

BANK OF THE BAHAMAS LIMITED
Unaudited Condensed Consolidated Financial Statements
For the Period Ended December 31, 2020

BANK OF THE BAHAMAS LIMITED

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2020 with comparative figures as at June 30, 2020

(Expressed in Bahamian Dollars)

	December 31, 2020	June 30, 2020
ASSETS		
Cash and account with The Central Bank	\$ 114,980,171	\$ 111,805,644
Cash equivalents - Treasury Bills	133,668,731	44,935,963
Due from banks, net	52,087,385	49,337,226
Investment securities, net	58,726,261	49,515,299
Loans and advances to customers, net	379,367,611	370,450,448
Investment property	6,463,000	6,463,000
Other assets	12,950,403	11,396,999
Property and equipment, net	6,460,839	6,099,639
Right-of-use assets	3,182,709	3,833,240
Computer software, net	5,304,250	5,313,347
Note receivable, net	162,803,411	162,803,411
TOTAL	<u>\$ 935,994,771</u>	<u>\$ 821,954,216</u>
LIABILITIES		
Deposits from customers and banks	\$ 741,160,542	\$ 632,824,620
Other liabilities	34,278,911	28,340,104
Lease liabilities	3,360,454	4,073,638
Deferred loan fees	2,637,639	2,617,776
Total liabilities	<u>781,437,546</u>	<u>667,856,138</u>
EQUITY		
Share capital	42,610,505	42,610,505
Share premium	81,950,384	81,950,384
Treasury shares	(1,318,224)	(1,318,224)
Net gain on FVOCI	3,224,496	2,821,670
Special retained earnings	172,122,932	172,122,932
Accumulated deficit	(144,032,868)	(144,089,189)
Total equity	<u>154,557,225</u>	<u>154,098,078</u>
TOTAL	<u>\$ 935,994,771</u>	<u>\$ 821,954,216</u>

BANK OF THE BAHAMAS LIMITED**UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

For the six months ended December 31, 2020
with comparatives for the six months ended December 31, 2019
(Expressed in Bahamian Dollars)

	Three Months		Six Months	
	2020	2019	2020	2019
Continuing Operations:				
Interest and similar income	\$ 9,713,975	\$ 9,562,282	\$ 19,189,525	\$ 19,115,514
Interest and similar expense	<u>(1,633,340)</u>	<u>(1,752,328)</u>	<u>(3,220,761)</u>	<u>(3,606,602)</u>
Net interest income	<u>8,080,635</u>	<u>7,809,954</u>	<u>15,968,764</u>	<u>15,508,912</u>
Fees and commission income	1,957,345	2,158,551	3,847,588	4,245,273
Fees and commission expense	<u>(51,356)</u>	<u>(111,430)</u>	<u>(117,304)</u>	<u>(177,400)</u>
Net fees and commission income	<u>1,905,989</u>	<u>2,047,121</u>	<u>3,730,284</u>	<u>4,067,873</u>
Other operating income	911,953	1,692,890	1,739,442	2,588,935
Total operating income	10,898,577	11,549,965	21,438,490	22,165,720
Operating expenses	<u>(8,749,493)</u>	<u>(7,382,184)</u>	<u>(16,982,519)</u>	<u>(14,864,759)</u>
Net operating income	<u>2,149,084</u>	<u>4,167,781</u>	<u>4,455,971</u>	<u>7,300,961</u>
Credit loss expense, net	<u>(4,459,947)</u>	<u>(2,421,992)</u>	<u>(4,399,650)</u>	<u>(5,077,767)</u>
Net (loss)/income	<u>\$ (2,310,863)</u>	<u>\$ 1,745,789</u>	<u>\$ 56,321</u>	<u>\$ 2,223,194</u>
Other comprehensive income				
Movement in fair value: equity investments at FVOCI	295,658	234,509	402,826	226,156
Total comprehensive (loss)/income for the year	<u>\$ (2,015,205)</u>	<u>\$ 1,980,298</u>	<u>\$ 459,147</u>	<u>\$ 2,449,350</u>
EARNINGS PER SHARE CALCULATION:				
NET (LOSS)/INCOME	\$ (2,310,863)	\$ 1,745,789	\$ 56,321	\$ 2,223,194
WEIGHTED AVERAGE NUMBER OF COMMON SHARES	<u>42,959,494</u>	<u>42,959,494</u>	<u>42,959,494</u>	<u>42,959,494</u>
EARNINGS PER SHARE	<u>\$ (0.05)</u>	<u>\$ 0.04</u>	<u>\$ 0.00</u>	<u>\$ 0.05</u>

