FINANCIAL PERFORMANCE FOR THE QUARTER ENDED DECEMBER 31, 2016

During 2016, the Bank began a journey 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. Positive strides are being made towards these goals. *Capitalization:* Short-term and medium-term capital needs have been addressed by the Bank. As of December 31, 2016, the Bank issued $10.0 million of contingent convertible capital bonds (CoCo) shoring up the Bank's capital ratios. *Collections:* BOB is significantly enhancing its Collections function with a key initiative to accelerate resolution of impaired assets and monitoring of the existing portfolio for potential restructures. As of December 31, 2016, the Bank's non-accrual loans decreased since fiscal year ended June 30, 2016. *Sales and Services:* A set of sales initiatives have been designed along key dimensions of branch effectiveness and efficiency. As of December 31, 2016, performing loans growth was more than $5.0 million from June 30, 2016. *Cost optimization:* The Bank continues to establish reasonable cost saving targets to drive optimization. Year-to-date record shows total operating expenses trending lower year-on-year and quarter-on-quarter. *Customer Service and Customer Care:* Through all of these efforts and initiatives, we at BOB recommit to building relationships by working together to ensure that each customer experience is exceptional and that the solutions we provide are cutting edge.

For the quarter ended December 31, 2016, only a few months into the transformation process, the Bank ended the quarter with a net loss of $2.0 million, lower than the prior quarter and the prior year's quarter net loss of $3.5 million and $3.4 million, respectively. The year to date net loss was recorded at $5.5 million versus $3.8 million in prior year.

Total operating income (TOI) increased from prior year by $0.6 million or 6.91% for the quarter and decreased $1.2 million or 6.56% year to date. For the quarter, the increase was owing to higher net interest income and higher net fee and commission income as the Bank strengthens its auxiliary revenue streams. While year to date, the decline was primarily owing to an extraordinary other income of $1.3 million recorded in prior year. Without the impact of this extraordinary income, TOI would have also shown a positive variance. The Bank continued to manage its resources effectively and efficiently by successfully reducing operating expenses by $0.1 million or 1.58% for the quarter and $0.6 million or 3.54% year to date, mainly on lower staff costs and other administrative expenses. The Bank continues to focus on improving its core operating performance.

The Bank's CoCo are hybrid capital securities that absorb losses when the capital falls below a certain level. The CoCo is driven by their potential to satisfy regulatory capital requirements and once triggered, the debt is reduced and the capitalization gets a boost. As at December 31, 2016, the CoCo has not been converted to equity and Basel III ratio on Tier 1 Capital and Total Capital were in compliance with Central Bank's minimum requirement of Total Risk Weighted Assets ending at 14.6% (minimum of 12.8%) and 19.8% (minimum of 18.0%) respectively.

The Bank's return to profitability is largely dependent on the performance of the loan portfolio; a great part of the Bank's success will be contingent on resolving its non-performing loans. The Bank's net credit loss expense is $0.7 million lower than the same quarter in prior year while non-accrual loans also decreased. While year to date, $7.2 million net credit loss expense is $1.1 million higher than prior year to date as more timely provision assessments are being made. The Bank continues to focus its efforts on actively monitoring and managing the credit portfolio.

Sustainable growth, effective management of our non-performing loans and improving operational efficiency, remain the primary focus for the Bank. As we prudently, systematically and urgently improve in these areas, the Bank will return to profitability. Increased value for each of our stakeholders is a paramount commitment.

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

Renee Davis (Mrs.)
Acting Managing Director