

BANK OF THE BAHAMAS LIMITED
Unaudited Condensed Consolidated Financial Statements
For the Period Ended September 30, 2019

BANK OF THE BAHAMAS LIMITED

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at September 30, 2019 with comparative figures as at June 30, 2019

(Expressed in Bahamian Dollars)

	September 30, 2019	June 30, 2019
ASSETS		
Cash and account with The Central Bank	\$ 88,974,856	\$ 69,524,170
Cash equivalents - Treasury Bills	49,934,253	49,917,360
Due from banks	62,126,728	61,686,033
Investment securities, net	80,526,324	100,809,968
Loans and advances to customers, net	341,437,829	344,181,094
Investment property	6,463,000	6,463,000
Other assets	10,611,808	10,682,478
Property and equipment, net	5,439,524	4,768,982
Computer software, net	2,378,701	2,453,615
Notes receivable, net	167,626,500	167,626,500
TOTAL	\$ 815,519,523	\$ 818,113,200
LIABILITIES		
Deposits from customers and banks	\$ 612,458,211	\$ 615,852,515
Other liabilities	35,390,175	35,265,030
Deferred loan fees	5,676,746	5,480,315
Total liabilities	653,525,132	656,597,860
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)
Reserves	2,504,106	2,512,459
Special retained earnings	172,122,932	172,122,932
Accumulated deficit	(135,875,312)	(136,362,716)
Total equity	161,994,391	161,515,340
TOTAL	\$ 815,519,523	\$ 818,113,200

BANK OF THE BAHAMAS LIMITED

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended September 30, 2019
with comparatives for the three months ended September 30, 2018
(Expressed in Bahamian Dollars)

	Three Months	
	2019	2018
Interest and similar income	\$ 9,553,232	\$ 8,918,660
Interest and similar expense	(1,854,274)	(2,156,956)
Net interest income	<u>7,698,958</u>	<u>6,761,704</u>
Fees and commission income	2,086,722	1,869,401
Fees and commission expense	(65,970)	(93,572)
Net fees and commission income	<u>2,020,752</u>	<u>1,775,829</u>
Other operating income	896,045	1,264,433
Total operating income	10,615,755	9,801,966
Credit loss expense, net	(2,655,775)	(1,118,198)
Net operating income	<u>7,959,980</u>	<u>8,683,768</u>
Operating expenses	(7,472,576)	(6,717,397)
Net income	<u>487,404</u>	<u>1,966,371</u>
Other comprehensive income		
Movement in fair value: equity investments at FVOCI	(8,353)	9,051
Total comprehensive income for the period	<u>\$ 479,051</u>	<u>\$ 1,975,422</u>
EARNINGS PER SHARE CALCULATION:		
NET INCOME	\$ 487,404	\$ 1,966,371
WEIGHTED AVERAGE NUMBER OF COMMON SHARES	<u>42,959,494</u>	<u>42,959,494</u>
EARNINGS PER SHARE	<u>\$ 0.01</u>	<u>\$ 0.05</u>

BANK OF THE BAHAMAS LIMITED

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended September 30, 2019
with comparatives for the three months ended September 30, 2018
(Expressed in Bahamian Dollars)

	Share Capital	Share Premium	Treasury Shares	Reserves	Special Retained Earnings	Accumulated Deficit	Total
Balance at June 30, 2018	\$ 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	-	-	-	-	-	1,966,371	1,966,371
<i>Other comprehensive income:</i>							
Movement in fair value: equity investments at FVOCI	-	-	-	9,051	-	-	9,051
<i>Transactions with owners of the Bank:</i>							
Redemption of preference shares	(250,000)	-	-	-	-	-	(250,000)
Balance at September 30, 2018	\$ 57,610,505	\$ 81,950,384	\$ (1,318,224)	\$ 2,142,729	\$ 172,122,932	\$ (134,125,552)	\$ 178,382,774
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
<i>Total comprehensive income:</i>							-
Net income for the year	-	-	-	-	-	487,404	487,404
<i>Other comprehensive income:</i>							
Movement in fair value: equity investments at FVOCI	-	-	-	(8,353)	-	-	(8,353)
Balance at September 30, 2019	\$ 42,610,505	\$ 81,950,384	\$ (1,318,224)	\$ 2,504,106	\$ 172,122,932	\$ (135,875,312)	\$ 161,994,391

