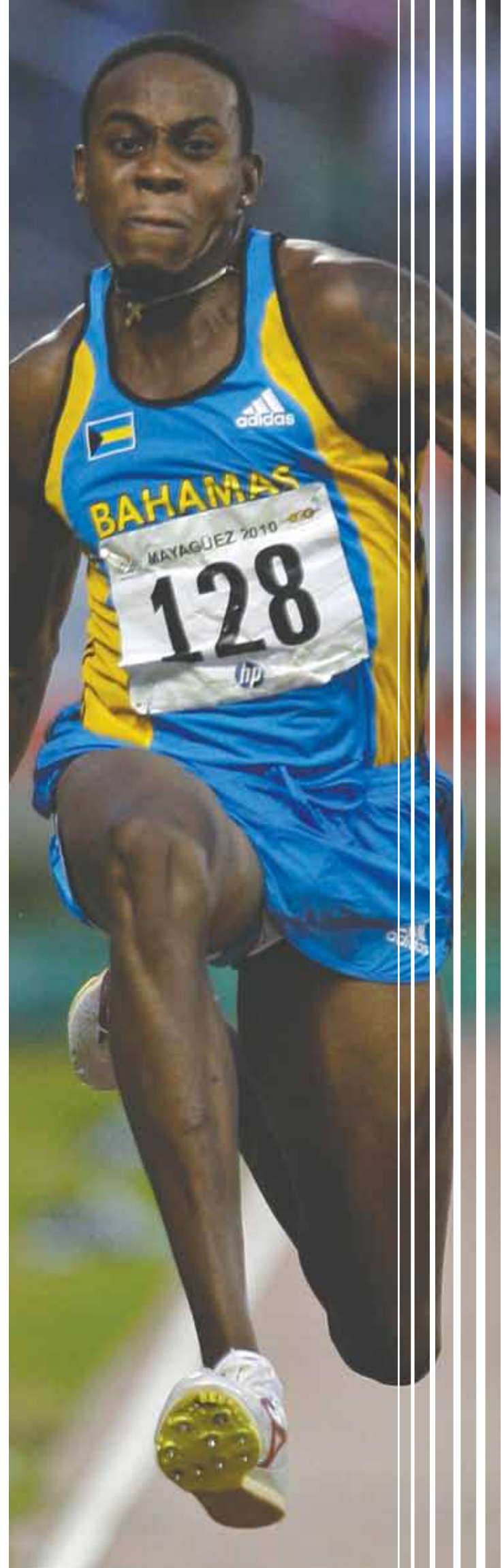
throughout the island a safe, secure and productive way to spend what could have been unsupervised endless hours during the long hot summer months.

From the start, Bank of The Bahamas was about more than banking. It was—and is—about community. About dedication to excellence and a vision of making The Bahamas an even better place to live, work, invest and believe.

From out of the box thinking to over the top training, from searching for opportunities to acquisition of expertise, the Bank has taken its unlikely beginnings into new fields of exploration and along the way lived up to its original belief—that what really sets one financial institution apart from another is people. How people on staff feel. How they treat customers. How customers feel. Banking. It's not about money. It's all about people.

As it has been since the beginning.

BOB. Bank of Solutions.



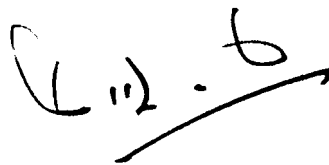
Letter to Shareholders

The first meeting I attended as Chairman of BOB was an unscheduled appearance for me, but explained more about the real heart and soul of BOB than I could have learned from reading hundreds of pages of financial documents. Some eight executives, including the managing director, sat around the board room table, listening intently to a session and review on sponsorship. Though it was rare for executives to participate in sponsorship matters, they had been invited because of the extraordinary and substantial nature of three requests. The interest they showed, the quick grasp of long-term potential for involvement or impact on lives, the wisdom of questions posed, the spirit of camaraderie were impressive and suddenly I knew that not only was BOB on sound financial ground, it was grounded in a sense of community. I had been here only briefly and I was as proud as if I had helped grow this bank myself.

The insight and knowledge that provided comfort for me should

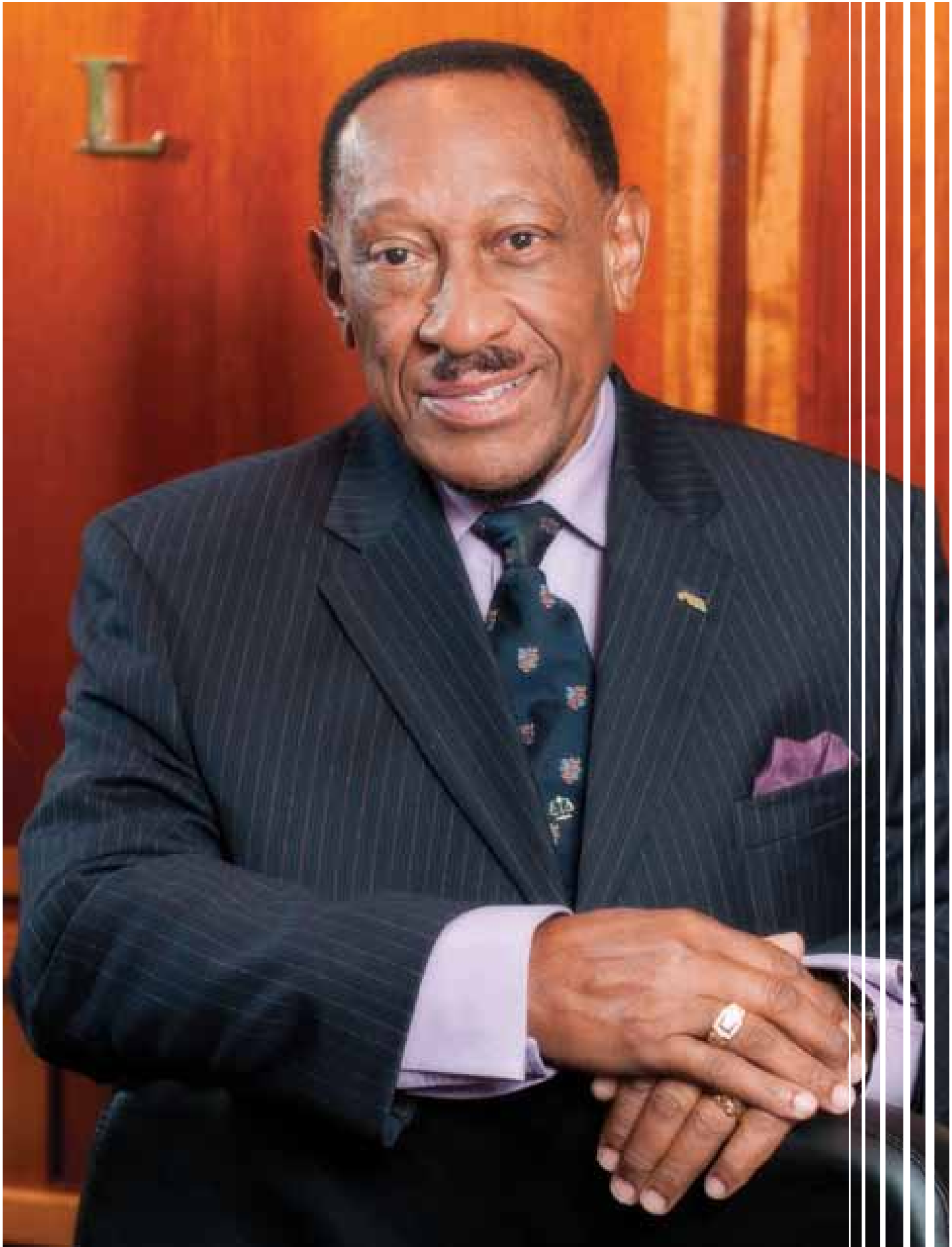
translate into confidence for shareholders. As we weave our way through the remaining economic challenges, we tread with care and prudence, buoyed by a strong executive team, a focused board of directors, a committed staff and loyal shareholders. We believe that better times lie ahead and BOB is well-positioned to benefit from and contribute to those times and the betterment of The Bahamas through business, personal and institutional financial partnership for life.

As the new Board of Directors takes its place, we wish to express appreciation to Directors who have taken this bank where it is today, and to extend a special note of appreciation to the immediate past Chairman Macgregor Robertson and the Directors who served with such wisdom.



Richard C. Demeritte, CA, FCGA,
Chairman

We believe that better times lie ahead and BOB is well-positioned to benefit from and contribute to those times and the betterment of The Bahamas through business, personal and institutional financial partnership for life.



Executive Statement




This annual report featuring four young Bahamian males who became national heroes winning Gold in the 2012 Summer Olympics in the Men's 4x400m Relay could have been titled *Imagine or Vision*. Long before anchor Ramon Miller, veteran Chris 'Fireman' Brown, Michael Matthieu and Demetrius Pinder left it all on the track in London to win the Gold medal in the 1600m event, they had a vision, their lives in fast **FORWARD**, a belief in success. They worked to make that vision reality, practicing, training, running, pushing themselves. Their win did not come in the split second it took them to grab Gold. Their competition skills, impeccable timing and muscle memory emerged after countless hours preparing, perfecting their skill.

At BOB, we know preparation is everything. During the four long years since the disorganized and disorienting fall of Lehman Bros. in 2008 that sent the bloated U.S. sub-prime housing market into a tailspin, a

financial stranglehold has engulfed global economies. Combined with the mounting EU debt crisis, many of the woes appeared distant, but reality struck close to home. A combination of high unemployment, fear of investment, paralysis of assets took its toll on the local economy dependent on leisure travel and tourism. Financial well-being was suddenly being measured in survival, security and stability rather than growth and expansion.

What was the outcome? At BOB, it was a time of delicate balance—constriction on one hand, construction on the other, steady vision combined with new direction.

In the past where BOB was heavily skewed toward helping The Bahamas grow through business empowerment, we are now directing more resources toward personal empowerment with the introduction of an expanded electronic banking suite of products inclusive of



e-commerce capabilities that can put a Bahamian business on the doorstep of any person in the world. But it takes more than skill and care to move forward. It takes vision to recognise needs before they become apparent, to keep abreast of technology and costs and to stay ahead of trends.

I am comfortable that the way forward for BOB is clear. In traditional banking, as noted above, greater attention will be directed to personal portfolios—home mortgages, financial planning, investment, asset management and consumer lending, particularly for education. We will help to build a strong nation by partnering with clients, one promising young person, one family, one elderly couple at a time with personal relationship managers who will provide guidance and attention. That is the customer service side of lending and financial services. We will also continue to build relationships with business clients providing additional merchant card and card

processing services. The most under-served segment of the market is the unbanked, those people who earn wages but do not, for one reason or another, maintain a relationship with a bank. They may be dependent upon an Asue, or hiding places for cash, or sending money to loved ones who live elsewhere. That untapped segment of the market deserves to be served and served with dignity and respect. That is one reason that all of our new ATMS, the specially designed, high-tech BOB Express machines, are multi-lingual with instructions in English, Braille and Creole and why we are bringing new energy to MoneyGram, the preferred money transfer vehicle.

BOB has been the bank of the Bahamian people since inception in 1988 and we must continue to be the bank of all the people who call The Bahamas home from the wealthiest foreign-born resident in an exclusive gated community to the gardener who keeps the

country's landscaping lush and manicured. We will also bring further attention to seniors who deserve asset and wealth management through private banking and trust vehicles. Today, we have approximately \$78 million in assets under management in Private Banking. We expect growth in Private Banking as we engage in new agreements with two major international organisations.

Going forward, there will be other significant changes which we believe auger well for BOB. We are poised to increase non-interest revenue—income from fees and services retailed to clients and wholesaled to other providers, lessening the near-absolute dependence upon interest from lending. By 2017, we project that non-interest revenue which currently

At BOB, we will be fully prepared for the wave of e-banking lapping at our shores, certain to change banking as we know it.



All of our new ATMs, the specially designed, high-end, high-tech BOB Express machines, are multi-lingual with instructions in English, Braille and Creole...

accounts for 15 percent of our income will account for 50 percent of revenue.

We will continue to build on our bundling of products, a formula that has proved very effective and appreciated. Examples include providing a debt consolidation loan wrapped with a savings plan and pre-paid credit card which replaces a credit card that breeds an environment of spending, at least until such time as the debt consolidation loan is satisfied. Bundled plans and products are also designed to build better banking habits.

Long-term, the single largest change will be in the way people bank. Industry

analysts predict there will come a time when clients no longer feel a need to walk into a bank and stand in line to make a deposit, see a loan officer, transfer funds or pay a bill. We do not believe that electronic banking will totally replace bricks and mortar. There is a strong attraction to the human connection, even in financial affairs that can be handled otherwise. This is particularly true for seniors to whom going to the bank is a social occasion. There is nothing that can compete with a friendly smile from someone who knows you, asks about your spouse or grandchild, handles your account as if it were the most important transaction of the day. Nevertheless, the reality is that more and more transactions will take place electronically, supplemented by the use of machines like ATMs at off site locations, not just bank branches. More transactions will start and end online as electronic banking on

laptops, iPhones, iPads, Androids, Samsung Galaxy models, BlackBerrys and other smart phones become mobile banking devices. Some analysts have predicted the “tabletization” of banking, believing that the iPad or similar tablet will replace the laptop for online banking. Mobile wallets are beginning to be introduced in The Bahamas and a short flight away, in Florida, it is already prevalent to pull out a phone, photograph a cheque being presented, deposit it into your account and hand the paper on which the cheque was written back to the issuer who then has no further need of it. BOB was the first bank to recognize the value of cheque imaging and first to introduce a bank website in The Bahamas. We were also the first to introduce e-commerce, one of our major accomplishments of 2012. We know that what started out as a novelty, mobile banking, will soon be as popular as

Managing Director Paul McWeeney presents the Managing Director's Cup to San Salvador Branch Team Leader Ingrid Storr following the Driven to Win inter-branch competition.



online banking and that for many, the two will be almost indistinguishable. We see this as two worlds converging and crisscrossing, the digital and the direct person-to-person. The more that people are able to rely on electronic banking for everything from transferring funds to applying for a mortgage and waiting to hear if they were approved, the more important it is for us to make in-branch banking as pleasurable, efficient and satisfying an experience as possible. We strongly supported the move to a Bahamas Automated Clearing House to eliminate the exchange of paper cheques.

At BOB, we welcome every delivery channel as we look to the future. We will be fully prepared for the wave of e-banking lapping at our shores, certain to change banking as we know it. We know that the bottom line is only part of a picture and that growth

depends on every tactic and strategy that enables improvement. We believe that all of the steps outlined above, along with the shareholder buy-back of 2012, have buoyed share value. As we look forward to our 25th anniversary, we do so with pride, having earned some \$100 million in profits and paid out \$51 million in dividends, sharing our rewards with more than 4,000 shareholders since going public in November 1994.

We are pleased to say that after a long period of holding our breath, we feel a cautious optimism about the medium term although we will continue to face significant head winds in the near term.

On a personal note, as we look forward to better days ahead and continuing to gain market share, I would like to express appreciation to immediate past Chairman Macgregor Robertson and the directors who helped steer BOB through

external rough waters, to management and staff who demonstrated high standards and dedication, and a special thank you to shareholders for placing your trust in BOB. Thank you for journeying with BOB as we continue to live up to our reputation as the homegrown domestic bank with international capabilities, earning the right to be known as the Bahamian Bank of Solutions.

Paul J.I. McWeeney
Managing Director

Private Banking & Trust

In the year 2000, Bank of The Bahamas marked a milestone in domestic retail banking, unveiling the first personal and corporate trust services for asset protection in B\$ for Bahamians. It was a radical departure from traditional domestic banking with its usual triangular run of retail services—savings, chequing, lending. However, in retrospect, its introduction

was almost inevitable given the cadre of professionals trained as personal relationship officers and knowledgeable about financial planning tools. For years, Bahamians working in offshore banks and trust companies had managed and administered a variety of trusts for client accounts, but Bahamians whose earnings warranted Private Banking, financial estate management planning and other planning tools had never enjoyed the protection of trusts themselves. It took the relative newcomer to the market, Bank of The Bahamas which had opened its doors only 12 years earlier, to realize such a market existed in B\$ trusts and to act on that belief. After all, Bahamians enjoyed the third highest per capita income in the region.

The Trust initiative was a harbinger of things to come. Six years later, Bank of The Bahamas launched

Private Banking and in the six years since, has grown that division to more than \$78 million in assets under management.

Now, the progressive bank that has stepped out ahead of the crowd is about to do it again. Going up against global goliaths, Bank of The Bahamas Private Banking has just signed agreements with two powerful forces in the increasingly competitive arena of private banking.

Aligning with international private banks allows BOB to provide clients with expanded investment options for private banking and trust. Even more importantly, it allows BOB Private Banking to draw from an expanded pool of knowledge and market information being updated constantly and collated from sources around the globe. And that provides a critical advantage in an environment where change



*Dianne Bingham,
Senior Manager, Trust*



is constant and where in a moment, a shift in a nation's financial status can impact markets. Though most of the assets under BOB management are mid- to long-term, clients gain confidence knowing that the bank's financial alliance partners are tracking every movement, considering options and offering counsel and management expertise.

Establishing trust services for Bahamians followed by the launch and dramatic growth of Private Banking have reaffirmed the bank's goal of becoming the 'one name associated with total financial partnership.'

In 2012, BOB expanded its Private Banking staffing and added products and services. BOB Private Banking now includes concierge services, asset management, financial planning, an array of trust services, bill payment, extended credit card privileges—all with a

personal relationship manager. Forging new alliances for broader global expertise and options, Bank of The Bahamas Private Banking is looking to grow a diversified product menu before year-end. That will include an international value debit card and an insurance plan partnership.

