



FINANCIAL PERFORMANCE FOR THE QUARTER ENDED JUNE 30, 2017

The Bank began a journey during fiscal 2016 to transform Bank of The Bahamas (“the Bank” or “BOB”) into a customer centric institution with sustainable profitability, providing good returns for investors and stability and growth for depositors. As we report on our fourth quarter and year end results, we continue to focus on our initiatives around Corporate Governance, Collections, Cost Optimization and Customer Care. Through these initiatives, we at BOB are committed to returning the Bank to profitability, ensuring that each customer experience is exceptional, and that the solutions we provide are cutting edge.

Total operating income increased from prior year by \$3.4 million or 45.12% for the quarter and increased \$3.0 million or 8.82% year to date. For the quarter, the increase was owing to higher net interest income and higher other operating income. While year to date, the increase was primarily owing to higher net interest income by \$2.2 million and higher net fee and commission income by \$1.2 million as the Bank strengthens its auxiliary revenue streams. The Bank continued to manage its resources effectively and efficiently by successfully reducing operating expenses by \$0.5 million or 5.79% for the quarter and \$1.4 million or 4.17% year to date, mainly on lower staff costs, other administrative expenses and lower impairment losses. The Bank continues to focus on improving its core operating performance.

Despite significant strides made mid-stream into the transformation process, the Bank recognized net loan loss provisions of approximately \$35.4 million during the quarter and \$49.2 million year to date. This was up by \$20.1 million from the same quarter last year and up by \$24.7 million year to date compared to prior year. As a result of the increased credit loss expenses, the Bank recognized a net loss of \$32.8 million for the quarter and \$43.8 million year to date. The Bank continues to focus its efforts on actively monitoring and managing the credit portfolio.

The Bank’s return to profitability is largely dependent on the performance of the loan portfolio. Before credit loss expense, the Bank would have recognized net income of \$2.5 million for the quarter and \$5.4 million year to date. As such, a great part of the Bank’s profitability will be contingent on resolving its non-performing loans. To facilitate this, subsequent to June 30, 2017, the Government has agreed to purchase certain loans, primarily impaired, by Bahamas Resolve Limited (“Resolve”) at a price equivalent to the gross book value of these loans, which is estimated to be \$167.7 million. The consideration for this purchase would be the issuance of a promissory note. In addition, the Government has agreed to redeem the entire \$100 million of the promissory notes from the first Resolve transaction in 2014 between August 2017 and May 2018. It is expected that this transaction will provide substantial relief for the Bank’s credit portfolio and overall financial position and restore all of the Bank’s regulatory capital ratios to compliance.

The management team of the Bank remained focused on execution of its transformation plan, including improvements to risk management, increasing operational efficiency, and restoring top line sustainable growth. As we prudently, systematically and urgently improve in these areas, the Management is optimistic that the Bank is on the path to success.

We are grateful to our BOB team of employees, senior management, directors, shareholders and most importantly our customers who have remained loyal in their continued support of the Bank.

Renee Davis (Mrs.)
Acting Managing Director