BANK OF THE BAHAMAS LIMITED

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended December 31, 2020
with comparatives for the six months ended December 31, 2019
(Expressed in Bahamian Dollars)

	Share Capital	Share Premium	Treasury Shares	Net Gain on FVOCI	Special Retained Earnings	Accumulated Deficit	Total
Balance at June 30, 2019	\$ 42,610,505	\$ 81,950,384	\$ (1,318,224)	\$ 2,512,459	\$ 172,122,932	\$ (136,362,716)	\$ 161,515,340
IFRS 16 Adjustments	-	-	-	-	-	(457,949)	(457,949)
<i>Total comprehensive income:</i>							
Net income for the period	-	-	-	-	-	2,223,194	2,223,194
Movement in fair value: equity investments at FVOCI	-	-	-	226,156	-	-	226,156
Balance at December 31, 2019	\$ 42,610,505	\$ 81,950,384	\$ (1,318,224)	\$ 2,738,615	\$ 172,122,932	\$ (134,597,471)	\$ 163,506,741
Balance at June 30, 2020	\$ 42,610,505	\$ 81,950,384	\$ (1,318,224)	\$ 2,821,670	\$ 172,122,932	\$ (144,089,189)	\$ 154,098,078
<i>Total comprehensive income:</i>							
Net income for the period	-	-	-	-	-	56,321	56,321
Movement in fair value: equity investments at FVOCI	-	-	-	402,826	-	-	402,826
Balance at December 31, 2020	\$ 42,610,505	\$ 81,950,384	\$ (1,318,224)	\$ 3,224,496	\$ 172,122,932	\$ (144,032,868)	\$ 154,557,225

BANK OF THE BAHAMAS LIMITED

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended December 31, 2020
with comparatives for the six months ended December 31, 2019
(Expressed in Bahamian Dollars)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 56,321	\$ 2,223,194
Adjustments for:		
Depreciation and amortization	686,857	366,472
Net provision expense for loan losses	4,399,650	5,077,767
	<u>5,142,828</u>	<u>7,667,433</u>
Change in operating assets and liabilities	4,625,673	(2,765,365)
Increase in loans and advances to customers, net	(13,316,813)	(24,137,214)
Increase in deposits from customers and banks	108,335,922	42,353,517
Net cash provided by operating activities	<u>104,787,610</u>	<u>23,118,371</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	(720,563)	(2,099,205)
Acquisition of computer software	(318,396)	(23,479)
Proceeds from maturity of investment securities	6,168,500	40,289,400
Purchase of investment securities	(15,000,000)	(6,204,300)
Net cash (used in)/provided by investing activities	<u>(9,870,459)</u>	<u>31,962,416</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payment of lease liabilities	(780,606)	(73,209)
Net cash used in financing activities	<u>(780,606)</u>	<u>(73,209)</u>
Net increase in cash and cash equivalents	94,136,545	55,007,578
Cash and cash equivalents, beginning of year	180,734,831	157,479,873
Cash and cash equivalents, end of period	<u><u>\$ 274,871,376</u></u>	<u><u>\$ 212,487,451</u></u>
SUPPLEMENTAL INFORMATION:		
Interest received	\$ 19,707,826	\$ 18,740,458
Interest paid	3,075,286	3,918,716

BANK OF THE BAHAMAS LIMITED
Selected Explanatory Notes to the Unaudited Condensed Consolidated Financial Statements

For the period ended December 31, 2020
(Expressed in Bahamian Dollars)

1. General Information

Bank of The Bahamas Limited (the “Bank”) is incorporated under the laws of The Commonwealth of The Bahamas and is licensed by The Central Bank of the Bahamas to conduct banking business in The Bahamas under the provisions of the Banks and Trust Companies Regulations Act 2000. The Bank is also licensed as an authorized dealer pursuant to the Exchange Control Regulations Act and is the holder of a broker dealer license from the Securities Commission.

