

**BANK OF THE BAHAMAS LIMITED**  
**Unaudited Condensed Consolidated Financial Statements**  
**For the Year Ended June 30, 2020**

# BANK OF THE BAHAMAS LIMITED

## UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2020 with comparative figures as at June 30, 2019  
(Expressed in Bahamian Dollars)

	June 30, 2020	June 30, 2019
<b>ASSETS</b>		
Cash and account with The Central Bank	\$ 111,805,644	\$ 69,524,170
Cash equivalents - Treasury Bills	44,935,963	49,917,360
Due from banks	49,337,226	61,686,033
Investment securities, net	49,515,299	100,809,968
Loans and advances to customers, net	370,450,448	344,181,094
Investment property	6,463,000	6,463,000
Other assets	11,396,999	10,682,478
Property and equipment, net	6,099,639	4,768,982
Right-of-use assets	3,833,240	-
Computer software, net	5,313,347	2,453,615
Notes receivable, net	162,803,411	167,626,500
<b>TOTAL</b>	<b><u>\$ 821,954,216</u></b>	<b><u>\$ 818,113,200</u></b>
<b>LIABILITIES</b>		
Deposits from customers and banks	\$ 632,824,620	\$ 615,852,515
Other liabilities	28,340,104	35,265,030
Lease liabilities	4,073,638	-
Deferred loan fees	2,727,285	5,480,315
<b>Total liabilities</b>	<b><u>667,965,647</u></b>	<b><u>656,597,860</u></b>
<b>EQUITY</b>		
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	2,821,670	2,512,459
Special retained earnings	172,122,932	172,122,932
Accumulated deficit	(144,198,698)	(136,362,716)
<b>Total equity</b>	<b><u>153,988,569</u></b>	<b><u>161,515,340</u></b>
<b>TOTAL</b>	<b><u>\$ 821,954,216</u></b>	<b><u>\$ 818,113,200</u></b>

# BANK OF THE BAHAMAS LIMITED

## UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended June 30, 2020  
with comparatives for the year ended June 30, 2019  
(Expressed in Bahamian Dollars)

	Three Months		Twelve Months	
	2020	2019	2020	2019
<b>Continuing Operations:</b>				
Interest and similar income	\$ 12,465,694	\$ 9,935,893	\$ 41,576,490	\$ 36,321,639
Interest and similar expense	(1,604,481)	(1,918,777)	(6,870,821)	(8,125,743)
Net interest income	<u>10,861,213</u>	<u>8,017,116</u>	<u>34,705,669</u>	<u>28,195,896</u>
Fees and commission income	1,741,547	2,186,459	7,881,799	8,397,147
Fees and commission expense	(88,701)	(174,581)	(365,172)	(474,111)
Net fees and commission income	<u>1,652,846</u>	<u>2,011,878</u>	<u>7,516,627</u>	<u>7,923,036</u>
Other operating income	748,656	1,186,698	4,485,699	4,624,519
Total operating income	13,262,715	11,215,692	46,707,995	40,743,451
Operating expenses	(9,023,747)	(7,162,149)	(32,427,677)	(36,109,905)
Net operating income	<u>4,238,968</u>	<u>4,053,543</u>	<u>14,280,318</u>	<u>4,633,546</u>
Provision for impairment losses	(6,316,125)	-	(6,316,125)	-
Credit loss expense, net	(7,610,490)	(933,680)	(15,347,943)	(1,723,287)
Net (loss)/income from continuing operations	<u>(9,687,647)</u>	<u>3,119,863</u>	<u>(7,383,750)</u>	<u>2,910,259</u>
<b>Discontinued Operations:</b>				
Loss from discontinued operations	(28,965)	-	(28,965)	-
Net (loss)/income	<u>\$ (9,716,612)</u>	<u>\$ 3,119,863</u>	<u>\$ (7,412,715)</u>	<u>\$ 2,910,259</u>
<b>Other comprehensive income</b>				
Movement in fair value: equity investments at FVOCI	580,756	273,594	309,211	378,781
Total comprehensive (loss)/income for the year	<u>\$ (9,135,856)</u>	<u>\$ 3,393,457</u>	<u>\$ (7,103,504)</u>	<u>\$ 3,289,040</u>
<b>EARNINGS PER SHARE CALCULATION:</b>				
NET (LOSS)/INCOME	\$ (9,716,612)	\$ 3,119,863	\$ (7,412,715)	\$ 2,910,259
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>
(LOSS)/EARNINGS PER SHARE	<u>\$ (0.23)</u>	<u>\$ 0.07</u>	<u>\$ (0.17)</u>	<u>\$ 0.07</u>