But its managing director is mindful that as much as Private Banking changes, certain aspects remain and have been constant since its birth in 600 BC, when it was the root of all banking.

"Today's private banking is built on the same principles, performance and trust," says Managing Director Paul McWeeney. "Let me say at the outset that private banking is not easy. It is relationship-dependent and performance-demanding. It is, in fact, the most personal service-oriented form of banking known to the financial services

industry. Survivors thrive by paying very close attention to personal relationships and to performance. As fortunes change and grow, as new economies alter the commercial landscape, the need for private banking will continue to grow and the institutions that do it well will grow with the rising tide of ever-greater accumulation of protection of wealth."



*Michael Basden, Manager
Private Banking*



Community

No matter how sophisticated banking becomes, the real measure of a national institution is how it treats the community in which it operates. BOB is proud to support efforts throughout The Bahamas from a high school graduation ceremony on a Family Island to a summer

camp for more than 2,000 youth who might not otherwise have a productive, wholesome way to spend six weeks of their summer. This year, BOB supported a wide range of activities and met a broad net of needs.

Among them were the personal outreaches that touched so many lives, like

the visits and gifts from two managers in Grand Bahama to a woman who had lost her job and thought she was about to lose everything else, including hope.

"Whenever I think of your kindness, it is with humility," she wrote. "Each time, I'm reminded that people do care... The first visit from you



Long before the four top relay runners in the world in the Men's 4x400m event won Gold and became known as the Golden Knights, BOB backed the team based on the promise it showed. Michael Matthieu, Chris 'Fireman' Brown, Demetrius Pinder and Ramon Miller delivered on that promise, but were so busy training and competing they never collected their funds until after the 2012 London Summer Olympics. Also pictured, Wellington Miller, Bahamas Olympic Committee President, far left, BOB Deputy Managing Director Vaughn Delaney, centre, Dr. Daniel Johnson, Minister of Youth, Sports & Culture, 4th from right, and Mike Sands, President, BAAAs.

all to my home is a day I shall never forget...I can never express in words the joy I felt that day."

There was another from a student at the Bishop Michael Eldon School in Grand Bahama, a school to which BOB had donated a scholarship and computer.

"Receiving this prize," the

young winner wrote, "shows me that there are people who believe in my potential and that encourages me to continue to work hard and not to let them and myself down. You've inspired me to strive for excellence because I know that if I work hard, I can achieve my goals."

When The Salvation Army

kicked off its annual kettle drive last year, BOB led the way with the first donation, a cheque for \$1,000, urging others to give generously.

"Your gift is a clear demonstration of your care and concern for the needs of the less fortunate in our community," wrote Divisional Commander

Cancer Caring Centre Committee meets to prepare for Luncheon on the Lawn, a fund-raiser sponsored by BOB.



Exuma BOB Branch Manager Anniffa Curtis, right, and staff show support for the 7th Annual Exuma Heritage & Music Festival, celebrating home-grown pride in Dis We Tings.



Deputy Managing Director Vaughn Delaney presents a cheque to the Royal Bahamas Police Force to assist with all nine of its Summer Youth Camp with Philice Albury, Senior Manager Risk & Compliance looking on.

Major Lester Ferguson. *"Your gift will be used to bring cheer and relief to the hearts of many such persons and family as we do our best to provide assistance with food, clothing, medical care, education and other practical needs."*

When Hurricane Irene slammed into The Bahamas in August, 2011, hitting Cat Island, Rum Cay, Mayaguana and Grand Bahama with fierce Category 3 winds and wiping out 90 percent of the settlement of Lovely Bay, Acklins, BOB wasted no time, setting up CODE R.E.D., raising awareness, donating money, buying supplies

The 2012 Tour of The Bahamas included a Family Fun Ride sponsored by BOB.

and enlisting partners to ship entire container loads of goods to where they were needed. Staff placed donations boxes in all four New Providence branches, at Phil's Food Services on Gladstone Road and set up an account for cash donations. Internal memos circulated. Donations came in. So did friends. Andrew Stanford, a 30-year banking veteran who now owns and operates a trucking company, donated all services, working on and off for three days to collect donated furniture from Lyford Cay to the Eastern Road in one of his two trucks—Dirty Paws Hauling and Stanford Moving. He and his team assisted loading cartons of paper goods, cleaning supplies and food purchased at Phil's

"... Your organisation is one of those caring and most generous patrons in the community... We will always be grateful for kind contributions you have made over the years and the participants and staff of the program hold a special place in our hearts for you."

—Bahamas Mental Health Association

from donated funds and other monies allotted by the bank. Phil's Food Services partnered from start to finish. In addition to making the drive part of their weekly promotional campaigns, the food giant provided goods at a substantial discount.

When the boat arrived, bank staff were





Students from Columbus Primary School treated BOB representatives to a lively performance at an appreciation assembly after the bank contributed books and words of encouragement about striving for excellence in all you do. Columbus Primary was one of several schools benefitting from the bank's support for those extra books, all approved by educators, that reinforce the joy of reading.

overwhelmed. There were so many supplies they were able to create 75 care packages and with the help of the Anglican Diocese deliver them in person from one end of the island to the other.

"I'm very blessed," said Marie Wilson, a grandmother from Stevenson who had lost everything and did not even have a bed to sleep in after

the storm. *"I appreciate what Bank of The Bahamas did. I cannot believe how blessed I am."* NEMA helped repair her roof. Now, furniture that filled an expensive residence in Lyford Cay the week before had a new home in Cat Island. BOB was there. BOB cared.



Deputy Managing Director Hubert Edwards helps distribute Toys for Tots, a Kiwanis project supported by BOB.



For the second year, BOB was proud to sponsor the musical extravaganza Love That Child, bringing young local and international talent together to perform, raising more than \$15,000 for two children's homes. More than 500 people packed the hall with all donations going to the Ranfurly Home for Children and the Children's Emergency Hostel. The concert takes its name, Love That Child, from original music written and performed by Damien Davis, centre stage, who grew up at the Hostel and Ranfurly and wanted to find a way to give back. BOB supported the original production of the music and the musical extravaganza has grown up around it.



Executive Committee

Executive Management



Paul J.I. McWeeney
Managing Director



Vaughn Delaney
Deputy Managing Director

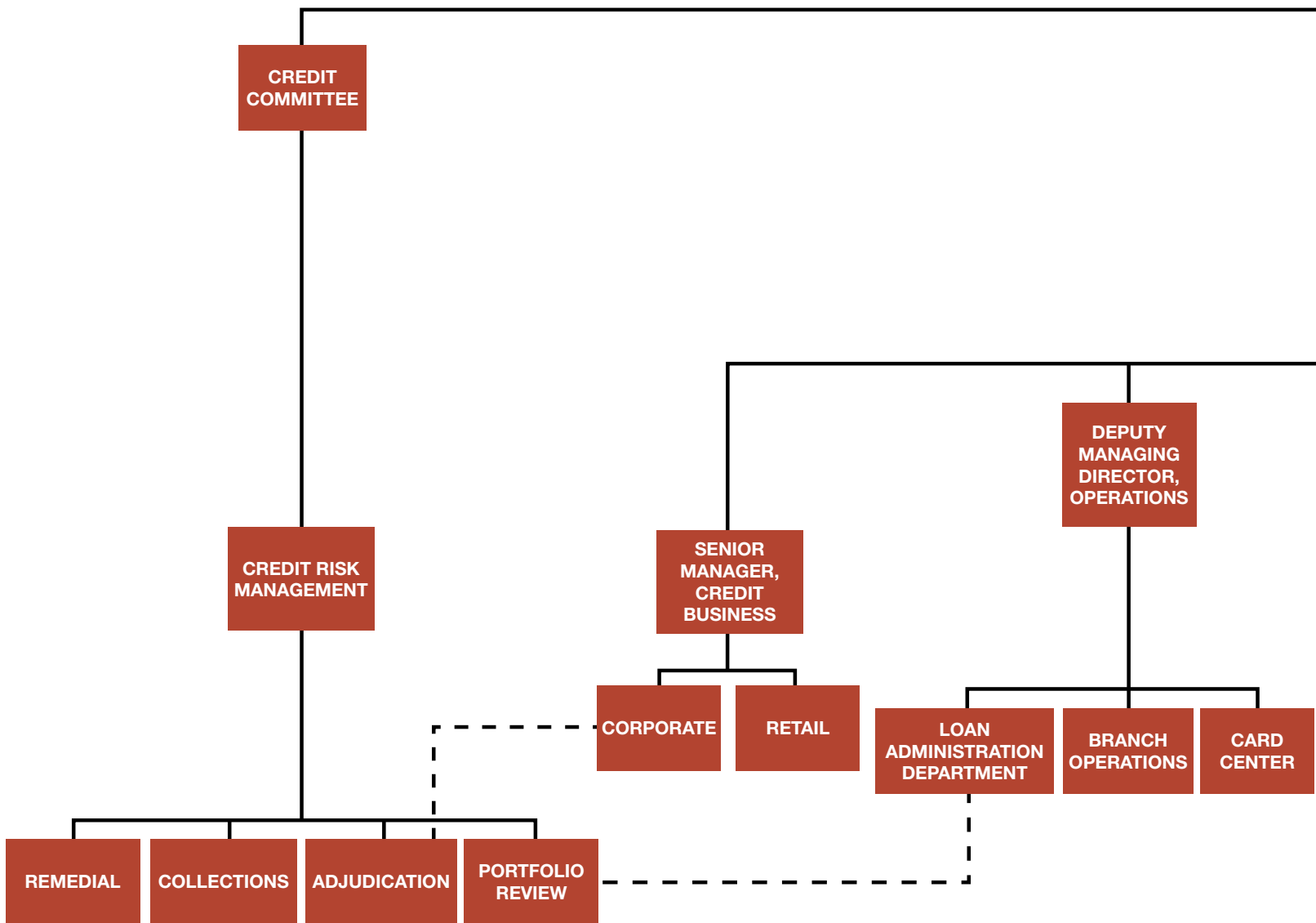


Dario Lundy-Mortimer
Deputy Managing Director
& CFO



Renee Davis
Deputy Managing Director

Organizational Chart



Senior Managers



Hubert Edwards
Deputy Managing Director



Laura A. Williams
Manager, Corporate Affairs
& Company Secretary



Philice Albury
Senior Manager, Risk



Darryl Bartlett**
Consultant, Credit
Risk



Selvin Basden
Senior Manager,
Human Resources



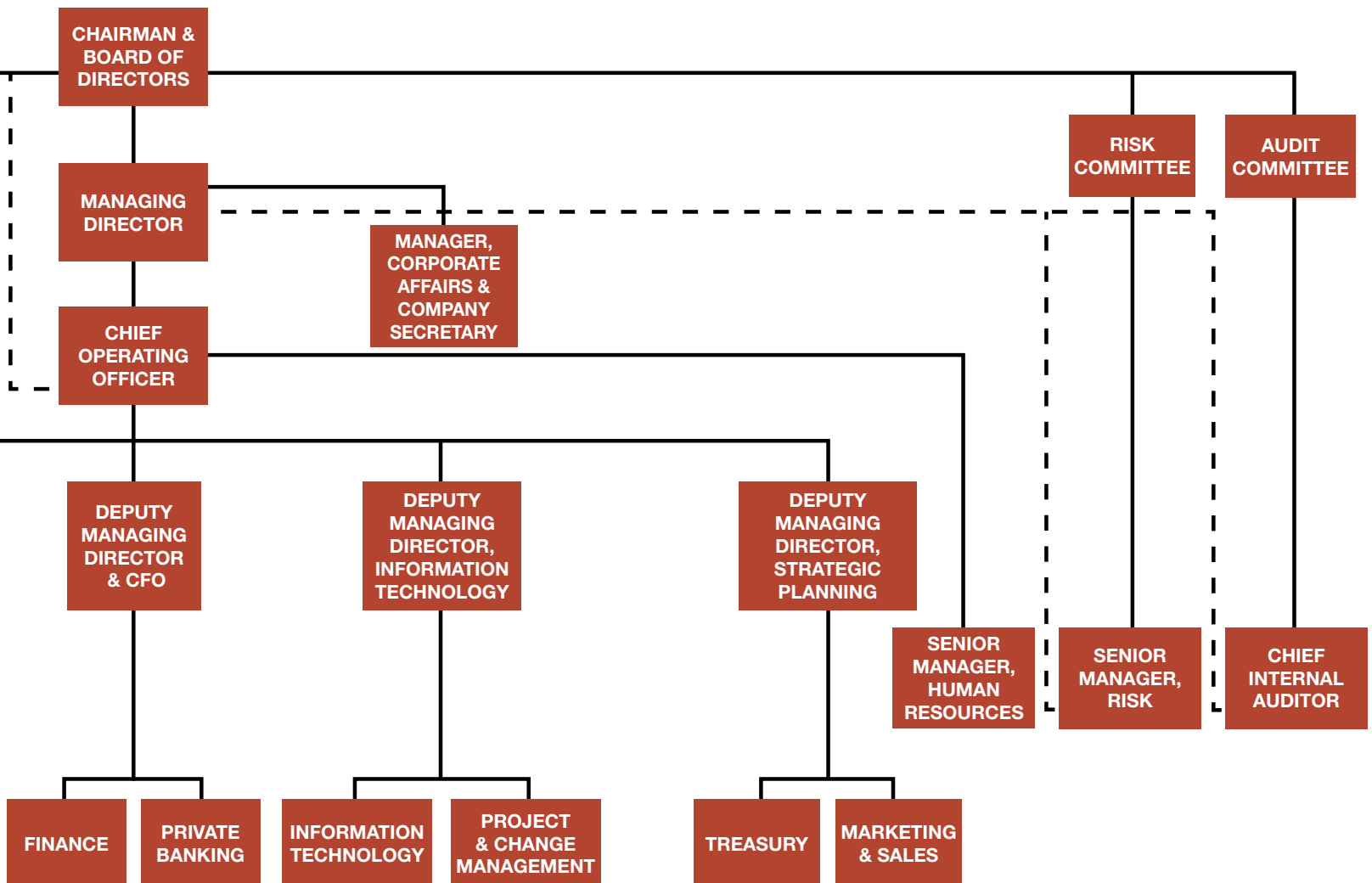
(Left) Dana Braynen
Senior Manager,
Credit Business



(Right) Vanessa Taylor**
Chief Internal Auditor

**Executive Committee Participation by Invitation

*Not pictured: Beverley Farquharson, Deputy Managing Director (Retired June 2012)





Corporate Governance Principles

Bank of The Bahamas Limited

THE FOLLOWING PRINCIPLES WERE ADOPTED BY THE BOARD OF DIRECTORS (“THE BOARD”) OF BANK OF THE BAHAMAS LIMITED (“THE BANK”) AND PROVIDE THE FRAMEWORK FOR CORPORATE GOVERNANCE OF THE BANK.

ROLE OF BOARD OF DIRECTORS

The Board is accountable to its shareholders and therefore, ultimately responsible for the conduct of the Bank’s affairs and operations. In light of this mandate, the Board is

responsible for identifying risk and ensuring that it is adequately monitored and managed. And while management of the day-to-day operations is delegated to the Bank’s executives, the Board reviews policies and

procedures and monitors to ensure that operations are carried out in compliance with applicable laws and regulations, consistent with sound banking practices.

The Board’s overall conduct is guided by its



The Golden Knights head to BOB for their official presentation following the national celebration of their victory attended by hundreds in Rawson Square. The Knights brought honour to The Bahamas, winning Gold in the 2012 London Summer Olympics in the Men's 4x400m Relay.

BOARD COMPOSITION, STRUCTURE AND POLICIES

Board Membership

For the period July 1, 2011 to June 30, 2012, the Board of Directors consisted of 10 non-executive Directors and one executive Director, the Managing Director. On June 30, 2012, the major shareholder appointed a new slate of Directors to serve on the Board. Therefore, the Board is currently comprised of nine non-executive Directors and one executive Director, the Managing Director.

Director Conflict of Interest

The Bank has adopted a strict policy relating to conflict of interest issues. Members of the Board as well as management and staff are mandated to adhere to this policy. A Director who has a direct or indirect interest in a matter before the Board is expected to disclose this information and should abstain from voting or participating directly or indirectly in the deliberations requiring approval.

Compensation of Directors

The total remuneration of the Board is approved at the Bank's Annual General Meeting (AGM) and may be divided among members as they see fit. Each non-executive Director, with the exception of the Chairman and Deputy Chairman, is paid a fee of \$20,000 per annum for his/her services. The Executive Director receives no remuneration for services performed in his capacity as Director.

Director Education

Each Director is expected to be knowledgeable about concepts discussed and to ensure that decisions made by the Board are reasonable and advance the stated policies and procedures. Toward this end, the Bank provides ongoing education opportunities for its Directors through seminars, trade publications and regulatory updates.

Independence of Directors

As part of its evaluation process, each candidate nominated to serve on

Corporate Governance Handbook which details the duties and potential liabilities of Directors and Officers of the Bank. Further, in order to evaluate the performance of Directors and the Board as a whole, the Board also participates in an assessment process which is directed and analysed by the Bank's external auditors.

the Board completes a document to determine his/her independence in accordance with best practices and within the Central Bank of The Bahamas Guidelines for the Corporate Governance of Banks and Trust Companies Licensed to Do Business within and from within The Bahamas. Therefore, the Bank can attest that the Board is comprised of a substantial majority of Directors who meet The Central Bank of The Bahamas' criteria for independence. Should a Director's status change, resulting in his or her inability to meet this criteria during the course of the year of service on the Board, said Director is required to update the Board with any new information in relation to interests or relationships relevant to independence.