The Bank’s shares are publicly traded and listed on The Bahamas International Securities Exchange. As at December 31, 2020, The Government of The Commonwealth of The Bahamas (the “Government”) and The National Insurance Board (“NIB”) owned approximately 82.6% of the issued common shares. The remaining common shares are owned by approximately 3,000 Bahamian shareholders.

The Bank’s head office is located at Claughton House, corner of Shirley Street and Charlotte Street, Nassau, Bahamas. The registered office is located at Sassoon House, corner of Shirley Street and Victoria Avenue, Nassau, Bahamas.

As at December 31, 2020, the Bank has twelve branches: four in New Providence, one in Grand Bahama, two in Andros, one in San Salvador, one in Inagua, one in Cat Island, one in Eleuthera and one in Bimini.

The COVID-19 pandemic which started during the last quarter of fiscal year 2020 has affected the Bank’s operations. The restrictions imposed by Government on certain businesses, national events and activities, the periods of community lockdown and curfew, the significant increase in unemployment and the historic decline in tourism severely reduced the economic activities of the Bank, the Bank’s customers, the industry and the country, as a whole, and required the Bank to continuously adjust to the diverse challenges posed by the impact of the COVID-19 pandemic.

BANK OF THE BAHAMAS LIMITED
Selected Explanatory Notes to the Unaudited Condensed Consolidated Financial Statements

For the period ended December 31, 2020
(Expressed in Bahamian Dollars)

2. Significant Accounting Policies

The significant accounting policies and methods of computation followed in the preparation of these interim consolidated financial statements are the same as those followed in the preparation of the annual consolidated financial statements of the Bank for the year ended June 30, 2020. These consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting.

The annual consolidated financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”). The preparation of the consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank’s accounting policies.

3. Dividends

Dividends to the Bank’s shareholders are recognized as a liability in the period in which they are declared by the Board of Directors and approved by the Bank’s Regulator. The Bank paid no dividends to the shareholders during the period.

BANK OF THE BAHAMAS LIMITED
Selected Explanatory Notes to the Unaudited Condensed Consolidated Financial Statements

For the period ended December 31, 2020
(Expressed in Bahamian Dollars)

4. Cash and Cash Equivalents

	December 31, 2020	June 30, 2020
Cash	\$ 19,935,075	\$ 19,339,409
Deposits with the Central Bank- non-interest bearing	95,045,096	92,466,235
Cash and account with the Central Bank	114,980,171	111,805,644
Cash equivalents - Treasury Bills	133,668,731	44,935,963
Due from Banks	52,120,474	49,370,314
Cash and due from Banks	300,769,376	206,111,921
Less: Mandatory reserve deposits with the Central Bank	25,898,000	25,377,090
Total cash and cash equivalents	\$ 274,871,376	\$ 180,734,831

Money market placements included in Due from banks amount to \$2.4 million (June 30, 2020: \$2.4 million), net of \$0.03 million (June 30, 2020: \$0.03 million) allowance for impairment losses.

As at December 31, 2020 the Bank's statutory reserve deposits with The Central Bank of The Bahamas were above Central Bank's regulatory requirement.

BANK OF THE BAHAMAS LIMITED
Selected Explanatory Notes to the Unaudited Condensed Consolidated Financial
Statements

For the period ended December 31, 2020
(Expressed in Bahamian Dollars)

