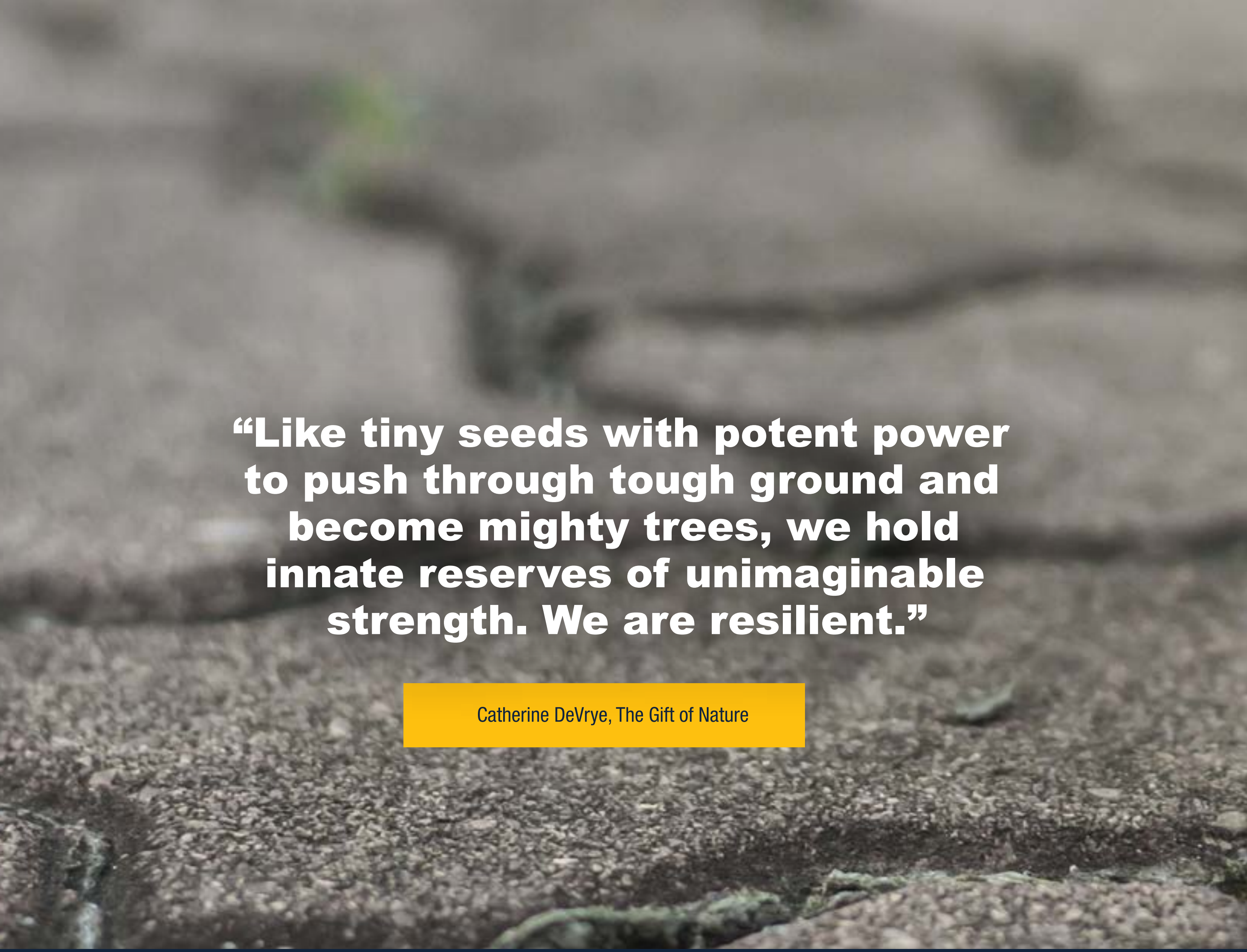
Bank of The Bahamas LIMITED

ANNUAL REPORT 2020



“Like tiny seeds with potent power to push through tough ground and become mighty trees, we hold innate reserves of unimaginable strength. We are resilient.”

