



FINANCIAL PERFORMANCE FOR THE QUARTER ENDED JUNE 30, 2019

The Bank's transformation plan has been the focus of its past two fiscal years, which paved the way for a number of positive results, including stronger liquidity and capital positions and return to profitability by the year ended June 30, 2018 after 5 years of consecutive net losses. During the current fiscal year, our focus shifted to providing more sustainable growth opportunities to ensure the Bank's success over the long term and to build a brand that restores trust, empowers customers and promotes responsible banking. Under the theme: Building a Better BOB... Building a Better Bahamas, a comprehensive three-phased strategic plan is being implemented.

For the year ended June 30, 2019, the Bank recorded net income of \$3.0 million, compared to the \$1.6 million net income for the year ended June 30, 2018, an increase of 87.10%. During the last quarter, the Bank was made aware of a judgment in default against the Bank for approximately \$6 million plus interest and cost. The Bank has filed the applications to set aside the default judgment and the said damages and also to stay or, in certain circumstances, strike out enforcement proceedings. Adequate provision has been made in the financial statements for any loss that might ultimately be determined.

A positive variance was realized in net credit loss expense as the Bank recognized approximately \$1.2 million during the current fiscal year, compared to \$7.6 million over the same period in the prior year, a decrease of \$6.4 million or 84.35%. The Bank's operating expenses were relatively stable for the quarter but had an increase of \$6.8 million or 22.97% for the year, primarily due to the legal claim mentioned above. Excluding the legal claim, the Bank's operating expenses were substantially unchanged year over year. Total operating income increased by \$1.6 million or 16.81% for the quarter, and increased by \$1.8 million or 4.70% for the year, due largely to higher net non-interest income and net interest income. Net non-interest income increased by \$1.5 million or 14.20% as the Bank continues to strengthen its auxiliary revenue streams. The positive variance in net interest income was primarily due to the decrease in interest expense by \$1.1 million as a result of the decrease in deposit base balances, lower interest rates and the continued shift in the deposit portfolio composition from higher yielding to lower yielding deposit products, partially offset by a \$0.8 million decrease in interest income due to an overall decline in the performing loans portfolio.

The Bank continues to maintain a strong financial position with total assets of \$815.1 million and the composite of loans and advances, net of \$341.2 million as at June 30, 2019. The Bank's liquidity position also remained robust as its cash equivalents stood at \$49.9 million while investment securities grew by \$36.3 million. The Bank's key capital ratios continued to be in compliance with regulatory requirements, with Total Capital Ratio of 41.6%, which is well above the Central Bank's minimum requirement of 18.0%. The Bank's total equity closed at \$158.1 million, lower than the June 30, 2018 balance of \$177.8 million due to \$4.7 million charge against retained earnings for the implementation of IFRS 9 effective July 1, 2018, redemption of the remaining outstanding preference shares of \$15.2 million, preference shares dividends paid totaled \$3.2 million during the period, and the \$3.0 million net income for the year ended June 30, 2019.

We at Bank of The Bahamas, are joining forces, the best of each of us, to create a stronger, better BOB. With our Mission, we are "Working Together to Consistently Provide Exceptional Customer Experience and Superior Financial Solutions", our goal is to be "YOUR ULTIMATE PARTNER FOR BANKING SOLUTIONS".

We are grateful to our BOB team of employees, management, directors, shareholders and most importantly our customers for their continued support of the Bank.

Kenrick Brathwaite
Managing Director