BOARD MEETINGS
Frequency of Meetings

Board meeting dates are scheduled and communicated with Directors at least a year in advance. In fiscal year 2012, four regular Board meetings and one extraordinary Board meeting were held. Generally, the Board Committees of The Bank meet on a quarterly basis.

Summary of Board Committee Meetings Held for the Year Ended June 30, 2012

- Audit, Controls, & Procedures Board

- Committee 7
- Credit Board Committee 4
- Operations, Board Committee 4
- Finance & Capital Development Board Committee 4
- Information & Technology Board Committee 4
- Human Resources Board Committee 4
- Risk Management Board Committee 4

Attendance at Meetings

Regular attendance at all Board meetings, together with committee meetings and the AGM, is expected of all Directors. On the opposite page is a record of attendance during the 2012 fiscal year.

Preparation for Meetings

The Chairman along with the Managing Director prepares the agenda for each Board meeting. In addition, the Executive Committee and Strategic Management provide reports on key issues to their respective Board Committees relative to the various units of the Bank. Directors may also request that certain items be added to the Agenda for discussion at the Board level.

Board materials are distributed 3 - 7 days in advance of a meeting to give Directors an opportunity to review reports and, where possible, to obtain additional information from management or pose any questions or

concerns they may have prior to the meetings.

BOARD CERTIFICATION

Each year the Board is required to issue a Corporate Governance Statement to The Central Bank of The Bahamas confirming that it is familiar with the contents of the Guidelines for the Corporate Governance of Banks and Trust Companies Licensed to Do Business Within and from Within The Bahamas, and is adhering to the guidelines as outlined. As part of this exercise, key areas of the Bank have developed 'In-Control' statements which are reviewed by the Risk Department and validated by the Internal Audit Department as part of their audits. Essentially, these documents capture the specific minimum reporting requirements for each division's internal control systems, which provides assurance that each area is 'in control'. These reports are generated quarterly and presented at each Board meeting for review and ratification.

On May 10, 2012, the Board submitted its Annual Certification (see letter next page) to The Central Bank of The Bahamas confirming its compliance with the Corporate Governance Guidelines.



From July 1, 2011 to June 30, 2012

Name	September 30, 2011	November 18, 2011	February 2, 2012
Macgregor Robertson, OBE	✓	✓	✓
Craig Gomez	✓	✓	✓
*Terence Gape	✓	✗	✗
Anton Sealey	✓	✓	✓
Algernon Cargill	✓	✓	✓
Wesley J. Bastian	✓	✓	✓
Pandora Johnson	✓	✓	✓
Patricia Hermanns	✗	✓	✓
Hartis Pinder	✗	✓	✓
Khaalis Rolle	✓	✓	✓
Paul J.I. McWeeney	✓	✓	✓

Name	March 16, 2012	June 29, 2012
Macgregor Robertson, OBE	✓	✓
Craig Gomez	✓	✓
*Terence Gape	✗	✗
Anton Sealey	✓	✓
Algernon Cargill	✓	✓
Wesley J. Bastian	✓	✓
Pandora Johnson	✓	✓
Patricia Hermanns	✓	✓
Hartis Pinder	✓	✓
Khaalis Rolle	✓	✓
Paul J.I. McWeeney	✓	✓

✓ = Present ✗ = Apologies

*Due to health issues, Mr. Terence Gape, who is resident in Grand Bahama, was not able to travel to the meetings.

May 10, 2012

Mr. Abhilash D. Bhacheck
The Inspector of Banks and Trust Companies
The Central Bank of The Bahamas
Nassau, The Bahamas

Dear Mr. Bhacheck,

**RE: BANK OF THE BAHAMAS LIMITED –
BOARD OF DIRECTORS’ ANNUAL CERTIFICATION
TO THE CENTRAL BANK OF THE BAHAMAS - DECEMBER 31, 2011**

- a. The Board of Directors (the Board) of Bank of The Bahamas Limited (the Bank) is familiar with the contents of the *Guidelines for the Corporate Governance of Banks and Trust Companies Licensed to do Business Within The Bahamas* (the Guidelines), issued by The Central Bank of The Bahamas on December 13, 2001 (amended March 24, 2011), and acknowledges its role and responsibilities under the Guidelines;
- b. The Independent Non-Executive Directors of the Board (INED) as listed below, for the period December 31, 2011 met the independence requirements as outlined in Section VII of the above guidelines.

Mr. Macgregor Robertson, Chairman
Mr. Craig T. Gomez, Deputy Chairman
Mr. Khaalis Rolle
Mr. Terence Gape
Mr. Anton Sealey
Mrs. Patricia Hermanns
Mr. Algernon Cargill
Mr. Hartis Pinder
Dr. Pandora Johnson
Mr. Wesley J. Bastian

The Board is aware of the Bank’s unique position as it relates to the National Insurance Board and The Government as its major shareholders. However, the Board is comprised of a substantial majority of Directors who meet The Central Bank of The Bahamas’ criteria for independence.

- c. While the Bank recognizes the importance of strengthening its systems and procedures to ensure a stronger corporate governance environment, the Board believes that the systems and procedures that are currently in place are adequate and, accordingly, is satisfied that the Board of Directors is performing its functions and fulfilling its responsibilities under those Guidelines;
- d. The Board has carefully considered the reporting of Senior Management and other information provided in determining whether the Bank is following the Guidelines;
- e. The Board will seek to implement the necessary policies and procedures in compliance with the Guidelines;
- f. The Board is of the opinion that the Bank is fully compliant with the principles of the Guidelines.
 - i. While we acknowledge that significant progress has been made, we do recognize that continued attention and progress are required in the following areas in order to further enhance the control environment of the Bank and improve the enterprise risk management process:
 - Formalization and full implementation of all Bank processes and policies;
 - Enhanced training efforts to ensure that all key stakeholders are proficient in their knowledge of the Bank’s risks, products and operating standards;

- Attention to address and monitor post implementation challenges with core banking systems;
 - Monitoring of the credit portfolio to ensure that the quality of the Bank's assets remain strong during this period of economic uncertainty;
 - Implementation of automated tools and reports to better monitor and assess the key risk areas within the Bank's control environment;
 - Roles and responsibilities should be reviewed to ensure that adequate segregation of duties, appropriate authorities and responsibilities in the pursuit of the bank's strategic objectives;
 - Resolution of internal and external examination deficiencies in a timely manner;
- ii. Executive and Senior Management have been assigned to address the areas with deficiencies and we are confident that these areas will continue to be addressed with determination. An action plan to correct those deficiencies has been prepared and is being implemented; and
- iii. A copy of the action plan has been submitted to the Inspector;
- g. During the period, the Board reviewed the Bank's comprehensive *Business Continuity Plan* (BCP). The Board will seek to ensure that the recovery strategies adopted in the Bank's BCP are valid, and that the Bank's BCP management team properly test the BCP moving forward;
- h. The Board is performing its functions and fulfilling its obligations under the *Guidelines for the Minimum Standards for the Outsourcing of Material Functions* and has noted no deficiencies with respect of these Guidelines;
- i. The Board has taken account of its obligations to comply with the Guidelines for Licensees on the *Prevention of Money Laundering and Countering the Financing of Terrorism*. Any deficiencies in respect of these Guidelines will be noted and an action plan to remedy the deficiencies will be prepared and submitted to the Inspector, indicating whether the necessary remedial action has been taken;
- j. The Board notes that an internal audit has been completed and issues identified. The Bank will seek to ensure that there is active monitoring of action plans to ensure timely resolution;
- k. An action plan to remedy the deficiencies stated in the Bank's Report of Examination has been prepared and submitted to the Inspector and the agreed remedial actions are being addressed;
- l. The Board is satisfied that the Bank has appropriate policies, procedures, processes and controls in place to ensure that inherent business risks, where they exist, are effectively managed; and
- m. The Board has reviewed its large exposure policy statement and considers it appropriate to the Bank's operating circumstances.

Based on the corrective actions being taken by Management and the formal representations made by the respective Executive and Senior Management, we are satisfied that the Bank is 'In-Control' with no material reservations.

Yours faithfully

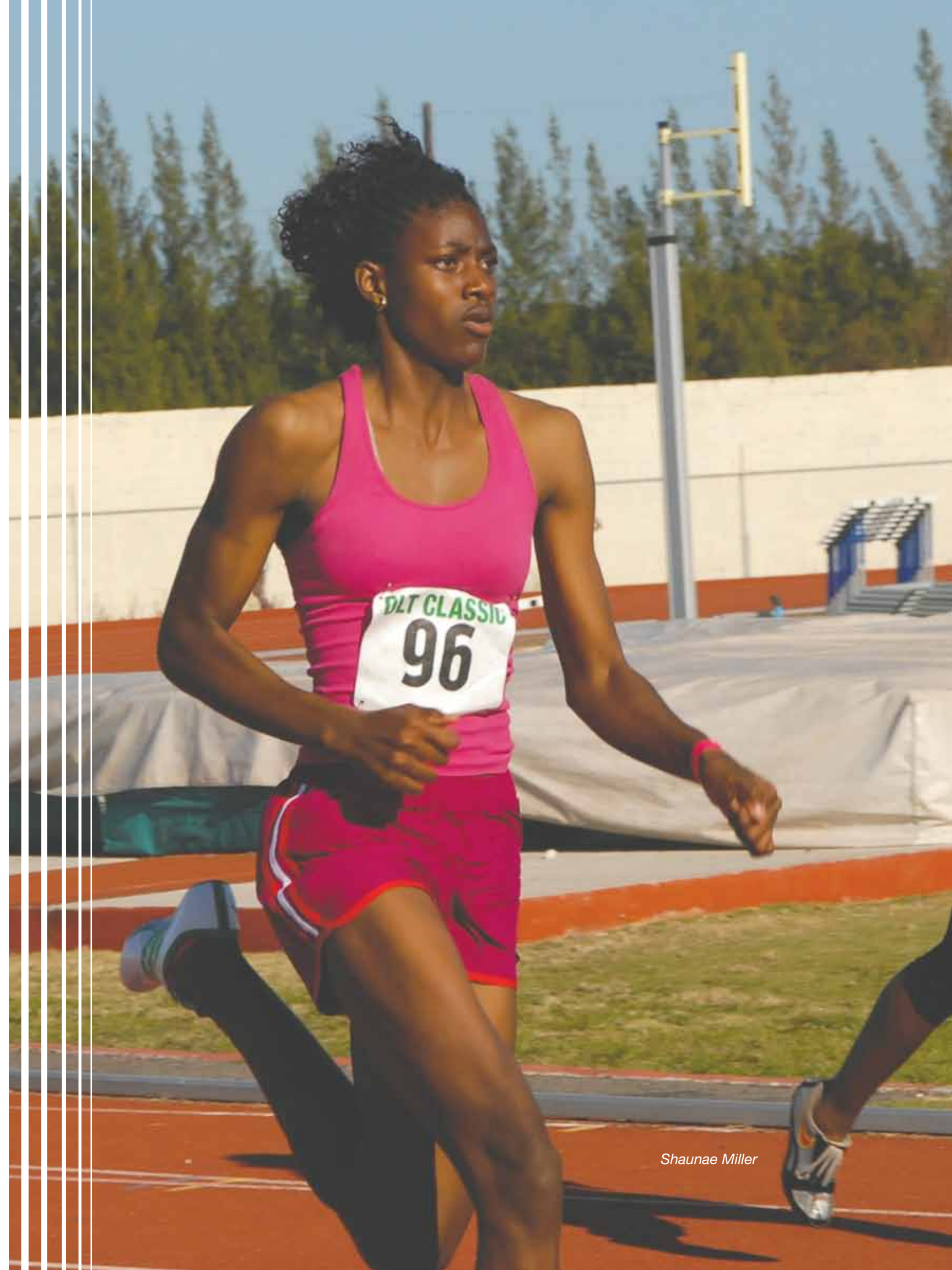
On behalf of Bank of The Bahamas Limited Board of Directors:



 Paul J.I. McWeeney, Managing Director



 Macgregor Robertson, Chairman



Shaunae Miller

Management Discussion

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR FINANCIAL YEAR END JUNE 30, 2012.

For the year ended June 30, 2012 the Bank completed a successful though challenging year. With the Bahamian economy showing some signs of possible resurgence, the Bank's financial performance was steady despite the ongoing pressures impacted by a weak economic recovery. The Bahamian Tourism Industry has shown some signs of steady improvement sustained by the growth in the high

value-added group segment of the market, increased airlift from several Eastern United States and Latin America destinations and ongoing public and private sector promotional campaigns. The fall-off, compared to prior years, however, in direct foreign investment and domestic housing activity continues to negatively influence the construction and development sectors. Consequently, the unemployment level within

the country remained stagnantly high at around 14.70 percent and has had an obvious negative impact on the domestic credit markets. Government initiatives including infrastructural programs such as road works and the on-going expansion and renovation at Lynden Pindling International Airport have assisted in mitigating further deterioration in unemployment levels.

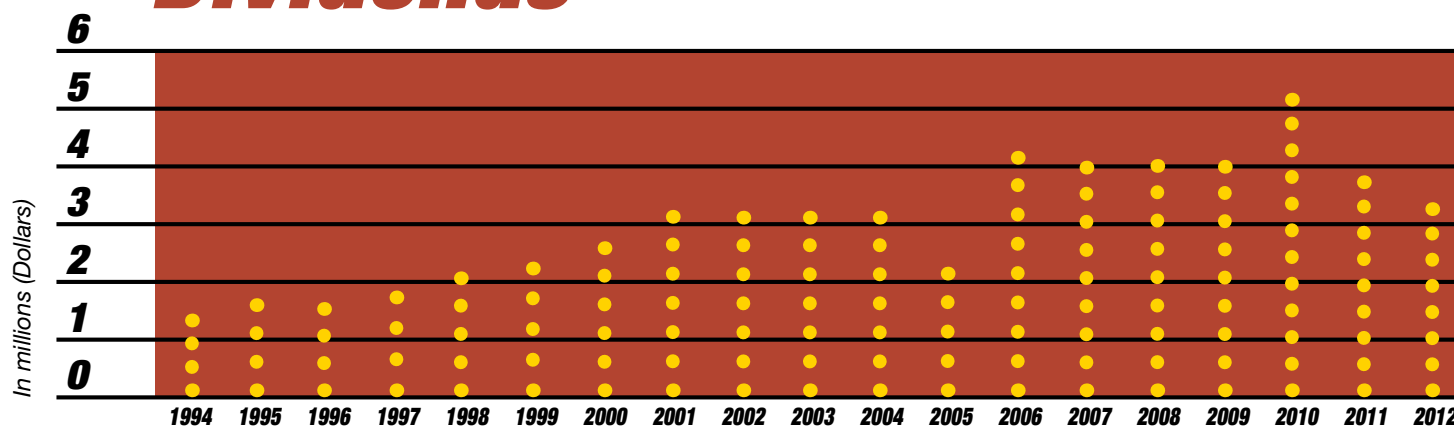
The pressures resulting from the current economic

FINANCIAL HIGHLIGHTS

	2012	2011	2010	2009	2008	2007
Interest Income	\$ 61.99	\$ 63.25	\$ 55.99	\$ 51.05	\$ 52.60	\$ 42.92
Net Interest Income	\$ 37.48	\$ 36.04	\$ 31.41	\$ 27.70	\$ 29.40	\$ 25.13
Non Interest Income	\$ 6.50	\$ 6.62	\$ 7.05	\$ 8.01	\$ 6.15	\$ 7.59
Operating Expenses	\$ 29.72	\$ 28.11	\$ 26.40	\$ 26.60	\$ 26.50	\$ 21.28
Net Income	\$ 3.68	\$ 4.45	\$ 7.66	\$ 5.80	\$ 6.10	\$ 10.48
Earnings per Share (EPS)	\$ 0.08	\$ 0.20	\$ 0.32	\$ 0.28	\$ 0.32	\$ 0.61
Total Assets	\$ 861.26	\$ 823.36	\$ 778.37	\$ 758.30	\$ 734.41	\$ 658.30
Loans and Advances to Customers (net)	\$ 687.62	\$ 668.71	\$ 629.21	\$ 555.61	\$ 522.11	\$ 486.92
Total Liabilities	\$ 744.14	\$ 706.77	\$ 661.94	\$ 644.35	\$ 640.51	\$ 565.48
Shareholders Equity	\$ 117.12	\$ 116.59	\$ 116.43	\$ 113.95	\$ 94.00	\$ 92.77
Risk Adjusted Capital Ratio	22.87	23.05	24.07	27.70	21.49	21.16
Efficiency Ratio	42.69	41.61	68.64	74.49	74.54	64.48

\$ Amounts are stated in Millions. The EPS in \$, Capital and Efficiency Ratios are %

Dividends



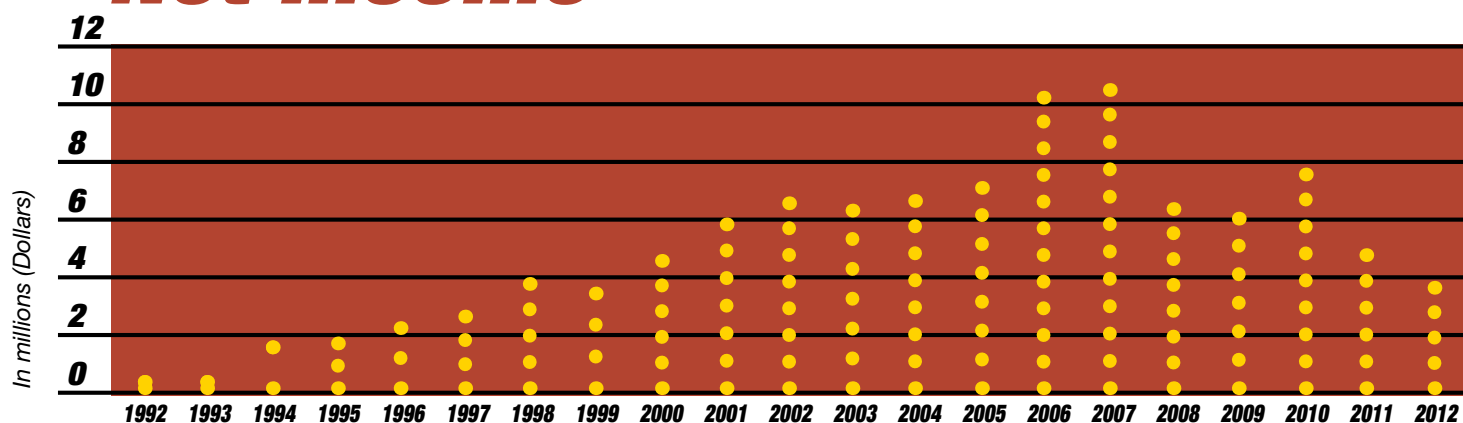
environment weighed heavily on the Bank's strategic approach to managing its operations during the current year. Therefore, in the face of deteriorating economic conditions, the Bank's primary focus remains the maintenance of sound prudential standards. The systemic weakness in the credit market played a major role in the Bank's overall net position during the year, with provisions increasing approximately 6.57 percent over the prior year. Management continues to apply a conservative approach to lending and estimating allowances for loan losses. Ensuring that our collection activities are robust is also critical to sustaining profitability going forward.

