

31st October, 2013

Dear Shareholders,

Re: 2013 Fiscal Year End Financial Statements

BOB has posted the subject financial statements on its website today. The requisite Annual Report will be completed and released ahead of the Annual General Meeting of Shareholders. However, in the interim I wish to provide you with additional supporting information.

We ended the financial year with total assets of \$891MM (million) up 3.4% over last year. Liquidity remained robust with cash & securities holdings of \$134MM. The other material increase was seen in loans and advances to customers which settled at \$735MM (+6.8%) outpacing general economic output of 1.8% and private sector loan growth which actually contracted by 11% over the same period. Collectively these are positive events worthy of note.

On the liability side customer deposits settled at \$723MM (+7.7%). Much of this growth was centred in certificates of deposit suggesting success in our campaigns to attract new customers. Further, the bank's strategy to repay direct liabilities can be viewed also as a success in that during the year \$32MM in bonds were retired ahead of maturity.

At year end the bank was also successful in raising new capital of \$31.5MM which served to boost total equity to \$142MM inclusive of \$29MM in retained earnings and requisite capital ratios. In fact, the risk weighted capital ratio ended the year at 22.9%, well ahead of the 14% - 17% range required by the central bank. Therefore, we can conclude that the bank maintains a very strong capital base from which to grow and continue to absorb the inherent risks of our business.

In the profit and loss statement we report that total revenue amounted to \$73MM, an increase of 5.9% year over year. Interest Expense declined to \$22MM, which when matched against the growth in customer deposits, reflects continuing sound liquidity management. Therefore, gross operating income settled at \$49MM.

Operating Expenses for the year totaled \$32.5MM an increase of \$2.8MM over the year. Such increases were more predominant in employee expenses, business license fees and other administrative expenses. If we were to back out the increase in business license fee, the rate of growth this year would have been in line with that of last year. This also suggests that we are doing a decent job at controlling variable expenses.

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Award for
Corporate Excellence
2004



Bracken Award
Country of The Year
2005, 2010



Financial Services
Development & Promotional Award
2006



Business of The
Year Award
2007



Award for
Excellence
2006, 2008, 2009, 2011

However, as we turn to the line item - loan loss reserves - the bank determined it appropriate to make significant provisions to counteract the growing risk of its loan portfolio and the general economy. Consequently, new provisions (general and specific) in the amount of \$21.2MM were recognized.

This had the result of producing a net loss of \$3.5MM this year. This loss was absorbed by the bank's healthy level of retained earnings.

By no means are we out of the woods. The recent announcement of an increase of 200 basis points in the unemployment rate is a clear reflection that risks continue to grow. In this environment we must remain steadfast to the basic principles of sound business and banking practices. Stability is the focus of the day. Therefore, loan loss provisions will continue to be recognized as deemed appropriate to insulate the balance sheet and business from the realization of inherent business risks.

The loss experienced is the first in the last 20 years and is primarily the consequence of the great recession and its lingering impact on businesses and the general consumer. Although we do not expect a quick recovery from this position every effort will be spent on developing strategies to improve operational efficiency, grow revenue and formulate new credit solutions and services for customers so that we may be better positioned to claw back into profit these loan loss provisions in the future.

We wish to express our thanks to you for your continued support and give you the fullest of assurances that every effort is being taken by the management and staff of the bank to ensure its continued success.

Regards,

Paul J. I. McWeeney
Managing Director

