

BANK OF THE BAHAMAS LIMITED
Unaudited Condensed Consolidated Financial Statements
For the Period Ended September 30, 2020

BANK OF THE BAHAMAS LIMITED

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at September 30, 2020 with comparative figures as at June 30, 2020

(Expressed in Bahamian Dollars)

	September 30, 2020	June 30, 2020
ASSETS		
Cash and account with The Central Bank	\$ 115,561,142	\$ 111,805,644
Cash equivalents - Treasury Bills	89,360,211	44,935,963
Due from banks	51,077,609	49,337,226
Investment securities, net	48,885,985	49,515,299
Loans and advances to customers, net	375,128,015	370,450,448
Investment property	6,463,000	6,463,000
Other assets	9,895,513	11,396,999
Property and equipment, net	6,193,995	6,099,639
Right-of-use assets	3,485,894	3,833,240
Computer software, net	5,252,479	5,313,347
Note receivable, net	162,803,411	162,803,411
TOTAL	<u>\$ 874,107,254</u>	<u>\$ 821,954,216</u>
LIABILITIES		
Deposits from customers and banks	\$ 681,715,722	\$ 632,824,620
Other liabilities	29,533,205	28,340,104
Lease liabilities	3,720,369	4,073,638
Deferred loan fees	2,565,528	2,617,776
Total liabilities	<u>717,534,824</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	2,928,838	2,821,670
Special retained earnings	172,122,932	172,122,932
Accumulated deficit	(141,722,005)	(144,089,189)
Total equity	<u>156,572,430</u>	<u>154,098,078</u>
TOTAL	<u>\$ 874,107,254</u>	<u>\$ 821,954,216</u>

BANK OF THE BAHAMAS LIMITED

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended September 30, 2020

with comparatives for the three months ended September 30, 2019

(Expressed in Bahamian Dollars)

	Three Months	
	2020	2019
Continuing Operations:		
Interest and similar income	\$ 9,475,550	\$ 9,553,232
Interest and similar expense	(1,587,421)	(1,854,274)
Net interest income	<u>7,888,129</u>	<u>7,698,958</u>
Fees and commission income	1,890,243	2,086,722
Fees and commission expense	(65,948)	(65,970)
Net fees and commission income	<u>1,824,295</u>	<u>2,020,752</u>
Other operating income	827,489	896,045
Total operating income	10,539,913	10,615,755
Operating expenses	(8,233,026)	(7,472,576)
Net operating income	<u>2,306,887</u>	<u>3,143,179</u>
Credit loss recovery/(expense), net	60,297	(2,655,775)
Net income	<u>\$ 2,367,184</u>	<u>\$ 487,404</u>
Other comprehensive income		
Movement in fair value: equity investments at FVOCI	107,168	(8,353)
Total comprehensive income for the year	<u>\$ 2,474,352</u>	<u>\$ 479,051</u>
EARNINGS PER SHARE CALCULATION:		
NET INCOME	\$ 2,367,184	\$ 487,404
WEIGHTED AVERAGE NUMBER OF COMMON SHARES	<u>42,959,494</u>	<u>42,959,494</u>
EARNINGS PER SHARE	<u>\$ 0.06</u>	<u>\$ 0.01</u>

BANK OF THE BAHAMAS LIMITED

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended September 30, 2020

with comparatives for the three months ended September 30, 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
<i>Total comprehensive income:</i>							
Net income for the period	-	-	-	-	-	487,404	487,404
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
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	-	-	-	-	-	2,367,184	2,367,184
Movement in fair value: equity investments at FVOCI	-	-	-	107,168	-	-	107,168
Balance at September 30, 2020	\$ 42,610,505	\$ 81,950,384	\$ (1,318,224)	\$ 2,928,838	\$ 172,122,932	\$ (141,722,005)	\$ 156,572,430