Maintaining adequate capital and conservative loan loss reserves are key to the Bank's soundness and providing the highest degree of comfort in these highly vulnerable times. The Bank's Tier 1 capital ratio which is considered the primary measure of the balance sheet's strength stood at 16.00 percent at June 30, 2012 versus 15.94 percent in the prior year. The Bank's risk adjusted capital ratio at the end of the fiscal year was 22.87 percent versus 23.05 percent in the previous year, well above Central Bank's regulatory requirements of 17 percent.

Providing our customers with complete and innovative banking options is a key strategic goal for the Bank. Our customer base increased over the

same period last year and there is growth in total operating income, which increased by 3.47 percent. The growth in the Bank's total operating income resulted primarily from increased other operating income and reduced interest and similar expenses. Over the next year, the Bank will be investing more in information technology to improve network performance and access control features, and rebuilding the contingency and disaster recovery infrastructure for the Bank. We will also broaden our Card Product base with a view of further growing non-interest revenues and assisting in the Bank's strategy of diversifying its concentration of revenues from credit origination.

Net Income



Despite the challenges of the current economic environment, the Bank was able to report net income of \$3.68 million versus \$4.45 million in the prior year a 17.30 percent decline year over year. Continued profitability enabled the Bank to pay total dividends of \$3.24 million during the current fiscal year and \$3.69 million in the prior year to our preference and ordinary shareholders.

The Bank continues to take a conservative route regarding its current and future position relative to the market and it is considered both good corporate governance and prudent to do so. The Bank remains cognizant of the need to effectively manage credit risk, maintain or reduce recurring administrative

expenses, and remain innovative in our product offerings with a view of growing our revenue stream and has instituted the processes and controls to achieve these goals.

INTEREST AND SIMILAR INCOME

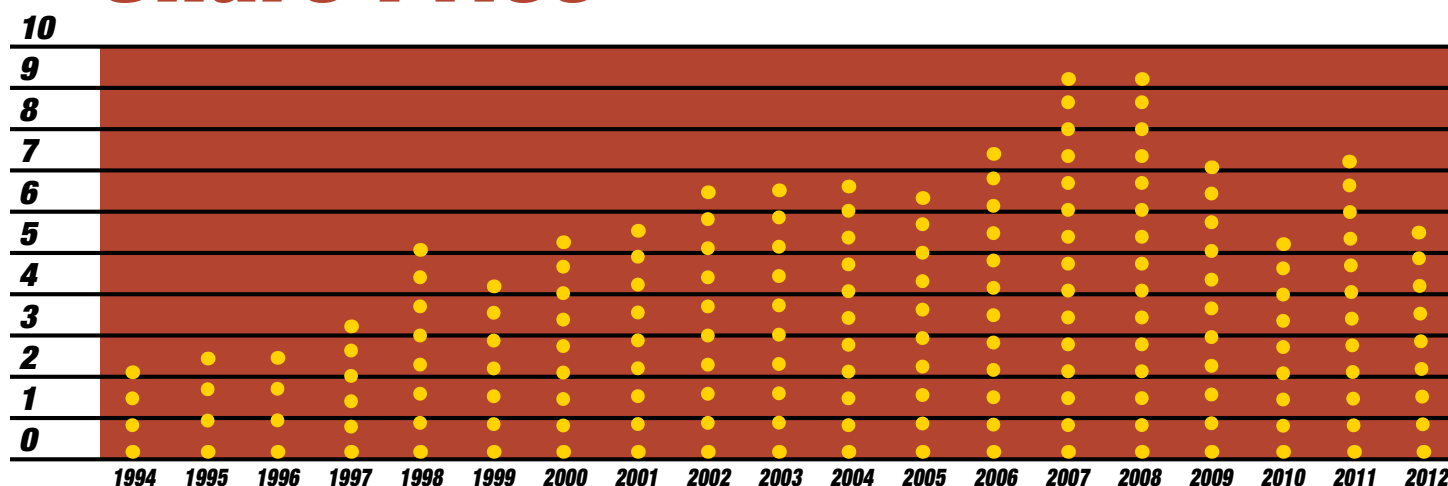
Interest income is the primary revenue source for the Bank. The Bank continues to grow credit facilities albeit at a more moderate pace. As a result, the net loan portfolio increased by \$18.9 million or 2.83 percent. Despite this, interest income decreased by 1.99 percent ending at \$61.99 million as at June 2012 versus \$63.25 million in the prior year. Major contributing factors to this decrease were the 75 basis point decrease in

the Nassau Prime Rate and an increase in non-current loans of \$10.2 million or 13.49 percent to end the year at \$85.4 million compared to \$75.3 million in the prior year. The average loan yield for the Bank was 10.31 percent versus 10.44 percent in the prior year. The slightly lower yield reflects a highly competitive market as the Bank sought to expand with higher quality facilities which demanded more attractive rates.

INTEREST AND SIMILAR EXPENSE

Interest and similar expense trended lower, showing a decrease of approximately 1.99 percent over the previous year. The decline in interest expense despite the overall deposit growth by 3.39 percent or

Share Price



approximately \$22.03 million during the period was attributed to a reduction in the Nassau Prime Rate by 75 basis points and overall reduced rates due to the high level of liquidity within the banking system. The Bank continues to seek the best combination of funds to ensure balanced growth relative to return for our shareholders and capital requirements. Management will further seek to diversify the deposit base with greater emphasis being placed on basic saving deposit schemes and programs.

NET INTEREST INCOME

Net interest income represents the amount by which income on interest

earning assets exceeds interest expense incurred on interest bearing deposits and other liabilities. The combination of a reduction in interest income and a decrease in interest expense resulted in net interest income totaling \$37.48 million or 4.00 percent higher than prior year.

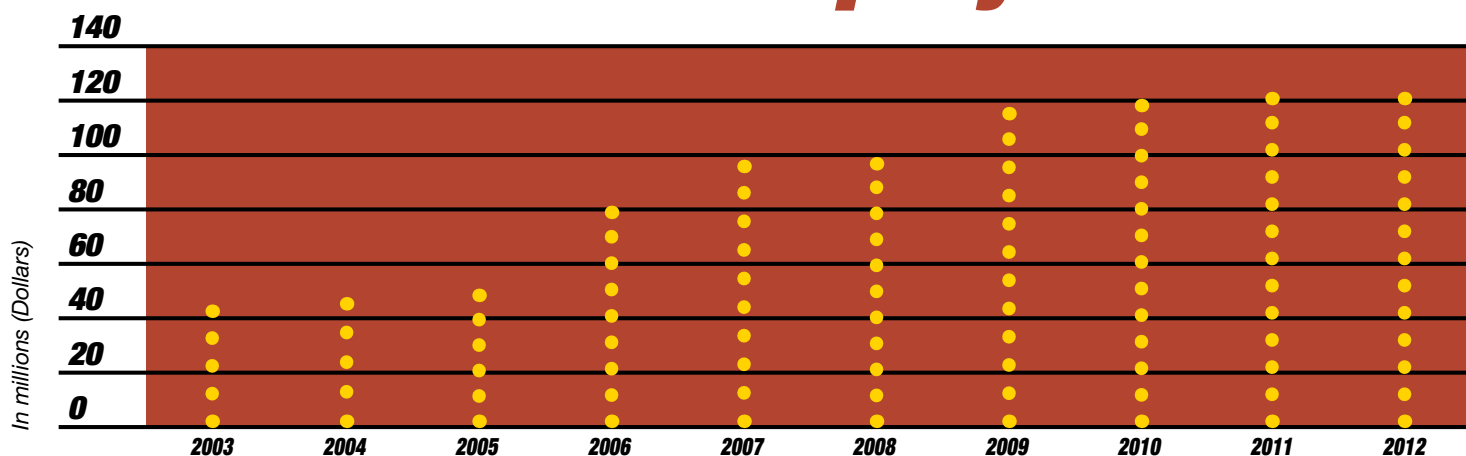
CREDIT LOSS EXPENSE

The consequences of the weak economic recovery resulted in ongoing challenges with many of the Bank's customers. Credit loss expense settled at \$10.2 million or 6.57 percent higher than the prior year. Total credit loss expense as a percentage of the net loan portfolio was 3.80 percent compared to 2.82 percent

in the prior year. Credit loss provisions combined with credit related reserves in equity as a percentage of the net loan portfolio is 4.38 percent compared to 3.42 in the prior year. A limited number of commercial exposures drove the specific provisions for commercial loans which increased by 88 percent.

The Bank employed a number of strategies designed to manage our loan portfolio and assist in mitigating the potential losses as has been observed in the global and local financial sector. The Bank continues to aggressively modify its credit risk rating and scoring models throughout the entire portfolio to ensure

Shareholders' Equity



that the credit assessment profile facilitates maintaining and sustaining the growth of the overall loan portfolio. Even though the aggregate amount of the provision for loan losses at June 30, 2012, totaled \$26.12 million or a 38.37 percent and \$7.2 million increase from the prior year, overall credit quality remains strong. Provisions for commercial loans and mortgages remain the primary reasons for overall growth in loan loss provisions.

NON INTEREST INCOME

The Bank's non-interest income totaled \$6.50 million or approximately 1.82 percent decline over prior year. Reduced revenues from a lower volume of

transaction services and card fees factored in the slight decline in income. As the Bank moves forward, more emphasis will be placed on key revenue streams from non-interest income with a view of further re-pricing non interest revenue generating activities.

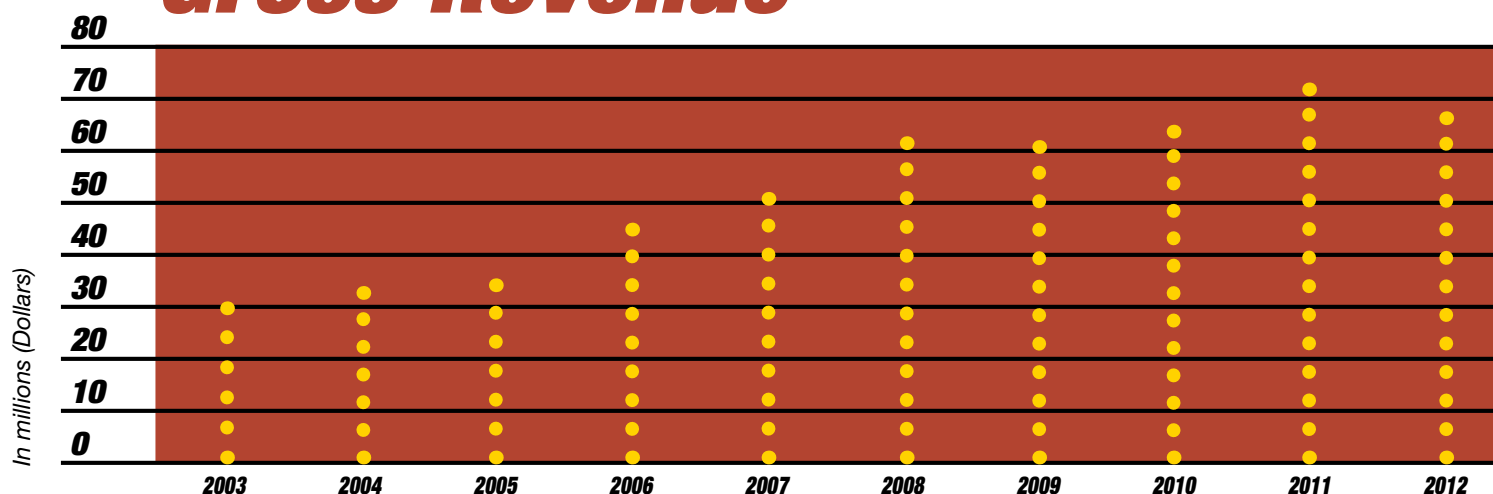
OPERATING EXPENSES

The Bank continued to manage operating expenses during the period, ending at \$29.72 million versus \$28.1 million, an increase of approximately 5.72 percent year over year. Increased staff costs and information technology expenses were the major contributors for the increase noted as the Bank continued to make

significant investments in its human capital and technology base. As a result, the efficiency ratio was 42.69 percent for the current year, above that of the prior year which ended at 41.61 percent. The number of employees totaled 348 permanent and 34 temporary staff at the end of June 2012

The Bank continued to manage operating expenses during the period, ending at \$29.72 million versus \$28.1 million, an increase of approximately 5.72 percent year over year.

Gross Revenue



compared to 336 and 40 respectively in the prior year. Management continues to seek further ways of reducing or containing expenses through capital infrastructural investments and enhancements in operational processes.

STATEMENT OF FINANCIAL POSITION

The Bank's Statement of Financial Position remains strong and we continue to focus our efforts toward prudent financial and capital management. Our risk management structure promotes sound business decisions. Investment securities consist primarily of government bonds and we have taken a careful review of all our loans and

advances exposures so as to maintain a conservative stance with regards to those balances where collectability may be uncertain.

TOTAL ASSETS

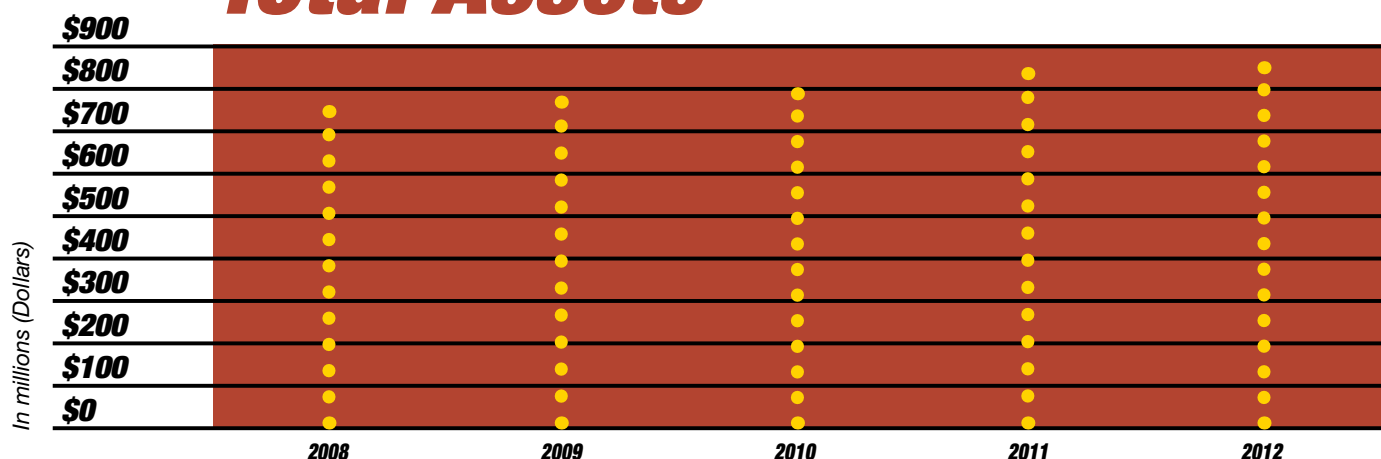
Total assets improved ending at \$861 million despite the economic challenges of the current environment. This represents a 4.62 percent growth over the prior year's balance of \$823 million and more than doubles growth in GDP. The three areas of significant asset growth were Cash and Account with The Central Bank, Investment Securities and Loans and Advances to Customers, net, which grew 25.65, 21.07 and

2.83 percent respectively. The increases noted in Loans and Advances to Customers, net, Investment Securities and Cash and Account with The Central Bank are offset by a decrease in Due from Banks of approximately \$5.88 million. The ratio of total net loans to total assets has decreased to 79.84 percent from 81.22 percent in the prior year.

LIQUIDITY

The Bank's total deposits from customers grew by approximately 3.39 percent to \$671 million. The Bank has the appropriate level of liquidity required to support regulatory, internal and anticipated liquidity requirements. The Bank

Total Assets



continues its initiatives to grow its deposit base.

