



## **FINANCIAL PERFORMANCE FOR THE QUARTER ENDED SEPTEMBER 30, 2014**

As previously reported, the results of the first quarter of the new fiscal period as well as the following month (October 2014), formulated a part of the exercise that led to Bahamas Resolve Limited purchasing \$100 million of the Bank's non-performing loans including accrued interest in exchange for a like amount of investment grade Bonds.

The Bank's first quarter financial performance was again challenged by systematically high loan delinquencies and reduced values on collateral holdings characteristic of the current economic environment. Non-accrual loans, especially commercial loans within the industry and the Bank's portfolio remain elevated. As a consequence, we recognized loan loss provisions of approximately \$3.7 million during the quarter, resulting in a net loss of \$4.2 million for the quarter ended September 30, 2014.

Total operating income for the quarter decreased from prior year by approximately \$4.4 million or 36.36%, and is primarily owing to a net decrease in interest income and interest expense. The reduction in interest income for the period is directly attributed to the challenges of increased non-performing loans plaguing the industry and an overall decline in the loan portfolio; while the decrease in interest expense is due to reduced yields on our existing deposit obligations. Despite an increase in license fees, the Bank was able to contain the growth in operating expenses to 5.23%, and loan loss provisions decreased by \$2.5 million or 40.32% over prior year. Except as noted for the reduction in interest income, all other lines within the statement of comprehensive income are consistent with that reported in the prior year. Broadly, the conditions of the economy remain weak and loan delinquencies high and as a consequence interest income is negatively affected.

Although the overall results are significantly impacted by the current economic environment, the Bank continues to maintain a strong balance sheet with total assets of approximately \$783.5 million and the composite of loans and advances net, stood at \$655.2 million as of September 30, 2014. The Bank's capital adequacy ratios as at September 2014 were below the Central Bank's minimum requirements primarily due to the deficit position in retained earnings and the net loss recorded by the Bank for the quarter end. This temporary non-compliance was subsequently addressed in October 2014 through a transaction with Bahamas Resolve Limited. The total risk adjusted capital and other key Central Bank ratios were regularized as a result of this transaction.

We thank 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.

Paul J. I. McWeeney  
Managing Director