

BANK OF THE BAHAMAS LIMITED
Unaudited Condensed Consolidated Financial Statements
For the Year Ended June 30, 2021

BANK OF THE BAHAMAS LIMITED

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2021 with comparative figures as at June 30, 2020
(Expressed in Bahamian Dollars)

	June 30, 2021	June 30, 2020
ASSETS		
Cash and account with The Central Bank	\$ 121,331,941	\$ 111,805,644
Cash equivalents - Treasury Bills	44,919,339	44,935,963
Due from banks, net	70,535,440	49,339,675
Investment securities, net	73,302,590	50,067,465
Loans and advances to customers, net	391,345,786	370,447,999
Investment property	6,463,000	6,463,000
Other assets	9,862,094	8,888,333
Property and equipment, net	7,179,902	6,099,639
Right-of-use assets	3,066,020	3,833,240
Computer software, net	6,071,011	5,313,347
Note receivable, net	168,717,788	164,759,911
TOTAL	\$ 902,794,911	\$ 821,954,216
LIABILITIES		
Deposits from customers and banks	\$ 695,855,586	\$ 632,824,620
Other liabilities	39,681,855	28,340,104
Lease liabilities	3,267,261	4,073,638
Deferred loan fees	2,832,533	2,617,776
Total liabilities	741,637,235	667,856,138
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	3,462,314	2,821,670
Special retained earnings	172,122,932	172,122,932
Accumulated deficit	(137,670,235)	(144,089,189)
Total equity	161,157,676	154,098,078
TOTAL	\$ 902,794,911	\$ 821,954,216

BANK OF THE BAHAMAS LIMITED

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended June 30, 2021
with comparatives for the year ended June 30, 2020
(Expressed in Bahamian Dollars)

	Three Months		Twelve Months	
	2021	2020	2021	2020
Continuing Operations:				
Interest and similar income	\$ 10,600,251	\$ 12,575,203	\$ 40,099,318	\$ 41,685,999
Interest and similar expense	(1,623,341)	(1,604,481)	(6,582,387)	(6,870,821)
Net interest income	<u>8,976,910</u>	<u>10,970,722</u>	<u>33,516,931</u>	<u>34,815,178</u>
Fees and commission income	2,009,625	1,744,272	7,593,349	7,881,799
Fees and commission expense	(86,771)	(88,701)	(289,838)	(365,172)
Net fees and commission income	<u>1,922,854</u>	<u>1,655,571</u>	<u>7,303,511</u>	<u>7,516,627</u>
Other operating income	885,724	1,228,143	3,541,981	4,423,470
Total operating income	11,785,488	13,854,436	44,362,423	46,755,275
Operating expenses	(9,821,982)	(9,534,924)	(35,828,680)	(32,907,165)
Net operating income	<u>1,963,506</u>	<u>4,319,512</u>	<u>8,533,743</u>	<u>13,848,110</u>
Provision for impairment reversals/(losses)	5,882,608	(6,316,125)	5,341,283	(6,316,125)
Credit loss reversals/(expense), net	20,390	(7,610,490)	(7,456,072)	(15,347,943)
Net income/(loss) from continuing operations	<u>7,866,504</u>	<u>(9,607,103)</u>	<u>6,418,954</u>	<u>(7,815,958)</u>
Discontinued Operations:				
Gain from discontinued operations	-	-	-	512,752
Net income/(loss)	<u>\$ 7,866,504</u>	<u>\$ (9,607,103)</u>	<u>\$ 6,418,954</u>	<u>\$ (7,303,206)</u>
Other comprehensive income				
Movement in fair value: equity investments at FVOCI	348,139	580,756	640,644	309,211
Total comprehensive income/(loss) for the year	<u>8,214,643</u>	<u>\$ (9,026,347)</u>	<u>7,059,598</u>	<u>\$ (6,993,995)</u>
EARNINGS PER SHARE CALCULATION:				
NET INCOME/(LOSS)	\$ 7,866,504	\$ (9,607,103)	\$ 6,418,954	\$ (7,303,206)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES	42,959,494	42,959,494	42,959,494	42,959,494
EARNINGS/(LOSS) PER SHARE	<u>\$ 0.18</u>	<u>\$ (0.22)</u>	<u>\$ 0.15</u>	<u>\$ (0.17)</u>

BANK OF THE BAHAMAS LIMITED

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended June 30, 2021
with comparatives for the year ended June 30, 2020
(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	-	-	-	-	-	(423,267)	(423,267)
<i>Total comprehensive income:</i>							
Net loss for the year	-	-	-	-	-	(7,303,206)	(7,303,206)
Movement in fair value: equity investments at FVOCI	-	-	-	309,211	-	-	309,211
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
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 year	-	-	-	-	-	6,418,954	6,418,954
Movement in fair value: equity investments at FVOCI	-	-	-	640,644	-	-	640,644
Balance at June 30, 2021	\$ 42,610,505	\$ 81,950,384	\$ (1,318,224)	\$ 3,462,314	\$ 172,122,932	\$ (137,670,235)	\$ 161,157,676