TOTAL SHAREHOLDERS' EQUITY

The Bank's total capital ratio ended at 16 percent for the period ended June 30, 2012. The Bank's Tier I capital stood at 9.51 percent and continues to reflect ongoing strategies to maintain and exceed prudent capital standards. The Bank's risk adjusted capital ratio is 22.87 percent compared to 23.05 percent in the prior year. The capital of the Bank remains strong and is sufficient enough to preserve the position of the Bank should any further dislocations occur as a result of the current economic environment.

Our Bank was built and

is sustained by a tradition of financial integrity, quality and excellence. Through product innovation, diversification, enhanced customer service, a proactive outlook and competitive advantage, coupled with continual human capital development and new technology, the Bank will continue to enhance value to its existing and potential shareholders and stakeholders.

The Management's discussion and analysis of the Bank's financial condition and results of operations is provided to enable the reader to assess the financial condition, material changes in the Bank's financial condition and result of operations

including liquidity and capital resources for the fiscal year ended June 30, 2012. For a complete understanding of trends, events uncertainties and the effects of critical accounting estimates on the results of operations and financial conditions, this Management Discussion and Analysis should be read carefully together with the Bank's Consolidated Financial Statements and related notes.

Total assets improved ending at \$861 million, representing a 4.62 percent growth over the prior year.

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 and its subsidiaries (the "Bank") which comprise the consolidated statement of financial position as of June 30, 2012, 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 related notes.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated 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 consolidated 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 reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

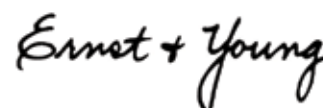
Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Bank as of June 30, 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

As described in Note 2 to the consolidated financial statements, the Bank has understated its credit loss expense and overstated other operating income from the mortgage indemnity product. The corrections of these errors have been accounted for retrospectively and the corresponding figures have been restated to conform to this charge.

September 19, 2012



A member firm of Ernst & Young Global Limited

BANK OF THE BAHAMAS LIMITED

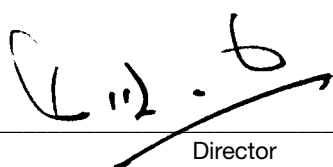
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS OF JUNE 30, 2012

(Expressed in Bahamian dollars)

	NOTE	2012	2011 (As Restated)
ASSETS			
Cash and account with The Central Bank	5	\$ 57,827,169	\$ 46,009,883
Due from banks	5	34,756,798	40,638,307
Investment securities	6	59,174,584	48,868,456
Loans and advances to customers, net	7	687,623,605	668,710,840
Investment property	8	3,882,873	3,882,873
Other assets	9	4,881,860	4,320,511
Property and equipment, net	10	9,490,096	6,884,863
Intangible assets, net	11	3,621,049	4,045,361
TOTAL ASSETS		\$ 861,258,034	\$ 823,361,094
LIABILITIES			
Deposits from customers and banks	12	\$ 671,423,360	\$ 649,390,752
Other borrowed funds	13	37,000,000	37,000,000
Other liabilities	14	28,634,318	12,690,030
Deferred loan fees		7,083,064	7,693,096
Total liabilities		744,140,742	706,773,878
EQUITY			
Share capital	15	50,015,990	50,015,990
Share premium		28,587,866	28,587,866
Treasury shares	16	(531,768)	(473,822)
Reserves	17	4,266,896	4,117,767
Retained earnings		34,778,308	34,339,415
Total equity		117,117,292	116,587,216
TOTAL		\$ 861,258,034	\$ 823,361,094

These consolidated financial statements were approved by the Board of Directors on September 19, 2012 and are signed on its behalf by:



Director



Director

See accompanying notes and Independent Auditors' Report.

BANK OF THE BAHAMAS LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME **YEAR ENDED JUNE 30, 2012** **(Expressed in Bahamian dollars)**

	NOTE	2012	2011 (As Restated)
Interest and similar income	18	\$ 61,993,019	\$ 63,253,869
Interest and similar expense	18	24,510,596	27,217,237
Net interest income	18	37,482,423	36,036,632
Fees and commission income	19	3,552,113	3,960,843
Fees and commission expense		372,463	509,824
Net fees and commission income		3,179,650	3,451,019
Other operating income	20	2,952,085	2,664,003
Total operating income		43,614,158	42,151,654
Credit loss expense, net	7	(10,215,382)	(9,585,438)
Net operating income		33,398,776	32,566,216
Operating expenses	21	29,721,714	28,114,196
NET INCOME		3,677,062	4,452,020
Other comprehensive income			
Net gain on available-for-sale financial assets		149,129	60,716
Total comprehensive income for the year		3,826,191	4,512,736
Net income		3,677,062	4,452,020
Preference share dividends		(2,462,498)	(1,362,500)
NET INCOME AVAILABLE TO COMMON SHAREHOLDERS		\$ 1,214,564	\$ 3,089,520
Earnings per share			
Basic earnings per ordinary share	27	\$ 0.08	\$ 0.20

See accompanying notes and Independent Auditors' Report.

BANK OF THE BAHAMAS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY YEAR ENDED JUNE 30, 2012 (Expressed in Bahamian dollars)

	Note	Share Capital	Share Premium	Treasury Shares	Reserves	Retained Earnings	Total Equity
Balance at June 30, 2010 (as previously reported)		\$ 50,015,990	\$ 28,587,866	\$ (30,244)	\$ 4,057,051	\$ 33,798,404	\$ 116,429,067
Prior-period adjustment	2	-	-	-	-	(212,733)	(212,733)
Balance, June 30, 2010 (as restated)		50,015,990	28,587,866	(30,244)	4,057,051	33,585,671	116,216,334
Net income for the year		-	-	-	-	4,452,020	4,452,020
Acquisition of treasury shares	16	-	-	(443,578)	-	-	(443,578)
Other comprehensive income		-	-	-	60,716	-	60,716
Dividends on preference shares	27	-	-	-	-	(1,362,500)	(1,362,500)
Dividends paid to ordinary shareholders	27	-	-	-	-	(2,335,776)	(2,335,776)
Balance, June 30, 2011 (as restated)		50,015,990	28,587,866	(473,822)	4,117,767	34,339,415	116,587,216
Net income for the year		-	-	-	-	3,677,062	3,677,062
Acquisition of treasury shares	16	-	-	(57,946)	-	-	(57,946)
Other comprehensive income		-	-	-	149,129	-	149,129
Dividends on preference shares	27	-	-	-	-	(2,462,498)	(2,462,498)
Dividends paid to ordinary shareholders	27	-	-	-	-	(775,671)	(775,671)
Balance, June 30, 2012		\$ 50,015,990	\$ 28,587,866	\$ (531,768)	\$ 4,266,896	\$ 34,778,308	\$ 117,117,292

See accompanying notes and Independent Auditors' Report.

BANK OF THE BAHAMAS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2012

(Expressed in Bahamian dollars)

	NOTE	2012	2011 (As Restated)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income		\$ 3,677,062	\$ 4,452,020
Adjustments for:			
Depreciation and amortization		1,930,094	1,520,591
Gain on disposal of fixed assets		(325)	-
Net provision for loan losses		10,215,382	9,585,438
Net provision for other impairments		118,422	-
		15,940,635	15,558,049
Change in operating assets and liabilities		12,549,042	(2,951,348)
Increase in loans and advances to customers, net		(29,128,148)	(49,084,009)
Increase in deposits from customers and banks		22,032,609	46,471,461
Net cash provided by operating activities		21,394,138	9,994,153
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisition of property and equipment		(3,841,606)	(2,676,222)
Net acquisition of intangible assets		(269,632)	(643,772)
Purchase of investments		(10,156,999)	(1,777,100)
Proceeds from disposal of property and equipment		548	-
Proceeds from maturity of investment securities		-	3,683,500
Net cash used in investing activities		(14,267,689)	(1,413,594)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Dividends paid on common stock		(775,671)	(2,335,776)
Dividends on preference shares		(2,462,498)	(1,362,500)
Increase in interest payable on bonds		4,425	116
Acquisition of treasury shares		(57,946)	(443,578)
Net cash used in financing activities		(3,291,690)	(4,141,738)
NET INCREASE IN CASH AND CASH EQUIVALENTS		3,834,759	4,438,821
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		62,334,520	57,895,699
CASH AND CASH EQUIVALENTS, END OF YEAR	5	\$ 66,169,279	\$ 62,334,520
SUPPLEMENTAL INFORMATION:			
Interest received		\$ 58,259,960	\$ 62,752,402
Interest paid		\$ 24,962,701	\$ 26,465,449
Dividends paid		\$ 3,238,169	\$ 3,698,276

See accompanying notes and Independent Auditors' Report.



BANK OF THE BAHAMAS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

(Expressed in Bahamian dollars)



1. GENERAL INFORMATION

Bank of The Bahamas Limited (the “Bank”), trading as Bank of The Bahamas International, is incorporated under the laws of The Commonwealth of The Bahamas. The Bank is licensed under the provisions of the Bank and Trust Companies Regulations Act 2000. The Bank is also licensed as an authorized dealer pursuant to the Exchange Control Regulations Act. The Bank is 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 wholly-owned subsidiary of the Bank, 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 is 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.

(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.

Amendments resulting from Improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Bank:

- IAS 12 Amendments – Deferred Tax: Recovery of Underlying Assets
- IAS 24 Amendment – Related Party Disclosures
- IFRS 1 Amendments – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
- IFRS 7 Amendments – Disclosures – Transfers of Financial Assets
- IFRIC 14 Amendment – Prepayments of a Minimum Funding Requirement
- Improvements to IFRSs (issued in May 2010)

continued



2. BASIS OF PREPARATION (CONTINUED)

New standards, interpretations and amendments to published standards relevant to the bank that are not yet effective

Certain new standards, interpretations and amendments to existing standards have been published that are mandatory for the Bank's accounting periods beginning on or after January 1, 2013 or later periods but which the Bank has not early adopted are as follows:

Effective for annual periods beginning on or after January 1, 2013:

- IFRS 10 – Consolidated Financial Statements
- IFRS 11 – Joint Arrangements
- IFRS 12 – Disclosure of Interests in Other Entities
- IFRS 13 – Fair Value Measurement
- IAS 27 (Revised) – Separate Financial Statements
- IAS 28 (Revised) – Investments in Associates and Joint Ventures
- Amendment to IAS 1 – Presentation of Items of Other Comprehensive Income
- IAS 19 (Revised) – Employee Benefits
- Amendments to IFRS 7 – Disclosures – Offsetting Financial Assets and Financial Liabilities
- Amendments to IFRS 1 – Government Loans

Effective for annual periods beginning on or after January 1, 2014:

- Amendment to IAS 32 – Offsetting Financial Assets and Financial Liabilities

Effective for annual periods beginning on or after January 1, 2015:

- IFRS 9 – Financial Instruments (issued in 2009)
- IFRS 9 – Financial Instruments (issued in 2010)
- Amendments to IFRS 7 and IFRS 9 – Mandatory Effective Date and Transition Disclosures

The Bank is currently assessing the impact of the new and revised standards, however, does not anticipate any material impact on the results of its operations from the implementation of these new standards when they become effective.

(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.

The financial statements of subsidiaries are prepared for the same reporting year as the Bank using consistent accounting policies. 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.

(c) Correction of Errors

Mortgage Indemnity Product

The Bank sold a mortgage indemnity product as an integral part of the mortgage loan facility, recorded as other liabilities with income being recognized as other operating income. During the year, the Bank reviewed the accounting for the product and determined that the product should be accounted for as an additional loan commitment fee and changed its income recognition method to amortize over the life of the related loan on a straight line basis and reclassified the ending liability portion to deferred loan fees. Previously, the Bank reviewed its mortgage indemnity product by comparing the original note amount less current principal balance to the indemnified portion and if the repaid balance was more than the indemnified portion, then the assessed premium was taken into income. The correction of this error has been accounted for retrospectively. As a result, deferred loan fees increased by \$328,544 as of June 30, 2011 with a decrease in net income of \$115,811 for the year ended June 30, 2011 and the opening retained earnings decreased by \$212,733 for the year ended June 30, 2010.

Credit Loss Expense

The Bank had understated its credit loss expense by \$453,715 for the year ended June 30, 2011 by inappropriately considering the mortgage indemnity product as part of the collateral amount in assessing any shortfall between the security value and the outstanding balance. The correction of this error has been accounted for retrospectively. As a result, there was a decrease in loans and advances to customers, net of \$453,715 as of June 30, 2011 and a corresponding decrease in net income for the year ended June 30, 2011.

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.

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, 2012, 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.

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, 2012 no impairment loss was recognized for the reported period. Further details are presented in Note 11.

Deferred loan fees

In accordance with International Accounting Standard 18: Revenue Recognition, commitment fees received to originate a loan or fees that are an integral part of the effective interest rate of a financial instrument, together with the related transaction cost, are deferred and recognized as an adjustment of the effective interest rate. Management amortises loan commitment and loan related fees using the average loan term. Any changes in average loan term will be recognised prospectively in interest income in the consolidated statement of comprehensive income. In the opinion of management, the difference between the amortization to income using the average loan term and the effective interest rate is immaterial.

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.

continued

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 recognised 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 recognised 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 recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria.

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 Instruments

All financial assets and liabilities are initially recognised on the trade date, i.e., the date that the Bank becomes a party to the contractual provisions of the instrument. This includes 'regular way trades': purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

The classification of financial instruments at initial recognition depends on their purpose and characteristics and the management's intention in acquiring them. All financial instruments are measured initially at their fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss.

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 amortised 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.

Financial liabilities

Deposits from customers and banks

Deposits from customers and banks represent demand and time deposits held by the Bank for the benefit of third parties. The deposits are carried at amortized cost.

continued



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.

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 have been brought current, 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.

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 fair value 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.

continued

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Renegotiated loans

Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated any impairment is measured using the original effective interest rate as calculated before the modification of terms and the loan is no longer considered past due. Management continually reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate.

e. **Derecognition of financial assets and financial liabilities**

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired
- The Bank has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
 - The Bank has transferred substantially all the risks and rewards of the asset, or
 - The Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Bank has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the bank's continuing involvement in the asset. In that case, the bank also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the bank has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the bank could be required to repay.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

f. **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 consolidated 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 amortised cost are recorded at the exchange rate ruling at the date of transaction.

g. **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.

continued



4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Building	50 years
Leasehold improvements	3-5 years
Furniture, fixtures and equipment	2-10 years

Leasehold improvements are amortised 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.

h. 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 impairment are reviewed for possible reversal of the impairment at each reporting date.

i. Provisions

Provisions are recognized when the Bank has a present obligation (legal or constructive) as a result of a past event, and 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.

j. 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 borrowings by the Bank's personnel.

k. Employee benefits

The Bank operates a defined contribution plan (the "Plan") where the Bank pays fixed contributions into a separate entity. The Bank has no legal or constructive payment obligations once contributions have been paid. 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. The Bank operates an Employee Share Ownership Plan (ESOP) where the Bank matches employees' share purchases up to 25 percent. The matching contributions vest over 5 years. The costs of ESOP are charged to general administrative expenses.

l. 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.

m. 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.

continued

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

n. 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.

o. 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.

p. 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.

q. Computer software

Acquired computer software costs and licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised using the straight-line basis of accounting over the expected useful life. Software has a maximum expected useful life of 10 years.

r. Borrowings

Borrowings are recognized initially at fair value net of transaction costs incurred. Borrowings are subsequently stated at amortised 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.

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 shares

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

(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 consolidated financial statements continue to be prepared on the going concern basis.

u. Leases

Operating lease payments are recognized as an expense on a straight line basis over the lease term and included in 'operating expenses', in the consolidated statement of comprehensive income.

continued



4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

v. Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, therefore, the related assets and liabilities are presented gross in the consolidated statement of financial position.

w. Financial guarantees

In the ordinary course of business, the Bank gives financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognised in the financial statements (within 'Other liabilities') at fair value, being the premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amount initially recognised less, when appropriate, cumulative amortisation recognised in the consolidated statement of comprehensive income, and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee.

Any increase in the liability relating to financial guarantees is recorded in the consolidated statement of comprehensive income in 'Credit loss expense'. The premium received is recognised in the consolidated statement of comprehensive income in 'Net fees and commission income' on a straight line basis over the life of the guarantee.

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 \$26,414,688 (2011: \$24,313,670). 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.

	2012	2011
Cash	\$ 7,648,139	\$ 7,983,477
Deposits with the Central Bank non-interest bearing	50,179,030	38,026,406
Due from banks	34,756,798	40,638,307
Cash and due from banks	92,583,967	86,648,190
Less: mandatory reserve deposits with the Central Bank	26,414,688	24,313,670
Cash and cash equivalents	\$ 66,169,279	\$ 62,334,520

6. INVESTMENT SECURITIES

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

	2012	2011
AVAILABLE-FOR-SALE		
Bahamas Registered Stock	\$ 33,045,500	\$ 26,888,500
Equity Securities	489,584	340,456
Debt Securities	4,000,000	-
	\$ 37,535,084	\$ 27,228,956
HELD TO MATURITY		
Bahamas Registered Stock	\$ 21,503,000	\$ 21,503,000
Bridge Authority Bond	136,500	136,500
	\$ 21,639,500	\$ 21,639,500
TOTAL INVESTMENT SECURITIES	\$ 59,174,584	\$ 48,868,456

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 4.83% to 6.00% per annum (2011: from 4.84% to 6.00% per annum) and scheduled maturities between 2012 and 2033 (2011: between 2013 and 2033).