## BANK OF THE BAHAMAS LIMITED

### UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended June 30, 2020  
with comparatives for the year ended June 30, 2019  
(Expressed in Bahamian Dollars)

	Share Capital	Share Premium	Treasury Shares	Net Gain on FVOCI	Special Retained Earnings	Accumulated Deficit	Total
<b>Balance at June 30, 2018</b>	\$ 57,860,505	\$ 81,950,384	\$ (1,318,224)	\$ 6,133,678	\$ 172,122,932	\$ (138,900,256)	\$ 177,849,019
IFRS 9 Adjustments	-	-	-	(4,000,000)	-	2,808,333	(1,191,667)
<i>Total comprehensive income:</i>							
Net income for the year	-	-	-	-	-	2,910,259	2,910,259
<i>Other comprehensive income:</i>							
Movement in fair value: equity investments at FVOCI	-	-	-	378,781	-	-	378,781
<i>Transactions with owners of the Bank:</i>							
Redemption of preference shares	(15,250,000)	-	-	-	-	-	(15,250,000)
Dividends on preference shares	-	-	-	-	-	(3,181,052)	(3,181,052)
<b>Balance at June 30, 2019</b>	<b>\$ 42,610,505</b>	<b>\$ 81,950,384</b>	<b>\$ (1,318,224)</b>	<b>\$ 2,512,459</b>	<b>\$ 172,122,932</b>	<b>\$ (136,362,716)</b>	<b>\$ 161,515,340</b>
<b>Balance at June 30, 2019</b>	<b>\$ 42,610,505</b>	<b>\$ 81,950,384</b>	<b>\$ (1,318,224)</b>	<b>\$ 2,512,459</b>	<b>\$ 172,122,932</b>	<b>\$ (136,362,716)</b>	<b>\$ 161,515,340</b>
IFRS 16 Adjustments	-	-	-	-	-	(423,267)	(423,267)
<i>Total comprehensive income:</i>							
Net loss for the year	-	-	-	-	-	(7,412,715)	(7,412,715)
<i>Other comprehensive income:</i>							
Movement in fair value: equity investments at FVOCI	-	-	-	309,211	-	-	309,211
<b>Balance at June 30, 2020</b>	<b>\$ 42,610,505</b>	<b>\$ 81,950,384</b>	<b>\$ (1,318,224)</b>	<b>\$ 2,821,670</b>	<b>\$ 172,122,932</b>	<b>\$ (144,198,698)</b>	<b>\$ 153,988,569</b>

# BANK OF THE BAHAMAS LIMITED

## UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended June 30, 2020  
with comparatives for the year ended June 30, 2019  
(Expressed in Bahamian Dollars)

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net (loss)/income	\$ (7,412,715)	\$ 2,910,259
Adjustments for:		
Depreciation and amortization	849,008	703,314
Provision for impairment losses	6,316,125	-
Loss on disposal of fixed assets	-	3,937
Loss on disposal of computer software	-	11,164
Net provision for loan losses	15,347,943	1,723,287
	<u>15,100,361</u>	<u>5,351,961</u>
Change in operating assets and liabilities	(12,063,045)	20,219,276
(Increase)/decrease in loans and advances to customers, net	(41,617,297)	4,493,039
Increase/(decrease) in deposits from customers and banks	16,972,105	(12,553,297)
Change in right-of-use assets and lease liabilities	(182,869)	-
Net cash (used in)/provided by operating activities	<u>(21,790,745)</u>	<u>17,510,979</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Acquisition of property and equipment	(1,823,430)	(2,078,331)
Acquisition of computer software	(3,215,967)	(1,878,547)
Purchase of investment securities	(6,204,300)	(48,503,800)
Proceeds from maturity of investment securities	56,289,400	12,659,500
Net cash provided by/(used in) investing activities	<u>45,045,703</u>	<u>(39,801,178)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Redemption of preference shares	-	(15,250,000)
Dividends on preference shares	-	(3,181,052)
Net cash used in financing activities	<u>-</u>	<u>(18,431,052)</u>
Net increase/(decrease) in cash and cash equivalents	23,254,958	(40,721,251)
Cash and cash equivalents, beginning of year	157,479,873	198,201,124
<b>Cash and cash equivalents, end of year</b>	<u><b>\$ 180,734,831</b></u>	<u><b>\$ 157,479,873</b></u>
<b>SUPPLEMENTAL INFORMATION:</b>		
Interest received	\$ 40,219,224	\$ 45,792,037
Interest paid	7,570,549	8,114,784

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

For the year ended June 30, 2020  
(Expressed in Bahamian Dollars)

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**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 June 30, 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 June 30, 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 has affected the Bank’s operations during the last quarter of the fiscal year. 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 year ended June 30, 2020  
(Expressed in Bahamian Dollars)

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**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, with the exception of those impacted by new and amended standards as discussed below. 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.