BANK OF THE BAHAMAS LIMITED

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

For the three months ended September 30, 2020
with comparatives for the three months ended September 30, 2019
(Expressed in Bahamian Dollars)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 2,367,184	\$ 487,404
Adjustments for:		
Depreciation and amortization	341,879	168,337
Net provision for loan losses	(60,297)	2,655,775
	<u>2,648,766</u>	<u>3,311,516</u>
Change in operating assets and liabilities	3,965,936	637,098
(Increase)/decrease in loans and advances to customers, net	(4,617,271)	87,489
Increase/(decrease) in deposits from customers and banks	48,891,102	(3,394,304)
Net cash provided by operating activities	<u>50,888,533</u>	<u>641,799</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	(272,665)	(763,965)
Acquisition of computer software	(102,702)	-
Proceeds from maturity of investment securities	724,800	-
Purchase of investment securities	-	20,273,600
Net cash provided by investing activities	<u>349,433</u>	<u>19,509,635</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payment of lease liabilities	(388,867)	-
Net cash used in financing activities	<u>(388,867)</u>	<u>-</u>
Net increase in cash and cash equivalents	50,849,099	20,151,434
Cash and cash equivalents, beginning of year	180,734,831	157,479,873
Cash and cash equivalents, end of year	<u>\$ 231,583,930</u>	<u>\$ 177,631,307</u>
SUPPLEMENTAL INFORMATION:		
Interest received	\$ 10,209,294	\$ 11,050,538
Interest paid	1,689,098	2,285,868

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

For the quarter ended September 30, 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 September 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 September 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 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 quarter ended September 30, 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 quarter ended September 30, 2020
(Expressed in Bahamian Dollars)

4. Cash and Cash Equivalents

	September 30, 2020	June 30, 2020
Cash	\$ 19,959,889	\$ 19,339,409
Deposits with the Central Bank- non-interest bearing	95,601,253	92,466,235
Cash and account with the Central Bank	<u>115,561,142</u>	<u>111,805,644</u>
Cash equivalents - Treasury Bills	89,360,211	44,935,963
Due from Banks	<u>51,110,697</u>	<u>49,370,314</u>
Cash and due from Banks	256,032,050	206,111,921
Less: Mandatory reserve deposits with the Central Bank	<u>24,448,120</u>	<u>25,377,090</u>
Total cash and cash equivalents	<u>\$ 231,583,930</u>	<u>\$ 180,734,831</u>

Money market placements included in Due from banks amount to \$2,415,545 (June 30, 2020: \$2,410,615), net of \$33,088 allowance for impairment losses.

As at September 30, 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
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(Expressed in Bahamian Dollars)

5. Loans and advances to customers, net

	September 30, 2020	June 30, 2020
Mortgage residential loans	\$ 210,129,597	\$ 212,613,763
Mortgage commercial loans	12,337,478	12,129,575
Commercial loans	70,215,966	70,556,396
Consumer loans	106,155,845	100,856,108
Government	37,001,887	37,286,348
Credit cards	1,520,908	1,563,211
Business overdrafts	1,057,476	554,730
Personal overdrafts	121,347	147,821
	<u>438,540,504</u>	<u>435,707,952</u>
Less: Provision for loan losses		
Provision at beginning of year	\$ 68,262,712	\$ 61,505,934
Amount written-off	(2,037,000)	(8,591,165)
Net provision charged to expense	(60,297)	15,347,943
Provision at end of year	<u>66,165,415</u>	<u>68,262,712</u>
Accrued interest receivable	2,752,926	3,005,208
Loans and advances to customers, net	<u><u>\$ 375,128,015</u></u>	<u><u>\$ 370,450,448</u></u>
Provisions as a percentage of the net loan portfolio	17.64%	18.43%
Non-accrual loans as a percentage of the net loan portfolio	23.17%	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 September 30, 2020. Subsequent changes to these forecast 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 by another 90 days 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 quarter ended September 30, 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 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 September 30, 2020 amounted to \$1,523,875 (June 30, 2020: \$1,956,500).
- Provision for impairment losses amounted to \$4,896,589 as at September 30, 2020 (June 30, 2020: \$4,896,589).

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 37.9% as at September 30, 2020 (June 30, 2020: 37.5%).

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Selected Explanatory Notes to the Unaudited Condensed Consolidated Financial Statements

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8. Commitments and Contingencies

Commitments

The commitment for loans and advances at September 30, 2020 was \$6,165,747 (June 30, 2020: \$5,666,460).

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.