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

	Available- for-sale	Held-to maturity	Total
At July 1, 2010	\$ 25,391,140	\$ 25,323,000	\$ 50,714,140
Additions	1,777,100	-	1,777,100
Maturities	-	(3,683,500)	(3,683,500)
Net fair value gain	60,716	-	60,716
At June 30, 2011	\$ 27,228,956	\$ 21,639,500	\$ 48,868,456
At July 1, 2011	\$ 27,228,956	\$ 21,639,500	\$ 48,868,456
Additions	10,156,999	-	10,156,999
Net fair value gain	149,129	-	149,129
At June 30, 2012	\$ 37,535,084	\$ 21,639,500	\$ 59,174,584

7. LOANS AND ADVANCES TO CUSTOMERS, NET

Loans and advances to customers are as follows:

	2012	2011
Mortgage loans	\$ 386,950,957	\$ 362,641,636
Commercial loans	163,414,609	157,690,886
Consumer loans	48,756,084	47,283,185
Credit cards	1,700,893	2,329,568
Business overdrafts	74,884,939	80,069,160
Personal overdrafts	20,679,751	23,668,670
Government guaranteed student loans	6,814,894	7,092,745
	\$ 703,202,127	\$ 680,775,850
LESS: PROVISION FOR LOAN LOSSES		
At beginning of year	\$ 18,875,957	\$ 12,327,511
Amount written-off	(2,973,533)	(3,036,992)
Net provision charged to expense	10,215,382	9,585,438
At end of year	26,117,806	18,875,957
Accrued interest receivable	10,539,284	6,810,947
Loans and advances to customers, net	\$ 687,623,605	\$ 668,710,840

During the year, the Bank wrote-off loans totaling \$2,973,533 (2011: \$3,036,992) against its specific provision. These loans, however, are subject to the Bank's ongoing collections efforts. Included in the consolidated statement of comprehensive income are net recoveries of \$48,177 and (2011: (\$34,807)).

continued

7. LOANS AND ADVANCES TO CUSTOMERS, NET (CONTINUED)

Loan loss provisions are as follows:

SPECIFIC PROVISIONS	2012	2011 (As Restated)
Mortgage Loans	\$ 4,891,334	\$ 4,508,458
Commercial Loans	13,601,277	7,222,305
Consumer Loans	3,667,967	3,712,104
Credit Cards	823,734	1,332,104
	22,984,312	16,774,971
Collective Assessment	3,133,494	2,100,986
TOTAL	\$ 26,117,806	\$ 18,875,957

PROVISIONS AS A PERCENTAGE OF THE NET LOAN PORTFOLIO	3.80%	2.82%
PROVISIONS AND EQUITY PROVISIONS AS A PERCENTAGE OF THE NET LOAN PORTFOLIO	4.38%	3.42%
PROVISIONS AND EQUITY RESERVES COVERAGE AS A PERCENTAGE OF NON-ACCRUAL LOANS	35.25%	30.38%

Non-accrual loans are as follows:

	2012	2011
Mortgage Loans	\$ 49,670,692	\$ 41,078,190
Commercial Loans	27,341,574	24,293,911
Consumer Loans	8,010,207	9,402,163
Credit Cards	426,048	517,782
TOTAL	\$ 85,448,521	\$ 75,292,046
PERCENTAGE OF LOAN PORTFOLIO (NET)	12.43%	11.26%
PERCENTAGE OF TOTAL ASSETS	9.92%	9.14%

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

	2012		2011	
	Value	No. of Loans	Value	No. of Loans
\$0 - \$ 10,000	\$ 13,299,498	4,320	\$ 14,568,190	4,293
\$10,001 - \$ 25,000	22,562,862	1,347	22,620,082	1,353
\$25,001 - \$ 50,000	23,997,852	664	21,127,056	593
\$50,001 - \$100,000	45,218,061	621	46,274,468	636
Over \$100,000	598,123,854	1,666	576,186,054	1,628
	\$ 703,202,127	8,618	\$ 680,775,850	8,503

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

	2012	2011
Satisfactory Risk	\$ 331,400,684	\$ 420,202,046
Watch List	86,063,192	54,972,452
Sub-standard but not impaired	75,840,124	43,053,502
	\$ 493,304,000	\$ 518,228,000

continued

7. LOANS AND ADVANCES TO CUSTOMERS, NET (CONTINUED)

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

In (\$000s)	2012			2011		
	Principal Balance	Restructured	Total	Principal Balance	Restructured	Total
MORTGAGES						
Neither past due or impaired	\$ 247,188	\$ 16,621	\$ 263,809	\$ 242,280	\$ 14,084	\$ 256,364
Past due but not impaired	66,104	7,366	73,470	51,659	3,524	55,183
Impaired	47,286	2,385	49,671	33,797	7,281	41,078
	\$ 360,578	\$ 26,372	\$ 386,950	\$ 327,736	\$ 24,889	\$ 352,625
COMMERCIAL						
Neither past due or impaired	\$ 42,281	\$ 51,602	\$ 93,883	\$ 82,568	\$ 26,766	\$ 109,334
Past due but not impaired	33,209	8,981	42,190	14,185	9,878	24,063
Impaired	24,542	2,800	27,342	24,294	-	24,294
	\$ 100,032	\$ 63,383	\$ 163,415	\$ 121,047	\$ 36,644	\$ 157,691
CONSUMER						
Neither past due or impaired	\$ 38,395	\$ 562	\$ 38,957	\$ 47,060	\$ 283	\$ 47,343
Past due but not impaired	8,277	327	8,604	7,593	55	7,648
Impaired	7,731	279	8,010	8,984	418	9,402
	\$ 54,403	\$ 1,168	\$ 55,571	\$ 63,637	\$ 756	\$ 64,393
CREDIT CARDS						
Neither past due or impaired	\$ 1,090	\$ -	\$ 1,090	\$ 1,449	\$ -	\$ 1,449
Past due but not impaired	185	-	185	363	-	363
Impaired	426	-	426	518	-	518
	\$ 1,701	\$ -	\$ 1,701	\$ 2,330	\$ -	\$ 2,330
BUSINESS OVERDRAFTS						
Neither past due or impaired	\$ 74,885	\$ -	\$ 74,885	\$ 80,069	\$ -	\$ 80,069
Past due but not impaired	-	-	-	-	-	-
Impaired	-	-	-	-	-	-
	\$ 74,885	\$ -	\$ 74,885	\$ 80,069	\$ -	\$ 80,069
PERSONAL OVERDRAFTS						
Neither past due or impaired	\$ 20,680	\$ -	\$ 20,680	\$ 23,669	\$ -	\$ 23,669
Past due but not impaired	-	-	-	-	-	-
Impaired	-	-	-	-	-	-
	\$ 20,680	\$ -	\$ 20,680	\$ 23,669	\$ -	\$ 23,669

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

In (\$000s)	2012				
	Residential Mortgage	Commercial	Consumer	Credit Card	Total
Past due up to 29 days	\$ 17,757	\$ 8,300	\$ 2,100	\$ 146	\$ 28,303
Past due 30 - 59 days	35,214	7,472	2,539	16	45,241
Past due 60 - 89 days	20,499	26,418	3,965	23	50,905
	\$ 73,470	\$ 42,190	\$ 8,604	\$ 185	\$ 124,449
In (\$000s)	2011				
	Residential Mortgage	Commercial	Consumer	Credit Card	Total
Past due up to 29 days	\$ 17,209	\$ 9,038	\$ 1,994	\$ 145	\$ 28,386
Past due 30 - 59 days	18,331	11,178	2,264	76	31,849
Past due 60 - 89 days	19,643	3,847	3,390	142	27,022
	\$ 55,183	\$ 24,063	\$ 7,648	\$ 363	\$ 87,257

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.

The investment property balance for the year is \$3,882,873 and (2011: \$3,882,873).

9. OTHER ASSETS ●●●●●●●●

Other assets are comprised of the following:

	2012	2011
Accounts receivables	\$ 982,228	\$ 591,494
Prepaid assets	2,150,522	2,083,487
Cheque clearing account	1,167,653	1,205,279
Other assets	581,457	440,251
	\$ 4,881,860	\$ 4,320,511

Included in other assets is the Bank's investment in the Bahamas Automated Clearing House Limited.

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 2010	\$ 2,547,815	\$ 3,044,259	\$ 3,893,573	\$ 9,485,647
Additions	-	-	2,676,222	2,676,222
Disposal	-	-	(19,012)	(19,012)
Balance as at June 2011	2,547,815	3,044,259	6,550,783	12,142,857
Additions	-	860,618	2,980,988	3,841,606
Disposal	-	-	(2,666)	(2,666)
Balance as at June 2012	\$ 2,547,815	\$ 3,904,877	\$ 9,529,105	\$ 15,981,797
ACCUMULATED DEPRECIATION:				
Balance as at June 2010	\$ 734,597	\$ 1,919,812	\$ 1,627,564	\$ 4,281,973
Depreciation	245	412,218	582,570	995,033
Disposal	-	-	(19,012)	(19,012)
Balance as at June 2011	734,842	2,332,030	2,191,122	5,257,994
Depreciation	-	416,026	820,124	1,236,150
Disposal	-	-	(2,444)	(2,444)
Balance as at June 2012	\$ 734,842	\$ 2,748,056	\$ 3,008,802	\$ 6,491,700
NET BOOK VALUE:				
Balance as at June 30, 2012	\$ 1,812,973	\$ 1,156,821	\$ 6,520,302	\$ 9,490,096
Balance as at June 30, 2011	\$ 1,812,973	\$ 712,229	\$ 4,359,661	\$ 6,884,863

Land in the amount of \$1,428,020 (2011: \$1,428,020) is included in land and building.

11. INTANGIBLE ASSETS, NET

	Goodwill	Software	Total
Balance as at June 30, 2010	\$ 1,075,759	\$ 2,851,388	\$ 3,927,147
Additions	-	643,772	643,772
Amortisation	-	(525,558)	(525,558)
Closing as at June 30, 2011	\$ 1,075,759	\$ 2,969,602	\$ 4,045,361
Balance as at June 30, 2011	\$ 1,075,759	\$ 2,969,602	\$ 4,045,361
Additions	-	269,632	269,632
Amortisation	-	(693,944)	(693,944)
Closing as at June 30, 2012	\$ 1,075,759	\$ 2,545,290	\$ 3,621,049

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 6.63% (2011: 7.40%). As at June 30, 2012, management determined that goodwill was not impaired (2011: \$Nil).

12. DEPOSITS FROM CUSTOMERS AND BANKS

Deposits from customers and banks are as follows:

	2012	2011
Term deposits	\$ 527,858,144	\$ 511,635,856
Demand deposits	82,630,356	86,556,279
Savings accounts	54,179,316	43,986,542
	664,667,816	642,178,677
Accrued interest payable	6,755,544	7,212,075
	\$ 671,423,360	\$ 649,390,752

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

	2012		2011	
	Value	No. of Deposits	Value	No. of Deposits
\$0 - \$ 10,000	\$ 25,715,137	44,293	\$ 24,560,818	42,724
\$10,001 - \$ 25,000	20,754,068	1,351	17,382,970	1,145
\$25,001 - \$ 50,000	19,605,707	557	18,863,203	539
\$50,001 - \$100,000	31,163,766	453	25,430,904	368
Over \$100,000	567,429,138	743	555,940,782	685
	\$ 664,667,816	47,397	\$ 642,178,677	45,461

In 1999, The Central Bank established the Deposit Insurance Corporation (the "Corporation"). The Bank paid an annual premium of \$198,196 (2011: \$168,977) 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 4.75% (2011: 4.75%). Interest expense during the year on these instruments totaled \$809,713 (2011: \$926,966). These bonds are secured under a trust agreement by specific performing loans granted under the Government Guaranteed Advanced Education Loan Scheme and/or other qualifying assets which include Government registered stock and cash. Interest payable on bonds at the year-end was \$19,911 (2011: \$15,486).

The amounts and maturity dates are as follows:

Description	Maturity	2012	2011
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

continued

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 6.50% were issued in a private placement on January 1, 2007. Interest expense on these instruments during the year 2012 totaled \$1,303,562 (2011: \$1,440,547). 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	2012	2011
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:

	2012	2011 (As Restated)
Accounts Payable	\$ 2,135,617	\$ 1,897,406
Other Liabilities	5,948,100	4,661,523
Cardholders Liability	1,432,983	1,322,275
Cheques and other items in transit	19,117,618	4,808,826
	\$ 28,634,318	\$ 12,690,030

15. SHARE CAPITAL

Share capital consists of the following:

EQUITY CAPITAL

Authorized:

	2012	2011
150,000 preference shares of B\$1,000 each (2011: 150,000)	\$ 150,000,000	\$ 150,000,000
25,000,000 Ordinary shares of B\$1 each (2011: 25,000,000)	\$ 25,000,000	\$ 25,000,000

Issued and fully paid:

34,415.99 preference shares of B\$1,000 each (2011: 34,415.99)	\$ 34,415,990	\$ 34,415,990
15,513,414 Ordinary shares of B\$1 each (2011: 15,522,224)	\$ 15,513,414	\$ 15,522,224

Treasury shares:

86,586 issued previously at B\$1 each (2011: 77,776)	86,586	77,776
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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 7, 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 6.75% and 7.25% 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 that time was 3,855. During 2011, the Bank's Board of Directors approved the repurchase of \$750,000 of the Bank's own shares. The implementation of the share repurchase plan is a strategy to enhance the shareholder value to existing shareholders. During the period July 2011 through to June 2012 the Bank acquired 8,810 of its own shares for \$58,356 including fees and commissions. As at June 30, 2012, the Bank held treasury shares of 86,586 (2011: 77,776).

17. RESERVES

Reserves are comprised of the net gain on remeasurement of available-for-sale securities to fair value as of the reporting date and regulatory 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 regulatory 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 regulatory credit reserve in retained earnings.

	2012	2011
Balance, beginning of year	\$ 4,117,767	\$ 4,057,051
Fair value gains, net during the year	149,129	60,716
Balance, end of year	\$ 4,266,896	\$ 4,117,767

18. NET INTEREST INCOME

	2012	2011
Interest and similar income		
Cash and short term investments	\$ 115,193	\$ 132,897
Investment securities	2,728,717	2,994,715
Loans and advances to customers	59,149,109	60,126,257
	61,993,019	63,253,869
Interest and similar expense		
Banks and customers	22,397,322	24,849,723
Debt securities	2,113,274	2,367,514
	24,510,596	27,217,237
Total net interest income	\$ 37,482,423	\$ 36,036,632

19. FEE AND COMMISSION INCOME

	2012	2011
Deposit services fees and commissions	\$ 1,999,749	\$ 1,992,595
Credit services fees and commissions	273,830	205,205
Card services fees and commissions	820,684	1,392,020
Other fees and commissions	457,850	371,023
Total fee and commission income	\$ 3,552,113	\$ 3,960,843

20. OTHER OPERATING INCOME

	2012	2011 (As Restated)
Foreign exchange	\$ 1,777,466	\$ 1,698,106
Other	1,174,619	965,897
Total other operating income	\$ 2,952,085	\$ 2,664,003

21. OPERATING EXPENSES

	2012	2011
Staff costs	\$ 17,507,889	\$ 16,633,410
Occupancy	3,696,099	3,495,866
Licenses and other fees	2,262,338	2,073,215
Other administrative expenses	1,399,716	1,814,525
Advertising, marketing and donations	863,570	1,078,576
Information technology	1,232,978	672,159
Telecommunication and postage	403,968	474,825
Travel and entertainment	425,062	351,029
Operating expenses	\$ 27,791,620	\$ 26,593,605
Depreciation of property and equipment	\$ 1,236,150	\$ 995,033
Amortization of software	693,944	525,558
Depreciation and amortisation	\$ 1,930,094	\$ 1,520,591
Total Operating Expenses	\$ 29,721,714	\$ 28,114,196

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, 2012, are as follows:

	2012	2011
No later than 1 year	\$ 452,657	\$ 361,035
Later than 1 year and no later than 5 years	1,698,906	1,079,575
Total	\$ 2,151,563	\$ 1,440,610

Rental expense (including service charges) totaled \$1,826,965 (2011: \$1,760,264). 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, 2012 was \$15,409,239 (2011: \$14,175,818).

(b) The Bank has a commitment for future capital expenditure of \$74,489 (2011: \$552,370).

(c) The Bank has a commitment with Visa of \$450,000 (2011: \$450,000).

(d) The Bank has a commitment with Master Card of \$150,000 (2011: \$150,000).

(e) The Bank has letters of credit and guarantees of \$2,469,248 (2011: \$1,767,584).

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, 2012 (2011: Nil). No provision expense has been recognized in these consolidated financial statements on loans to related parties.

	Government	Other Government Entities	Key Management	Total 2012	Total 2011
Assets					
Cash and cash equivalents	\$ -	\$ 50,179,030	\$ -	\$ 50,179,030	\$ 38,026,406
Investment securities	54,685,000	-	-	54,685,000	48,528,000
Loans and advances to customers	53,105	9,557,880	3,494,420	13,105,405	16,673,931
Other Assets	791,818	-	-	791,818	799,426
Liabilities					
Deposits from customers and banks	\$61,217,110	\$ 113,543,778	\$ 1,155,301	\$ 175,916,189	\$ 180,555,761
Other borrowed funds	-	17,000,000	-	17,000,000	17,000,000
Other liabilities	-	19,911	-	19,911	15,486
	Government	Other Government Entities	Key Management	Total 2012	Total 2011
Revenues					
Interest Income	\$ 2,729,639	\$ 455,537	\$ 191,876	\$ 3,377,052	\$ 3,961,682
Total	\$ 2,729,639	\$ 455,537	\$ 191,876	\$ 3,377,052	\$ 3,961,682
Expenses					
Interest Expense	\$ 1,886,298	\$ 5,900,142	\$ 42,231	\$ 7,828,671	\$ 8,588,747
Directors fees	-	-	198,500	198,500	208,617
Other operating expenses	1,243,357	-	-	1,243,357	1,045,510
Short-term employee benefits	-	-	2,738,838	2,738,838	2,416,849
Post employment benefits	-	-	134,085	134,085	140,105
Termination benefits	-	-	160,566	160,566	-
Total	\$ 3,129,655	\$ 5,900,142	\$ 3,274,220	\$ 12,304,017	\$ 12,399,828

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, 2012 totaled \$715,516 (2011: \$679,664).