**Significant Changes in Accounting Policies**

In these financial statements, the Bank has applied IFRS 16 Leases (“IFRS 16”) which became effective for annual periods beginning on or after January 1, 2019, which for the Bank was effective on July 1, 2019. IFRS 16 supersedes IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. This standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases on the statement of financial position.

The Bank adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of July 1, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of the initial application, amounting to \$0.4 million, being charged to opening retained earnings.

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**2. Significant Accounting Policies** *(continued)*

***Change in Accounting Estimate on Deferred Loan Fees***

Commitment fees received to originate a loan or fees that are an integral part of the effective interest rate of a financial instrument, together with the related transaction costs, are deferred and recognised as an adjustment of the effective interest rate. Management previously amortised the loan commitment fees using manual Excel-based effective interest rate method over the estimated average loan terms of the related portfolio basis. During the year, the Bank implemented certain automated processes that allowed for more accuracy in calculating deferred fees, and this change in accounting estimate resulted in the recognition of an additional \$3.2 million of interest income.

**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 year.

**4. Cash and Cash Equivalents**

	June 30, 2020	June 30, 2019
Cash	\$ 19,339,409	\$ 13,438,650
Deposits with the Central Bank- non-interest bearing	92,466,235	56,085,520
Cash and account with the Central Bank	111,805,644	69,524,170
Cash equivalents - Treasury Bills	44,935,963	49,917,360
Due from Banks	49,370,314	61,686,033
Cash and due from Banks	206,111,921	181,127,563
Less: Mandatory reserve deposits with the Central Bank	25,377,090	23,647,690
<b>Total cash and cash equivalents</b>	<b>\$ 180,734,831</b>	<b>\$ 157,479,873</b>

Money market placements included in Due from banks amount to \$2,410,615, net of \$33,088 allowance for impairment losses (2019: Nil).

As at June 30, 2020 the Bank's statutory reserve deposits with The Central Bank of The Bahamas were above Central Bank's regulatory requirement.



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**5. Loans and advances to customers, net**

	June 30, 2020	June 30, 2019
Mortgage residential loans	\$ 212,613,763	\$ 227,896,943
Mortgage commercial loans	12,129,575	13,377,196
Commercial loans	70,556,396	75,384,501
Consumer loans	100,856,108	75,320,834
Government	37,289,911	9,122,065
Credit cards	1,563,211	1,227,754
Business overdrafts	551,167	1,377,502
Personal overdrafts	147,821	504,990
	<u>435,707,952</u>	<u>404,211,785</u>
<b>Less: Provision for loan losses</b>		
Provision at beginning of year	\$ 61,505,934	\$ 65,649,984
IFRS 9 Adjustment	-	1,091,667
Amount written-off	(8,591,165)	(6,959,004)
Net provision charged to expense	<u>15,347,943</u>	<u>1,723,287</u>
<b>Provision at end of year</b>	68,262,712	61,505,934
Accrued interest receivable	3,005,208	1,475,243
<b>Loans and advances to customers, net</b>	<u><u>\$ 370,450,448</u></u>	<u><u>\$ 344,181,094</u></u>
Provisions as a percentage of the net loan portfolio	18.43%	17.87%
Non-accrual loans as a percentage of the net loan portfolio	23.78%	25.37%

## **BANK OF THE BAHAMAS LIMITED**

### **Selected Explanatory Notes to the Unaudited Condensed Consolidated Financial Statements**

For the year ended June 30, 2020  
(Expressed in Bahamian Dollars)

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#### **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 payments of \$2.9 million, \$2.0 million and \$0.9 million in September 2019, February 2020 and April 2020, respectively. Accrued interest receivable as at June 30, 2020 amounted to \$1,956,500 (2019: \$1,956,500).
- Provision for impairment losses amounted to \$4,896,589 as at June 30, 2020 (2019: \$73,500).

#### **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 37.5% as at June 30, 2020 (2019: 41.8%).

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

For the year ended June 30, 2020  
(Expressed in Bahamian Dollars)

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**8. Commitments and Contingencies**

*Commitments*

The commitment for loans and advances at June 30, 2020 was \$5,666,460 (2019: \$4,598,154).

*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. Most of these proceedings are loan-related and are reactions to steps taken by the Bank to collect delinquent loans and enforce its rights against collateral securing such loans. Management considers that adequate provision has been made in these financial statements for any loss that might ultimately be determined.

**9. Subsequent Events**

Subsequent to June 30, 2020, the Bank filed for the dissolution of its subsidiaries, Bank of the Bahamas Trust Ltd. which was sold in November 2019 and BAHTCO Holdings Ltd., a nominee holding company.