BANK OF THE BAHAMAS LIMITED

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

For the three months ended September 30, 2019
with comparatives for the three months ended September 30, 2018
(Expressed in Bahamian Dollars)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 487,404	\$ 1,966,371
Adjustments for:		
Depreciation and amortization	168,337	171,494
Net provision for loan losses	2,655,775	1,118,198
	<u>3,311,516</u>	<u>3,256,063</u>
Change in operating assets and liabilities	637,098	12,252,747
Decrease in loans and advances to customers, net	87,489	14,496,739
Decrease in deposits from customers and banks	(3,394,304)	(18,090,427)
Net cash provided by operating activities	<u>641,799</u>	<u>11,915,122</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	(763,965)	(1,651,146)
Purchase of investment securities	-	(2,503,800)
Proceeds from maturity of investment securities	20,273,600	-
Net cash provided by/(used in) investing activities	<u>19,509,635</u>	<u>(4,154,946)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Redemption of preference shares	-	(250,000)
Net cash used in financing activities	<u>-</u>	<u>(250,000)</u>
Net increase in cash and cash equivalents	20,151,434	7,510,176
Cash and cash equivalents, beginning of year	157,479,873	198,201,124
Cash and cash equivalents, end of year	<u>\$ 177,631,307</u>	<u>\$ 205,711,300</u>
SUPPLEMENTAL INFORMATION:		
Interest received	\$ 11,050,538	\$ 17,014,497
Interest paid	2,285,868	2,451,028

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

For the period ended September 30, 2019
(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 carry out 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 September 30, 2019, 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 September 30, 2019, 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.

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, 2019, 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.

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

For the period ended September 30, 2019
(Expressed in Bahamian Dollars)

2. Significant Accounting Policies *(continued)*

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

Effective July 1, 2018, the Bank adopted IFRS 9 Financial Instruments (“IFRS 9”) and IFRS 15 Revenue from Contracts with Customers (“IFRS 15”). The adoption of IFRS 15 did not have a material impact on the Bank’s consolidated financial statements. Due to the transition methods chosen by the Bank in applying these standards, comparative information throughout these statements has not been restated.

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement, and became effective for annual periods beginning on or after January 1, 2018, which for the Bank was effective on July 1, 2018. IFRS 9 is required to be applied on a retrospective basis, with certain exceptions, and as permitted by this new standard, the Bank did not restate its prior period comparative financial statements when it adopted the requirements of IFRS 9. IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with a forward-looking ‘expected credit loss’ (“ECL”) model. This requires considerable judgment over how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. Differences in the carrying amounts of financial instruments resulting from the adoption of IFRS 9 are recognized in the opening retained earnings. The application of IFRS 9 reduced the Bank’s equity by approximately \$1.2 million as at July 1, 2018.

BANK OF THE BAHAMAS LIMITED
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For the period ended September 30, 2019
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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.

4. Cash and Cash Equivalents

	September 30, 2019	June 30, 2019
Cash	\$ 17,069,458	\$ 13,438,650
Deposits with the Central Bank- non-interest bearing	71,905,398	56,085,520
Cash and account with the Central Bank	88,974,856	69,524,170
Cash equivalents - Treasury Bills	49,934,253	49,917,360
Due from Banks	62,126,728	61,686,033
Cash and due from Banks	201,035,837	181,127,563
Less: Mandatory reserve deposits with the Central Bank	23,404,530	23,647,690
Total cash and cash equivalents	\$ 177,631,307	\$ 157,479,873

As at September 30, 2019 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 September 30, 2019
(Expressed in Bahamian Dollars)

