Bank of The Bahamas
LIMITED

FINANCIAL PERFORMANCE FOR THE QUARTER ENDED JUNE 30, 2020

Since our third quarter reporting for the period ended March 31, 2020, the COVID-19 pandemic continued to be a global health crisis that drastically affected the economy and dramatically changed the local and global economic outlook. A couple of days before the Bank's fiscal year ended June 30, 2020, Moody's downgraded The Bahamas' credit rating below the investment grade. International Monetary Fund's GDP projection initially issued in April 2020 at -0.6% further declined to -8.3% in their revised 2020 projection. The Bahamas' unemployment rate is at its highest at 40%.

The outbreak of COVID-19 has resulted in travel and border restrictions, quarantines, curfews and lockdowns, lower consumer demand and general market uncertainty. The extent and duration of the impact of COVID-19 on global and local economies are uncertain at this point, but we remain committed to overcoming this crisis and focused on our Strategic Plan in strengthening of our systems, expanding of products and improving overall customer service.

Amid this challenge of operating an essential business under such conditions, the Bank recorded net operating income of $14.3 million for the twelve months ended June 30, 2020 compared to $4.6 million in June 30, 2019. However, this net operating income has been offset by the provision for impairment losses of $6.3 million and credit loss expense of $15.3 million resulting in an overall net loss of $7.4 million for the year ended June 30, 2020 compared to $2.9 million of net income in the prior year ended June 30, 2019. Net credit loss expense for the quarter ended June 30, 2020 increased by $6.7 million compared to the quarter ended June 30, 2019; and $13.6 million increase for the year ended June 30, 2020 vs. June 30, 2019 due to the pandemic. The Bank also recorded $6.3 million provision for impairment losses on sovereign and corporate financial asset exposures due to the pandemic.

Comparing the current period ended June 30, 2020 to the prior period ended June 30, 2019, the Bank's total operating income increased by $2.0 million or 18.25% for the current quarter and $6.0 million or 14.64% for the current fiscal year, explained largely by the $2.8 million and $6.5 million increases in net interest income, for the current quarter and for the year, respectively. The positive variance in net interest income for the year was due to the increase in interest revenue by $5.3 million primarily from interest on consumer loans and deferred loan fee change in accounting estimate; and lower interest expense by $1.3 million due to a decline in certain interest rates and deposit products. However, the impact of the pandemic was immediately felt by the Bank on its non-interest income resulting in an overall decline of $0.8 million and $0.5 million recorded for the current quarter and year to date, respectively.

The Bank's operating expenses increased by $1.9 million or 25.99 % for the quarter due to increased bank licence fees imposed by the Central Bank, higher cleaning and sanitation expenses per the existing pandemic protocol, additional insurance and IT related costs, while there was a $3.7 million or 10.20% decrease for the year largely owing to the provision on a legal claim recorded during previous fiscal year partially offset by the noted increases during the last quarter of the year.

The Bank continues to maintain a strong financial position with total assets of $822.0 million, and the composite of loans and advances, net $370.5 million as at June 30, 2020, which showed $3.8 million or 0.47% and $26.3 million or 7.63% increase, respectively, since June 30, 2019. Deposits from customers and banks increased by $17.0 million or 2.76%. The Bank's liquidity position remained strong as its cash and cash equivalents stood at $180.7 million, a $23.3 million or 14.77% increase since prior year. The Bank's key capital ratio is in compliance with regulatory requirements, with CET1 of 37.5%, well above the Central Bank's minimum requirement of 9.6%.

We continue to make considerable strides to reach a position of sustainable profitability and growth for many years to come. Our quest has not been an easy one, but we pledge our commitment to keep paramount the safety of our dedicated and qualified BOB team of employees, management, directors, shareholders and most importantly our customers.

Kenrick Brathwaite
Managing Director