



## FINANCIAL PERFORMANCE FOR THE QUARTER ENDED DECEMBER 31, 2017

The Bank's second quarter continued to indicate improvements in its financial performance through operational efficiencies and revenue growth strategies. The Bank recognized net income of \$0.8 million during the second quarter and \$1.5 million year to date December 31, 2017 compared to a net loss of \$2.0 million during the prior year quarter and a net loss of \$5.5 million prior year to date December 31, 2016. Total operating income increased by \$1.5 million or 16.94% for the quarter and increased by \$2.5 million or 14.79% year to date compared to prior year, explained largely by higher net interest income and net non-interest income. The net positive variance in net interest income of \$1.3 million year to date was primarily due to the decrease in interest expense owing to the reduction in the prime rate and the composition of the deposit portfolio comprising largely of the lower yielding deposit products, while the smaller decrease in interest income due to an overall decline in the performing loan portfolio. Net non-interest income increased by \$1.2 million year to date, which was due mainly to higher fee and commission income and other miscellaneous income as the Bank strengthens its auxiliary revenue streams. In addition to growth in revenue, the Bank continued to rationalize resources more efficiently resulting in operating expenses reducing by \$0.2 million or 1.94% compared to prior year's quarter and by \$0.5 million or 3.09% compared to prior year to date. A positive variance was realized in net credit loss expense as the Bank recognized approximately \$1.7 million for the quarter compared to \$2.9 million in the prior year's quarter, a 40.29% decrease. Year to date, the Bank recognized net credit loss expense of approximately \$3.3 million compared to \$7.2 million in the prior year, a decrease of 54.51%.

During the quarter, the Bank sold another \$5.7 million in non-performing loans to Bahamas Resolve Limited in addition to the \$162.0 million during the first quarter for a promissory note of the same value, which now totals \$167.7 million. This resulted in an improvement in the Bank's credit quality and increase in its capital base. The Bank also partially redeemed its \$100.0 million note receivable from the first Resolve transaction resulting in a total inflow of \$69 million (as \$50 million was redeemed during the first quarter). Both transactions resulted in improved credit quality and liquidity. The Bank strengthened its asset portfolio with total assets ending at \$843.9 million as of December 31, 2017 compared to \$755.8 million as of June 30, 2017. All of the Bank's key capital ratios were restored to full compliance, with Total Capital Ratio of 42.0%, well above the Central Bank's minimum requirement of 18.0%. The Bank's total equity closed at a balance of \$176.8 million, up from \$63.9 million as of June 30, 2017.

The Bank continues on its path of rebuilding, and we are working steadfastly to a period of sustained profitability. We are grateful to our BOB team of employees, management, directors, shareholders and most importantly our customers in their continued support of the Bank.

Renee Davis (Mrs.)  
Acting Managing Director