5. Loans and advances to customers, net

	September 30, 2019	June 30, 2019
Mortgage residential loans	\$ 222,322,358	\$ 227,896,943
Mortgage commercial loans	13,028,295	13,377,196
Commercial loans	68,328,322	75,384,501
Consumer loans	85,387,491	75,320,834
Government	8,680,012	9,122,065
Credit cards	1,432,296	1,227,754
Business overdrafts	1,100,259	1,377,502
Personal overdrafts	204,716	504,990
	<u>400,483,749</u>	<u>404,211,785</u>
Less: Provision for loan losses		
Provision at beginning of year	\$ 61,505,934	\$ 65,649,984
IFRS 9 Adjustment	-	1,091,667
Amount written-off	(3,566,524)	(6,959,004)
Net provision charged to expense	2,655,775	1,723,287
Provision at end of period	<u>60,595,185</u>	<u>61,505,934</u>
Accrued interest receivable	1,549,265	1,475,243
Loans and advances to customers, net	<u><u>\$ 341,437,829</u></u>	<u><u>\$ 344,181,094</u></u>
Provisions as a percentage of the net loan portfolio	17.75%	17.87%
Non-accrual loans as a percentage of the net loan portfolio	25.78%	25.37%

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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 effective August 31, 2017, September 18, 2017 and November 14, 2017. The results are as follows:

- A portfolio of non-performing loans with principal amount of \$134.5 million, with a total net book value of approximately \$50.6 million and accrued interest receivable of \$33.2 million were derecognized.
- \$167.7 million in unsecured promissory note was received for these loans and was recognized as an asset.
- The net difference of approximately \$117.1 million between the promissory note received and the net book value of the derecognised assets was recognized directly in equity as Special Retained Earnings and is considered to be a part of the Bank’s regulatory capital. An additional \$0.4 million in fees and charges were recognized in 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.
- As a part of the transaction, the Bank received an irrevocable Letter of Support from the Government. The Letter of Support pledged the Government’s support of Resolve to enable it to satisfy its obligations under the Notes and confirms that, in the event of default by Resolve, the Bank can seek to recover outstanding balances from the Government.
- The Notes bear 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 in September 2019. Accrued interest receivable as at September 30, 2019 amounted to \$489,125 (June 30, 2019: \$1,956,500).
- Provision for impairment losses amounted to \$73,500 (June 30, 2019: \$73,500).

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Selected Explanatory Notes to the Unaudited Condensed Consolidated Financial Statements

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(Expressed in Bahamian Dollars)

7. Regulatory Capital

Regulatory capital consists of Tier 1 and Tier 2 capital. Total Tier 1 capital comprises of Common Equity Tier 1.

(in \$'000s)	September 30, 2019	June 30, 2019
Tier 1 capital	\$ 157,177	\$ 158,979
Tier 2 capital	2,504	2,512
Total capital	<u>\$ 159,681</u>	<u>\$ 161,491</u>
 Risk weighted assets	 <u>\$ 382,468</u>	 <u>\$ 380,638</u>
 <u>Ratios</u>		
CET1 must be at least 9.6% of total Risk Weighted Assets	41.1%	41.8%

Commencing in December 2013 through to December 2016, the Bank redeemed \$3,400,000 of preference shares annually. On December 2017 and September 2018, the Bank redeemed \$6,150,000 and \$250,000 of preference shares, respectively. Effective December 31, 2018, the remaining \$15,000,000 issued and outstanding preference shares had been fully redeemed.

8. Commitments and Contingencies

Commitments

The commitment for loans and advances at September 30, 2019 was \$4,485,712 (June 30, 2019: \$4,598,154).

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

For the period ended September 30, 2019
(Expressed in Bahamian Dollars)

8. Commitments and Contingencies *(continued)*

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 unresolved 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. During the last quarter of the fiscal year ended June 30, 2019, the Bank was made aware of a significant legal claim against the Bank in respect of a judgment in default and related damages of approximately \$6 million plus interest and cost. The Bank has filed the necessary applications to set aside the default judgment and to set aside the said damages. The Bank has also filed papers to stay the enforcement of damages and in certain circumstances to strike out enforcement steps. Management considers that adequate provision has been made in these financial statements for any loss that might ultimately be determined.

9. Subsequent Events

On October 21, 2019, the Deputy Registrar set aside the judgment in default of defence filed on October 23, 2017 and granted leave to the Bank to file a defence within seven days which the Bank then filed on October 25, 2019. On October 22, 2019, the plaintiffs filed a notice of appeal at the Supreme Court for the Deputy Registrar's decision. The related provision is maintained in the financial statements.