BANK OF THE BAHAMAS LIMITED

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended June 30, 2021
with comparatives for the year ended June 30, 2020
(Expressed in Bahamian Dollars)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income/(loss)	\$ 6,418,954	\$ (7,303,206)
Adjustments for:		
Depreciation and amortization	1,394,239	849,008
Provision for impairment (reversals)/losses	(5,341,283)	6,316,125
Loss on disposal of fixed assets	16,426	-
Credit loss expense, net	7,456,072	15,347,943
	<u>9,944,408</u>	<u>15,209,870</u>
Increase in loans and advances to customers, net	(28,353,860)	(40,087,333)
Increase in deposits from customers and banks	63,030,966	17,671,833
Increase in other assets	(1,377,935)	(2,717,378)
Increase/(decrease) in other liabilities	11,556,508	(10,487,192)
Net cash provided by/(used in) operating activities	<u>54,800,087</u>	<u>(20,410,200)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	(1,847,733)	(1,823,430)
Acquisition of computer software	(1,400,859)	(3,215,967)
Purchase of investment securities	(30,000,000)	(6,204,300)
Proceeds from maturity of investment securities	8,520,800	56,289,400
Net cash (used in)/provided by investing activities	<u>(24,727,792)</u>	<u>45,045,703</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payment of lease liabilities	(1,563,916)	(1,378,096)
Net cash used in financing activities	<u>(1,563,916)</u>	<u>(1,378,096)</u>
Net increase in cash and cash equivalents	28,508,379	23,257,407
Cash and cash equivalents, beginning of year	180,737,280	157,479,873
Cash and cash equivalents, end of year	<u>\$ 209,245,659</u>	<u>\$ 180,737,280</u>
SUPPLEMENTAL INFORMATION:		
Interest received	\$ 41,082,747	\$ 40,328,733
Interest paid	6,345,050	7,570,549

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

For the year ended June 30, 2021
(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 June 30, 2021, 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, 2021, 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 year ended June 30, 2021
(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, 2021. 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 year.

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

For the year ended June 30, 2021
(Expressed in Bahamian Dollars)

4. Cash and Cash Equivalents

	June 30, 2021	June 30, 2020
Cash	\$ 16,513,314	\$ 19,339,409
Deposits with the Central Bank- non-interest bearing	104,818,627	92,466,235
Cash and account with the Central Bank	<u>121,331,941</u>	<u>111,805,644</u>
Cash equivalents - Treasury Bills	44,929,797	44,935,963
Due from Banks	<u>70,553,841</u>	<u>49,372,763</u>
Cash and due from Banks	236,815,579	206,114,370
Less: Mandatory reserve deposits with the Central Bank	<u>27,569,920</u>	<u>25,377,090</u>
Total cash and cash equivalents	<u>\$ 209,245,659</u>	<u>\$ 180,737,280</u>

Money market placements included in Due from banks amount to \$12.4 million (June 30, 2020: \$2.4 million), net of \$0.02 million allowance for impairment losses (June 30, 2020: \$0.03 million).

As at June 30, 2021 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 year ended June 30, 2021
(Expressed in Bahamian Dollars)

5. Loans and advances to customers, net

	June 30, 2021	June 30, 2020
Mortgage residential loans	\$ 201,973,783	\$ 212,613,763
Mortgage commercial loans	13,001,352	12,129,575
Commercial loans	66,964,607	70,556,396
Consumer loans	123,732,413	100,856,108
Government	42,941,726	37,286,348
Credit cards	1,365,891	1,563,211
Business overdrafts	309,927	554,730
Personal overdrafts	158,384	147,821
	<u>450,448,083</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/charged off	(14,378,418)	(8,591,165)
Net provision expense	<u>7,456,072</u>	<u>15,347,943</u>
Provision at end of year	<u>61,340,366</u>	<u>68,262,712</u>
Accrued interest receivable	<u>2,238,069</u>	<u>3,002,759</u>
Loans and advances to customers, net	<u>\$ 391,345,786</u>	<u>\$ 370,447,999</u>
Provisions as a percentage of the net loan portfolio	15.67%	18.43%
Non-accrual loans as a percentage of the net loan portfolio	18.95%	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 June 30, 2021. 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 June 30, 2021 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 year ended June 30, 2021

(Expressed in Bahamian Dollars)

6. Note 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 the 28th day of February and the 31st day of August. Accrued interest receivable as at June 30, 2021 amounted to \$1.6 million (June 30, 2020: \$2.0 million).
- Provision for impairment losses amounted to \$0.5 million as at June 30, 2021 (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 36.9% as at June 30, 2021 (June 30, 2020: 37.5%).

BANK OF THE BAHAMAS LIMITED

Selected Explanatory Notes to the Unaudited Condensed Consolidated Financial Statements

For the year ended June 30, 2021

(Expressed in Bahamian Dollars)

8. Commitments and Contingencies

Commitments

The commitment for loans and advances at June 30, 2021 was \$7.5 million (June 30, 2020: \$5.7 million).

The commitment for capital expenditures at June 30, 2021 was \$2.0 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 year 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.