



FINANCIAL PERFORMANCE FOR THE QUARTER ENDED DECEMBER 31, 2018

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. As the Bank began its new fiscal cycle, 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 has been implemented.

For the period ended December 31, 2018, the Bank recorded net income of \$3.8 million, compared to the \$1.5 million net income for the period ended December 31, 2017, or a 163.96% increase.

A positive variance was realized in net credit loss expense as the Bank recognized approximately \$1.0 million for the quarter and \$2.1 million year to date, compared to \$1.7 million and \$3.3 million, respectively, over the same period in the prior year, a decrease of \$1.2 million or 35.87% year to date. Additionally, the Bank reduced operating expenses by \$0.8 million or 10.82% for the quarter and by \$1.3 million or 8.77% year to date. Total operating income decreased by \$0.5 million or 4.60% for the quarter, and decreased by \$0.1 million or 0.53% year to date, explained largely by lower net interest income, partially offset by higher net non-interest income. The net negative variance in net interest income was primarily due to the decrease in interest income by \$1.0 million due to an overall decline in the performing loans portfolio, partially offset by a \$0.5 million decrease in interest expense as a result of the decrease in deposit base balances and the continued shift in the deposit portfolio composition from higher yielding to lower yielding deposit products. Net non-interest income increased by \$0.4 million or 6.98% as the Bank continues to strengthen its auxiliary revenue streams.

The Bank continues to maintain a strong financial position with total assets of approximately \$803.2 million and the composite of loans and advances net, stood at \$326.6 million as at December 31, 2018. The Bank's liquidity position also remained robust as its cash equivalents recorded an increase of \$3.2 million while investment securities grew by \$2.2 million. The Bank's key capital ratios continued to be in compliance with regulatory requirements, with Total Capital Ratio of 43.9%, which is well above the Central Bank's minimum requirement of 18.0%. The Bank's total equity closed at \$159.9 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 and preference shares dividends payment of \$1.5 million, partially offset by the \$3.8 million net income for the six month period ended December 31, 2018.

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