As at June 30, 2012, the Plan owns 210,826 (2011: 210,826) shares of the Bank. The holdings represent approximately 10.25% (2011: 14.01%) of the Plan's net assets.

As at June 30, 2012, the Plan has deposits totaling \$6,565,425 (2011: \$6,569,665) 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:

	2012	2011
Government-guaranteed student education loans	\$ 77,647,076	\$ 77,980,301
Trust assets	\$ 77,962,646	\$ 63,788,789

During the period, the Bank recognized fees totaling \$225,952 (2011: \$169,211), 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 and the Bank's Regulators. Dividends paid by the Bank to ordinary shareholders in 2012 totaled \$775,671 or \$0.06 per share (2011: \$2,335,776 or \$0.15 per share).

During the year the Bank paid dividends on its preference shares of \$2,462,498 (2011:\$1,362,500).

	2012	2011 (As Restated)
Net income attributable to equity shareholders	\$ 3,677,062	\$ 4,452,020
Preference share dividends	(2,462,498)	(1,362,500)
Net income attributable to ordinary shareholders	\$ 1,214,564	\$ 3,089,520
Weighted average number of ordinary shares outstanding	15,515,835	15,576,503
Basic earnings per ordinary share	\$ 0.08	\$ 0.20



28. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES ●●●●●●●

The fair values presented 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.

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.
- 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, 2012 the Bank held equity securities classified as available-for-sale totaling \$489,584 (2011: \$340,456) which have been valued as a Level 1 investment. All other investments totaling \$58,685,000 (2011: \$48,528,000) 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 the cost or amortised cost.

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.

Investment property

The estimated fair value of investment property is based on a valuation performed by an appointed independent registered value taking into account factors such as the property growth and market in the surrounding area. The fair market value of investment property reflects the market conditions at the date of the consolidated statement of financial position.

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. 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.

At June 30, 2012 and 2011 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 ●●●●●●●●

(In \$000s)	Actual 2012	Actual 2011
Tier 1 capital	\$ 84,492	\$ 83,078
Tier 2 capital	47,324	43,759
Total capital	\$ 131,816	\$ 126,837
Risk weighted assets	\$ 576,372	\$ 550,280
Tier 1 capital ratio	9.51%	9.85%
Total capital ratio	16.00%	15.94%

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.

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 22.87% (2011: 23.05%).

30. COMPARATIVES ●●●●●●●●

The following adjustments were made to the prior year's financial statement balances. In the Consolidated Statement of Financial Position, Other Liabilities was reduced by \$1,977,339 for Group Insurance Funds balances and Deferred Loan Fees increased by the same amount. The Other Liabilities Note to the Consolidated Financial Statements in the prior year was also adjusted accordingly.

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.

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 assessed for changes in ratings unless the customer approaches the Bank for additional credit.

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.

continued

31. RISK MANAGEMENT (CONTINUED)

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

In (\$000s)	2012			2011		
	Principal Balance	Restructured	Total	Principal Balance	Restructured	Total
CASH AND CASH EQUIVALENTS						
Neither past due or impaired	\$ 92,584	\$ -	\$ 92,584	\$ 86,648	\$ -	\$ 86,648
Past due but not impaired	-	-	-	-	-	-
Impaired	-	-	-	-	-	-
	\$ 92,584	\$ -	\$ 92,584	\$ 86,648	\$ -	\$ 86,648
INVESTMENT SECURITIES						
Neither past due or impaired	\$ 59,175	\$ -	\$ 59,175	\$ 48,868	\$ -	\$ 48,868
Past due but not impaired	-	-	-	-	-	-
Impaired	-	-	-	-	-	-
	\$ 59,175	\$ -	\$ 59,175	\$ 48,868	\$ -	\$ 48,868
LOANS AND ADVANCES TO CUSTOMERS						
Neither past due or impaired	\$ 424,519	\$ 68,785	\$ 493,304	\$ 477,095	\$ 41,132	\$ 518,227
Past due but not impaired	107,775	16,674	124,449	73,800	13,457	87,257
Impaired	79,985	5,464	85,449	67,593	7,699	75,292
	\$ 612,279	\$ 90,923	\$ 703,202	\$ 618,488	\$ 62,288	\$ 680,776

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 risk-based internal audit regime.

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, 2012. Included in the table are the Bank's financial instruments at carrying amounts, categorized by currency.

Concentrations of currency risk

As at June 30, 2012 In (\$000s)	B\$	US\$	CAD\$	GPB£	Other	Total
ASSETS						
Cash and central bank balances	\$ 55,867	\$ 29,412	\$ 6,628	\$ 522	\$ 155	\$ 92,584
Financial assets - held to maturity	21,640	-	-	-	-	21,640
Financial assets - available for sale	33,045	4,490	-	-	-	37,535
Loans and advances	663,192	24,429	2	1	-	687,624
Total financial assets	\$ 773,744	\$ 58,331	\$ 6,630	\$ 523	\$ 155	\$ 839,383
LIABILITIES						
Deposits from customers and banks	\$ 648,293	\$ 22,519	\$ 145	\$ 449	\$ 17	\$ 671,423
Other borrowed funds	37,000	-	-	-	-	37,000
Cheques and other items in transit	2,571	9,993	6,439	114	2	19,119
Total financial liabilities	\$ 687,864	\$ 32,512	\$ 6,584	\$ 563	\$ 19	\$ 727,542
Net financial position	\$ 85,880	\$ 25,819	\$ 46	\$ (40)	\$ 136	\$ 111,841
AS AT JUNE 30, 2011						
Total financial assets	\$ 735,572	\$ 61,077	\$ 7,382	\$ 301	\$ 350	\$ 804,682
Total financial liabilities	645,343	38,455	7,202	185	15	691,200
Net financial position	\$ 90,229	\$ 22,622	\$ 180	\$ 116	\$ 335	\$ 113,482

continued

31. RISK MANAGEMENT (CONTINUED)

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 \$1.3 million (2011: \$1.2 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.

The following tables summarize 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 position date to the contractual maturity date. The actual maturity dates could be significantly different from the amounts in the table.

June 30, 2012

In (\$000s)	Within 3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and cash equivalents	\$ 92,584	\$ -	\$ -	\$ -	\$ 92,584
Investment Securities	4,490	5,675	7,230	41,780	59,175
Loans and advances to customers, net	171,610	70,067	60,948	384,998	687,623
Total financial assets	\$ 268,684	\$ 75,742	\$ 68,178	\$ 426,778	\$ 839,382

June 30, 2012

In (\$000s)	Within 3 months	3-12 months	1-5 years	Over 5 years	Total
Deposits from customers and banks	\$ 394,833	\$ 232,039	\$ 30,117	\$ 14,435	\$ 671,424
Other borrowed funds	-	-	17,000	20,000	37,000
Cheques and other items in transit	19,118	-	-	-	19,118
Total financial liabilities	\$ 413,951	\$ 232,039	\$ 47,117	\$ 34,435	\$ 727,542

Net position	\$ (145,267)	\$ (156,297)	\$ 21,061	\$ 392,343	\$ 111,840
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June 30, 2011

In (\$000s)	Within 3 months	3-12 months	1-5 years	Over 5 years	Total
Total financial assets	\$ 251,851	\$ 52,112	\$ 99,726	\$ 400,993	\$ 804,682
Total financial liabilities	406,735	217,776	37,834	28,855	691,200
Net position	\$ (154,884)	\$ (165,664)	\$ 61,892	\$ 372,138	\$ 113,482

32. SUBSEQUENT EVENT

Subsequent to the Bank's fiscal year end, Mortgaged Backed Bonds within series F, G, H, I and J were redeemed at a cost of \$9,500,000 plus accrued interest.

33. SUBSIDIARIES

Subsidiaries of the Bank as at June 30, 2012 are as follows:

Name	Place of Incorporation	Shareholding	Nature of business
BOB Financial Services Inc.	Florida, United States of America	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
Bank of The Bahamas Trust Ltd.	Commonwealth of The Bahamas	100%	Trust Company
BAHTCO Holdings Ltd.	Commonwealth of The Bahamas	100%	Nominee Holding Company

BOB BRANCH LOCATIONS

New Providence

Shirley Street
(242) 397-3400
BOB Express ATM

Village Road

(242) 396-6000
BOB Express ATM (2)
Saturday banking

Thompson Boulevard (ATM)

(242) 397-3300
BOB Express ATM

Harrold Road

(242) 397-3200
BOB Express ATM
Saturday banking

Carmichael Road*

(242) 397-3000
BOB Express ATM (2)
Saturday banking
(U.S. Check-in)

FAMILY ISLANDS

Freeport, Grand Bahama

(242) 352-7483
BOB Express ATM

Eight Mile Rock, Grand Bahama

(242) 348-1726
BOB Express ATM

Kemps Bay, Andros**

242/369-1787

Mangrove Cay, Andros**

242/369-0502

Knowles, Cat Island

242/342-2230
ATM

Hooper's Bay, Exuma

(242) 336-3000
ATM

Matthew Town, Inagua**

(242) 339-1264

Cockburn Town, San Salvador**

BOB Express ATM
(242) 331-2237

**Opened December 2012,
Fiscal 2013*

*** ATM coming on stream shortly*

LOCATIONS:

BOB Financial Services

United States

Coral Gables, Florida
(305) 446- 6165

BOB Head Office

(242) 397-3000
Claughton House, Charlotte
Street, Nassau, NP

BOB Private Banking & Trust

Claughton House, Nassau, NP
(242) 397-3000

BOB Card Centre, Village Road

Shopping Centre, 2nd Floor
(242) 397-3220

Off site BOB Express Locations

- Lynden Pindling International Airport. US Departure Terminal, CAYS News
- Arawak Cay, near Police Station
- Phil's Food services, Gladstone Road

BOB STAFF

Head Office - Executive Office

Davis, Mrs. Renee
Deputy Managing Director

Delaney, Mr. Vaughn
Deputy Managing Director

Edwards, Mr. Hubert
Deputy Managing Director

Johnson, Miss Anshena
Associate, Corporate Affairs

Lundy-Mortimer, Mr. Dario
Deputy Managing Director

McWeeney, Mr. Paul
Managing Director

Rahming, Mr. Lenis
Personal Aide

Williams, Miss Laura
Manager, Corporate Affairs

Wright-Brown, Garnal
Administrative Assistant,
Strategic Planning & Business

Head Office - Operations Department

Adderley, Miss Qutell
Associate, Online Banking

Gardiner, Mrs. Patrice
Manager, Operations

Johnson, Mrs. Yvette
Executive Assistant, Operations

Major, Miss Elnora
Manager, Operations,
Family Islands

Depository Department (At Harrold Road Branch) - Reports To HO Operations

Barr, Mr. Deneko
CSR-I (Teller)

Delancey, Miss Daynell
Treasury Custodian

Forbes, Mr. Ramone
Supervisor, Centralized
Depository Department

Knowles, Miss Shakeilya
CSR-I (Teller)

Rahming, Mr. Albert
Treasury Custodian

Symonette, Miss Crystal
CSR-I (Teller)



Paul McWeeney addresses the staff

**Back Office Operations
(At Shirley Street Branch)
- Reports To HO Operations**

Adderley, Mrs. Ruth
Senior Associate, Back Office
Operations

Bethel, Miss Anaisha
Team Lead, Back Office
Operations

Johnson, Miss Clayre
Supervisor, Back Office
Operations

Rolle, Ms. Nadia
Back Office Associate

**Head Office - Human
Resources Department**

Baden, Mr. Selvin
Senior Manager, Human
Resources & Training

Cash, Mrs. Annette
Manager, Human Resources &
Training

Dorsett (Coakley), Miss Nadia
Credit Officer

Knowles, Mrs. Pandora
Administrative Assistant,
Human Resources Department

Newbold, Mrs. Keilya
Associate

Nixon, Mrs. Gloria
Senior Assistant/Payroll Officer

**Head Office -
Training Department**

Kelly, Miss Olivia
Training & Development Officer

Walker, Mrs. Rochelle
Senior Training & Development
Officer

**Head Office -
Communications/
Administration Department**

Burnside, Mr. Jeffery
Messenger/Archive Associate

Laing, Mrs. Karen
Senior Associate,
Communications

Rolle, Miss Desma
Communications Associate

Rolle, Miss Shera
Concierge

Sherman, Mr. Xavier O'Neil
Senior Messenger

Turnquest, Mr. Jermaine
Messenger

Wilkinson, Ms. Mary
Manager, Corporate Office
Administration/Communications

**Head Office -
Risk Department**

Albury, Mrs. Philice
Senior Manager, Risk

Christie, Miss Florence
Senior Associate, Compliance

Scantlebury (Dean), Miss Zovia
Sr. Associate, Compliance

Ferguson, Mr. David
Risk Coordinator

Miller, Miss Jemma
Associate, Compliance

Newry, Mr. Gamal
Risk Coordinator, Security
Operations

Whitfield, Miss Nitika
Manager, Compliance

**Head Office - Marketing
Department**

Baden, Mr. Michael
Manager, Marketing

Greene, Mrs. Xenia
Associate, Marketing

**Head Office -
Small Business**

Munroe, Miss Thea
Manager, Client Relationships

**Head Office -
Retail Marketing**

Thompson, Mr. Ian
Manager, Retail Sales

**Head Office - Private
Banking & Trust Department**

Beneby, Mrs. Sherry
Senior Trust Officer

Bingham, Mrs. Dianne
Manager, Private Banking &
Trust Services

Farah, Miss Tonya
Private Banking Officer

Sturup, Miss Sinta
Client Services & Support
Officer

Thompson, Mr. Shavardo
Private Banking Associate

**Head Office - Accounting &
Finance Department**

Brown, Miss Lavonne
Financial Reporting Analyst
Hawkins, Miss Candice
Associate, Accounts

McPhee, Miss Leashawn
Financial Controller

Roberts, Mrs. Deshaun
Administrative Assistant

Roberts, Miss Nairooshee
Associate, Accounts

Rolle, Miss Sherrel
Analyst, Budget & Cost Control

Symonette, Mrs. Tammi
Supervisor, Accounting
Department

Thompson, Miss Monique
Associate Team Lead, Accounts

Winder, Miss Nyochea
Associate, Accounts

Woodside-Turnquest,
Mrs. Maureen
Manager, Financial Reporting

**Head Office -
Treasury Department**

Evans, Miss Paige
Associate, Treasury

Hanna, Mr. Kevin
Program Manager, Corporate
Treasury

**Head Office - Corporate Credit
Department, Nassau**

Bain, Mr. Kentworth
Manager, Corporate Credit

Barr-Mortimer, Miss Evardneke
Senior Associate, Loan
Administration

Beneby, Mr. Earl
Senior Relationship Manager

Bonamy, Mr. Steve
Relationship Manager

Braynen, Mr. Dana
Senior Manager,
Credit Business

Ferguson, Mr. Stanley
Credit Analyst

Hepburn, Mrs. Gayle
Credit Analyst

McQueen, Miss Dominique
Credit Analyst

Moss, Miss Cassandra
Associate

Percentie, Ms. Monica
Manager, Small Business

Sands, Mr. Michael
Credit Analyst (Trainee)

Strachan, Mrs. Phillipier
Administrative Assistant

Thompson, Mr. Dominic
Relationship Manager,
Corporate Credit

**Head Office - Corporate Credit,
Grand Bahama & Family Islands
Division**

Carey, Mr. Adrian
Junior Credit Analyst

Carey, Mr. Terrance
Senior Manager, Corporate
Credit, Grand Bahama Division

Perpall, Miss Michaela L. F.
Concierge

Sawyer, Miss Shiann
Associate, Loan Administration

**Head Office -
Ggaels Department**

Bodie, Miss Edith
Administrative Assistant

Burke, Miss Donzella
Coordinator Ggaels

Colebrooke, Miss Michaela
Associate, Loan Administration

Davis, Mrs. Tanya
Senior Associate, Ggaels

Mortimer, Miss Michelle
Associate

**Head Office - Internal
Audit Department**

Butler, Mrs. L. Sandra
Senior Internal Auditor

Dean, Miss Nikera
Associate, Internal Audit

Ijeoma-Delva, Mrs. Uchenna
Senior Internal Auditor

McQueen, Mrs. Angelique
Internal Auditor-I



Bankers take on new role

Minnis, Mr. Randolph
Senior Internal Auditor

Poitier, Miss Roseanna K.
Internal Auditor-I

Rolle, Mrs. Davine
Audit Manager, I.T.