5. Loans and advances to customers, net

	December 31, 2020	June 30, 2020
Mortgage residential loans	\$ 200,637,227	\$ 212,613,763
Mortgage commercial loans	13,339,081	12,129,575
Commercial loans	68,394,317	70,556,396
Consumer loans	113,349,067	100,856,108
Government	43,476,776	37,286,348
Credit cards	1,293,552	1,563,211
Business overdrafts	736,854	554,730
Personal overdrafts	137,126	147,821
	441,364,000	435,707,952
Less: Provision for loan losses		
Provision at beginning of year	\$ 68,262,712	\$ 61,505,934
Amount written-off	(8,221,679)	(8,591,165)
Net provision expense	4,399,650	15,347,943
Provision at end of year	64,440,683	68,262,712
Accrued interest receivable	2,444,294	3,005,208
Loans and advances to customers, net	\$ 379,367,611	\$ 370,450,448
Provisions as a percentage of the net loan portfolio	16.99%	18.43%
Non-accrual loans as a percentage of the net loan portfolio	20.64%	22.65%

The COVID-19 pandemic significantly impacted the Bank's economic outlook, which has a high degree of uncertainty given the evolving environment. The provision for loan losses reflects the Bank's economic outlook as at December 31, 2020. Subsequent changes to these forecasts and related estimates will be reflected in the provision for loan losses in future periods.

The Bank has established relief programs to help borrowers manage through challenges of COVID-19 primarily through payment deferrals. During the last quarter of the fiscal year 2020, the Bank temporarily extended the credit terms by up to 90 days and subsequently further extended up to December 31, 2020 for specific customers with liquidity constraints arising as a direct result of the COVID-19 pandemic. In cases where borrowers have opted to participate in payment deferral programs as a result of COVID-19, deferral of payments is not considered past due and such loans are not aged further during the deferral period.

BANK OF THE BAHAMAS LIMITED

Selected Explanatory Notes to the Unaudited Condensed Consolidated Financial Statements

For the period ended December 31, 2020

(Expressed in Bahamian Dollars)

6. Notes Receivable and Special Retained Earnings

On August 31, 2017, Bahamas Resolve Limited (“Resolve”), a special purpose vehicle owned and controlled by the Government, purchased another portfolio of loans from the Bank at a price equivalent to the gross book value of those loans before provisions. This transaction consisted of three tranches and the results are as follows:

- Non-performing loans with a total net book value of approximately \$50.6 million was derecognized. Unsecured promissory note of \$167.7 million was received and \$117.1 million was recognized directly in equity as Special Retained Earnings.
- The Bank has transferred all of its rights and obligations relating to the non-performing loans to Resolve without recourse and will have no rights to future cash flows from the non-performing loans.
- The Bank received an irrevocable Letter of Support from the Government.
- The promissory note bears fixed interest at 3.5%, payable semi-annually on February 28 and August 31, commencing in August 2018. The Bank received the semi-annual interest payment of \$2.9 million during the quarter. Accrued interest receivable as at December 31, 2020 amounted to \$2.0 million (June 30, 2020: \$2.0 million).
- Provision for impairment losses amounted to \$4.9 million as at December 31, 2020 (June 30, 2020: \$4.9 million).

7. Regulatory Capital

Regulatory capital consists of Tier 1 and Tier 2 capital. Total Tier 1 capital comprises of Common Equity Tier 1. CET1 ratio must be at least 9.6% of the total Risk Weighted Assets. The Bank is in compliance with this capital requirement at 36.8% as at December 31, 2020 (June 30, 2020: 37.5%).

BANK OF THE BAHAMAS LIMITED
Selected Explanatory Notes to the Unaudited Condensed Consolidated Financial Statements

For the period ended December 31, 2020
(Expressed in Bahamian Dollars)

8. Commitments and Contingencies

Commitments

The commitment for loans and advances at December 31, 2020 was \$12.1 million (June 30, 2020: \$5.7 million).

The commitment for capital expenditures at December 31, 2020 was \$1.8 million (June 30, 2020: \$2.1 million).

Contingencies and Provision

The Bank operates in a regulatory and legal environment that, by nature, has a heightened element of litigation risk inherent in its operations. As a result, the Bank is involved in various litigation proceedings in the ordinary course of its business. The Bank has internal and external legal counsel, and formal controls and policies for managing legal claims. With the benefit of professional legal advice, the Bank provides and/or discloses amounts in accordance with its accounting policies.

As at the period end, the Bank had several ongoing legal claims. Various legal proceedings are pending that challenge certain actions of the Bank. Management considers that adequate provision has been made in these financial statements for any loss that might ultimately be determined.