Taylor, Miss Vanessa
Chief Internal Auditor

**Head Office -
Credit Risk Department**

Barnett, Mr. Charles
Sr. Relationship Manager,
Credit Risk

Culmer, Mr. Rory
Asst. Manager, Credit Risk

Fountain, Mr. Julian
Sr. Relationship Manager,
Credit Risk

Johnson, Mr. Anthony
Asst. Manager, Credit Risk

Rigby, Mr. Franklyn
Relationship Manager

Strachan, Miss Tamika
Administrative Assistant

Urich, Mr. George Dave
Manager, Credit Risk

**Head Office - Collections
Department (Nassau Division)**

Bastian, Mr. Ryan O.
Collections Officer

**Tonya Farrah,
Private Banking Officer**



Blatch, Mrs. Elda
Sr. Collections Officer
(Exuma Branch)

Bodie, Mr. George
Collections Officer

Brown, Mr. Chervez
Collections Officer



AGM 2012

Bryan, Mr. Curtis
Sr. Collections Officer
(Corporate Credit, Charlotte
House)

Clarke, Mr. Anthony
Collections Officer

Clarke, Mr. Silbert
Supervisor, Collections

Collie, Mr. Wendell
Collections Officer

Conliffe, Mr. Nigel
Collections Officer

Dorsett, Mr. Daryl
Collections Officer

Forbes, Mr. Michael
Collections Officer

Higgs, Mr. Anton
Assistant Manager, Collections

Johnson, Miss Shakara
Concierge

Knowles, Mr. Clarence
Collections Officer

McBride, Mr. Gayland
Assistant Manager, Collections

Miller, Mrs. Charise
Collections Officer

Newbold, Mr. Raynard
Sr. Collections Officer

Sturup, Mr. Mordell
Senior Collections Officer
(Card Centre)

Toney, Mr. James
Collections Officer (At Exuma
Branch)

**Head Office - Collections
Department, Grand
Bahama & Family Islands
Division**

Gray, Mr. Anton
Assistant Manager, Collections

Neely, Mrs. Suzette
Collections Officer

Rolle, Miss Lanese
Concierge

Thomas, Miss Shena
Collections Officer

Vilbrun, Mr. Nelson
Sr. Collections Officer

**Head Office - Loan
Administration Department,
Nassau**

Armbrister, Miss Bianca
Associate, Posting

Cartwright, Miss Olga
Associate, Loan Administration

Charlton, Mrs. Deborah
Associate, Loan Administration

Cooper, Miss Joan
Assistant Manager, Loan
Administration Department

Dames, Mrs. Julia
Associate, Loan Administration

Knowles, Mr. Torri
Associate (Reviewer), Loan
Administration

Miller, Miss Judy
Manager, Loan Administration
Department (Nassau & G.B.
Divs.)

Moxey, Mr. Clifford
Associate, Loan Administration

Rahming, Miss Lavonya
Associate, Posting

Roberts, Mrs. Ingrid
Senior Associate, Loan
Administration

Saunders, Mrs. Estena
Supervisor, Loan Administration
Department

Smith, Mrs. Chivonne
Associate, Loan Administration

White, Mrs. Monique
Associate, Loan Administration

**Head Office - Loan
Administration Department,
Grand Bahama Division**

Charite, Mrs. Kira
Senior Associate, Loan
Administration Department
Security

Clarke, Ms. Chantel
Senior Associate, Loan
Administration

Henfield-Rolle, Miss Jennifer
Associate, Loan Administration

Johnson, Mrs. Misty
Associate, Loan Administration

King, Miss Silva
Associate, Loan Administration

Parker, Mrs. Lucianna
Assistant Manager, Loan
Admin. Dept., Grand Bahama
Division

**Information Technology
Department**

Burnside, Mr. Garvin
Senior Team Lead, Application
Support

Evans, Mr. Shervin
Team Lead, Infrastructure
Support

Forbes, Mrs. Diana
Executive Assistant, Information
Technology/Human Resources

Hepburn, Mr. Audley D.
Technical Support Analyst

Ijeoma, Mrs. Renee
Senior Manager, Information
Technology

Kawaguchi-Fleming, Mrs. Keiko
Senior Analyst, Business

Laing, Mr. Dominic
Junior Application Support
Analyst

Pratt, Mr. Ancel
Information Security Officer

Richards, Mr. Bernard
Programmer/Analyst

Rigby, Miss Jaquel
Technical Support Coordinator

Rolle, Miss Patrice
Senior Application Support
Analyst

Rolle, Mr. Wayne
Technical Specialist, Network
Operations

Tucker, Mr. Kenton
Business Intelligence Analyst

Longley (Wood), Mrs. Sheena
Junior Technical Support
Analyst

Head Office - Data Centre

Burrows, Mr. Mark
Junior Administrator, Network
Operations

Clarke, Miss Asteen
Associate, Payroll Processing

Josey, Mrs. Alice
Manager Data Operations

Russell, Miss Marietta
Computer/Proof Operator

Virgil, Mr. Devaughn
Operator, Data Centre
Operations

White, Miss Dawn Marie
Supervisor, Customer Services

Head Office - Project & Change Management

Bethel, Miss Kenva
Associate, Project & Change
Management

Bowe, Mrs. Dandria
Senior Project Coordinator

Ferreira, Ms. Jillian
Manager, Project & Change
Management

McIntosh, Mrs. Anya (Penn)
Technical Support Coordinator

Symonette, Mrs. Camille A.
Coordinator, Project & Change
Control

Varence, Mrs. Clarice
Senior Premises Coordinator

Card Centre

Bain, Miss Alicia
Customer Services
Representative

Baden, Miss Miriam
Customer Services
Representative

Bethell, Miss Shanequia
Assistant Manager, Acquiring

Bowe, Miss Ricarra
Customer Services
Representative

Butler, Ms. Verkeisha
Merchant Services Associate

Clarke, Ms. Lekisha
Customer Services
Representative

Taylor (Collie), Miss Shakera
CSR-III, Data Verification Officer

Cooper, Mrs. Joan Nicoya
Assistant Manager, Card Centre

Dean, Mrs. Antoinette
Fraud Monitoring Officer

Dean, Mrs. Gilda
Merchant Services Associate

Elliott, Miss Sedika
Customer Services
Representative

Johnson, Mr. Darin
Customer Services
Representative

Johnson (Douglas), Mrs. Tianya
Senior Accounting Associate

Johnson, Mrs. Yvette B.
Supervisor, Call Centre

Kemp, Miss Shanderia
Customer Services
Representative

Lightbourne, Mr. Kenton
Assistant Manager, Card Centre
- Issuance

Missick, Miss Macquel
Concierge (Administrative
Offices, 1st Floor, Village Road)

Musgrove, Ms. D'entae
Data Posting Associate

Reckley, Miss Jonique
Customer Services
Representative

Rolle, Mr. Jabari
Associate

Sawyer, Miss Michelle
Customer Services
Representative

Smith, Mr. Desario
CSR-III, Embossing Associate

Smith, Mrs. Tamuery
Accounts Associate

Ward, Miss Kaye
Senior Associate, Merchant
Group

Miami Operations

Barrett, Mrs. Lechryl
CSR-II, Miami Office

Smith, Miss Brickell
Officer-In-Charge

Carmichael Road Branch

James, Mrs. Patricia
Manager

Inagua Branch

Burrows (Bowe), Ms. Sheena
CSR-III Team Leader

Wilson (Cartwright), Miss
Marjorie
CSR-II

Missick, Mrs. Judith
Officer-In-Charge

*Deputy Managing Director,
Vaughn Delaney at
the 2012 AGM*



Darville, Mrs. Shannon
CSR-I

Pierre, Miss Lynette Andrea
CSR-I

Shirley Street Branch

Beneby, Mr. Felton
Branch Manager

Carter, Miss Amber
Credit Officer

Curtis, Miss Tekera
CSR-III Team Lead

Eve, Miss Narissa
Credit Officer (Trainee)

Fisher, Miss Tiffany
CSR-I

Gaitor, Miss Sharlisa
CSR-I (Teller)

Goodman, Miss Donette
Supervisor, Tellers

Hamilton, Mrs. Sherrell
Senior Associate, Loan
Administration

Hepburn, Mr. Jermaine
Assistant Branch Manager,
Credit

Hinsey, Mrs. Shameka
Associate, Loan Administration

Ingraham, Miss Philippa
CSR-II

Kelly, Miss Deagre
Assistant Branch Manager,
Operations

Lamb-Turnquest, Miss
Samantha
Senior Credit Officer

Mayers, Miss Serenna
CSR-I (Teller)

Miller, Mr. Basil
Scanning Associate

Nesbitt, Ms. Antoinette
Supervisor, Customer Services
Dept.

Newbold, Miss Mitzi
CSR-III Team Lead (Tellers)

Nixon, Miss Latonya
CSR-I (Teller)

Peet, Mrs. Vernincha
Branch Control Officer

Rhodriquez, Mr. John
Credit Officer

Seymour, Miss Kayvanna
CSR-I (Teller)

Seymour, Miss Vanessa
CSR-II

Whyly, Miss Tyrese
CSR-I (Teller)

Young, Mrs. Sherron
CSR-II

Zonicle, Miss Whilliamae
Administrative Assistant

San Salvador Branch

Black, Mr. Tameco
Security Guard

Green, Mrs. Schkara
CSR-I (Teller)

Maycock, Mr. Damien
CSR-I (Teller)

Miller, Mrs. Sophia
Officer-In-Charge

Storr, Miss Ingrid
CSR-III Team Lead

Williams, Mrs. Nyoka
CSR-II

Village Road Branch

Braynen, Mr. Alaasis
Branch Manager

Braynen, Mrs. Shanovia
CSR-II

Burrows, Mrs. Felicia
Credit Officer

Carey, Miss Stacey
CSR-II

Davis, Mrs. Kertorra
Supervisor, Customer Services
Department

Forbes, Mr. Jason
Credit Officer (Trainee)

Fox, Mrs. Lillian
Branch Control Officer

Higgs, Mrs. Monique
Supervisor, Tellers

Huyler, Miss Simone
CSR-I (Teller)

Knowles, Miss Richenda T.
CSR-III Team Lead (Tellers)

Major, Miss Laurie
CSR-II

McCardy, Miss Antoinette
CSR-I (Teller)

Mitchell, Mrs. Deborah
Assistant Branch Manager,
Operations

Morley, Mr. Jason
CSR-II

Moss, Miss Nakira
Branch Ambassador

Mott, Mrs. Marachelle
Senior Credit Officer

Oliver, Mrs. Carolyn
Associate, Loan Administration

Outten, Miss Mia
CSR-I (Teller)

Rolle, Miss Andrea
Concierge

Rolle, Mr. Ranaldo M.
CSR-I (Teller)

Felton Beneby, Branch Manager, Shirley Street, showing the interior of the bank and dressed for a special holiday cheer occasion 2011.



Small, Mrs. Florence
CSR-I (Teller)

Smith, Mrs. Lesley
Credit Officer

Smith, Miss Shandia
CSR-III Team Lead

Symonette, Miss Sasha
CSR-I (Teller)

Williams, Mr. Kassim
Credit Officer (Trainee)

Wilson, Miss Louise
CSR-I (Teller)

Freeport Branch

Brown, Mrs. Beatrice
Credit Officer

Bullard, Mrs. Sherene
Assistant Branch Manager,
Operations

Burrows, Mr. Daniel K.
CSR-I (Teller)

Butler, Mr. Danaldo
CSR-I (Teller)

Capron, Miss Pamela
Proof Associate

Clarke, Mr. Wenrick
Branch Manager

Davis, Mrs. Beverley
Senior Associate, Proof
Department

Edwards, Mrs. Berthalee
CSR-II

Ferguson (Cash), Mrs. Aneatra
CSR-III Team Leader (Cash)

Kelly, Ms. Monique
Supervisor, Tellers

Lockhart, Miss Demarcia
Branch Ambassador

McGregor, Mrs. Bridgette
CSR-II

McIntosh, Nio-Schienne
Administrative Assistant

Newry, Mrs. Demitra
Credit Officer (Trainee)

Pierre, Ms. Lolita
Supervisor, Branch Audit

Poitier, Mrs. Kamia
Supervisor, Customer Services
Department

Pratt, Mr. Dion
Credit Officer (Trainee)

Rolle-Collie, Mrs. Donnette
CSR-I (Teller)

Russell, Mrs. Suzette
Associate, Branch Loan
Administration

Sands, Mrs. Carolyn
Audit Associate

Seymour, Mrs. Sonya
Assistant Branch Manager,
Credit

Thompson, Ms. Tiffany
Proof Associate/Messenger

Watkins (Ingraham), Miss
Kenise
Credit Officer

Whyly, Mrs. Delores
CSR-I

Wright, Miss Henrietta
CSR-II

Eight Mile Rock Service Centre

Kelly, Miss Wendy
CSR-I

Jerome, Miss Maggie
CSR-I

Rahming-Bowe, Mrs. Samantha
Supervisor, Tellers & Customer
Services Reps.

Ritchie, Ms. Jennifer
Officer-In-Charge

Russell, Mr. Bill Clinton
Credit Officer

Harrold Road Branch

Adderley, Mrs. Sherise
Credit Officer (Trainee)



Commodore Percy C. Strachan, Chairman of the British Legion-Bahamas Branch presenting trophy to Mr. Alaasis R. Braynen, Branch Manager, Village Road Branch. Presented for exemplary service above and beyond the call of duty.

Bain, Mrs. Shantell S.
Assistant Branch Manager,
Operations

Barrett, Mrs. Samantha
Supervisor, Customer Services
Department

Bastian, Ms. Sharrell
Credit Officer (Trainee)

Bullard, Mr. Gregory
Supervisor, Tellers

Burrows, Miss Aja
CSR-I (Teller)

Clarke, Miss Dannika
Senior Credit Officer

Deleveaux, Mr. Kelson
CSR-I (Teller)

Farrington, Mrs. Richardette
CSR-III (Team Leader-Tellers)

Ferguson, Mrs. Tamara
Branch Ambassador

Hall, Miss Reinia C.
CSR-I (Teller)

Johnson, Mrs. Kotora
Associate, Loan Administration

Johnson, Miss Linda
CSR-II

Johnson, Mr. Moses
Credit Officer

King (Saunders), Mrs.
Sharmaine
CSR-II

Miller, Mr. Byron
Branch Manager (Trainee)

Mitchell, Miss Ambrosine
Administrative Assistant

Moss, Miss Nadia
Cheque Scanning Associate

Newton, Miss Canderia
CSR-I (Teller)

Rolle, Mrs. Susanna
Supervisor, Customer Services
Department



Brisk business inspired BOB's expansion of the Village Road branch, nearly doubling its size, equipping it with two BOB ATM Express machines and kiosk banking. Concierge Nakira Moss greets customers in the branch that now serves as the model for interior design. The sleek look is also reflected in the new Carmichael Road branch.

Saunders, Mrs. Nadane
Branch Control Officer

Seymour, Mr. Lynden
CSR-I (Teller)

Williams, Miss Cheralda
CSR-II

Woodside, Miss Alexandria
CSR-I (Teller)

**Andros Branches
Kemps Bay Branch /
Mangrove Cay Branch**

Greene-Symonette, Mrs.
Bernice Eloise
CSR-I

Jones, Mrs. Lydia
Officer-In-Charge

Knowles, Miss Tula
CSR-I

Rolle, Mr. Norris
Security Officer

Thompson Boulevard Branch

Bacchus, Mrs. Gaynor
CSR-II

Bowleg, Mrs. Diana
Senior Credit Officer

Cartwright, Miss Prescola
CSR-II

Clarke, Mrs. Jessica
Administrative Assistant

Dames, Mrs. Stacia
Supervisor, Customer Services
Dept.

Daxon, Mr. Kevin
Branch Control Officer

Knowles, Mrs. Berthia
Branch Manager

Lewis, Mr. Jayson
Credit Officer

Lightbourne, Ms. Davanna
CSR-I (Teller)

Marshall, Miss Mychaelle
CSR-III Team Leader (Tellers)

Marshall, Mrs. Sherice
Credit Officer (Trainee)

Moncur, Miss Marica
Associate, Loan Administration

Munnings, Miss Danielle N.
CSR-I (Teller)

Nabbie, Miss Tawana
CSR-I (Teller)

Nixon, Miss Treniqua
CSR-II

Russell, Mrs. Anastacia
Supervisor

Smith, Miss Toosda
Assistant Branch Manager,
Operations

Exuma Branch

Curtis, Miss Anniffa Janeen
Officer-In-Charge
Ferguson, Miss Karen
CSR-II

Ferguson, Miss Westralyn C.
CSR-I

Gray, Mr. Johnny Carson, Jr.
Security/Doorman

Rolle, Miss Celcier
Credit Officer

Romer, Mrs. Tamika
CSR-II

Williams, Mrs. Desiree
CSR-I

Cat Island Branch

Armbrister, Mr. Atwell
Security/Doorman

Brown, Miss Letitia
Officer-In-Charge

Burrows, Kjanya
CSR-I (Teller)

King, Mrs. Anishka
CSR-I (Teller)

Hunter, Mrs. Pertrease Monique
CSR-II

Rolle-Seymour, Mrs. Cammellar
CSR-III Team Lead (Tellers)



A Very Special Thank You to Beverley Farquharson, Deputy Managing Director

In a world where ambitious professionals change jobs with the ease of updating a wardrobe, the dedicated professional who demonstrates loyalty above self-promotion is a rare gem. BOB thanks our gem, Beverley Farquharson, who retired in June, 2012 after a 40-year career, starting with Bank of Montreal after high school and moving with the new entity when Bank of The Bahamas was carved out of that bank's book of domestic business in 1988. Mrs. Farquharson continued to learn all she could about the world of banking and was quick to

adapt to change. By the time she retired, she had worked in every division, starting as teller and moving up the ranks to the post of Deputy Managing Director, a position she served with distinction. There was, perhaps, no one in the nearly 400-member strong staff who understood the bank's operations better than she and we wanted to take this opportunity to thank her in a very public way for her high standards, years of selflessness and her determination to be part of making BOB the best little bank in all The Bahamas.



***“There was, perhaps,
no one in the nearly
400-member strong
staff who understood the
bank’s operations better
than Mrs. Farquharson.”***

***—BOB management
and staff***

*Top: Ms. Farquharson
leading training.*

*Left: Managing Director Paul
McWeeney presents Beverley
Farquharson with the first
BOB Al Jarrett Legacy Award.*





Bank of The Bahamas

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