Catherine DeVrye, The Gift of Nature

What do you do when you face a storm that leaves you battered?

What do you do when what you once relied on becomes uncertain or disappears?

How do you respond when you face an unprecedented challenge; one that interrupts your plans and puts everything at stake?

The answer is you adapt.
You get up. You show up and find a way to bounce back.

This is Resilience.

This is what we call **#BOBStrong.**

resilience

Bank of The Bahamas LIMITED


Bank of The Bahamas LIMITED
0000 1234 5678 9010
03/20
GIFT CARD
VISA

Bank of The Bahamas LIMITED

Bank of The Bahamas Limited was incorporated in The Commonwealth of The Bahamas on April 17, 1970 as Bank of Montreal (Bahamas & Caribbean) Limited. In 1983, its name was changed to Bank of Montreal Bahamas Limited. Five years later in September 1988, the Government of The Bahamas created a joint venture with Euro Canadian Bank Limited and purchased 100% of the shares of Bank of Montreal Bahamas Limited, and renamed it Bank of The Bahamas Limited with a 51% controlling interest.

During the second half of 1990, the Government purchased all of the shares held by Euro Canadian Bank Limited and issued an additional 7,000,000 shares, bringing the total number of shares issued to 10,000,000. During September 1994 the Government sold 20% of its Shareholding or 2,000,000 shares to the Bahamian public. In October 1995 the Government offered a further 3,000,000 shares of the Bank to the Bahamian public. Both offerings were substantially oversubscribed. In 2005, the Bank had an oversubscribed rights offering of $25 million and a subsequent $15 million private placement preference share offering in 2006. Later branded as BOB, the Bank of Solutions, Bank of The Bahamas became synonymous with creating firsts in local retail banking: the first to introduce VISA gift and prepaid cards, the first local bank with comprehensive online banking and the first to offer e-mail and text alerts to notify customers of deposits, withdrawals, loan payment or other activity on their accounts. Its ATMS became the first 24/7 banking facilities in The Bahamas to offer a number of features including instructions in Braille and non-envelope deposit capability with immediate value for cash deposits. Though relatively young, Bank of The Bahamas grew through acquisitions including the assets of Workers Bank Limited (2001) and the mortgage portfolio of Citibank (2007). In September 2016, the Bank's $40,000,000 Rights Offering was fully subscribed and in December of the same year the Bank offered a private placement of $30,000,000 at 3.125% Fixed Rate Perpetual Contingent Convertible Bonds ("CoCo") to accredited investors only. This private placement was offered in three tranches of $10,000,000 each. The first tranche was subscribed by and issued to the Government as at December 31, 2016. The offering closed on February 28, 2017 and effective June 30, 2017, the bond was converted to 6,756,756 voting common shares. As at June 30, 2020, the Bank's total assets stood at $821,954,216 and total equity was $154,098,078.

"It is your reaction to adversity, not adversity itself that determines how your life's story will develop"

Dieter F. Uchtdorf

Message from
THE CHAIRMAN

In Fiscal 2020, Bank of The Bahamas (the Bank) continued to strengthen its foundation while pursuing opportunities for accelerated growth. We achieved increases of approximately $6.1 million in total operating income, attributable mainly to an increase in net interest income of $6.6 million, and $9.2 million in net operating income over the prior year. However, the impact of the COVID-19 pandemic on our economy, coupled with the downgrade of The Bahamas' credit rating, obliterated what would have been a substantial increase in net income over the prior year.

Net Credit losses of $15.3 million, compared with $1.7 million in the previous year, and impairment losses on other financial instruments of $6.3 million, reduced net operating income of $13.8 million to a net operating loss of $7.3 million.

With the continuing effects of the pandemic on the economy and uncertainty concerning the return to full recovery, it is difficult to speak with any degree of confidence about our prospects for fiscal year 2021. Costs will have to be closely managed in an environment where top line growth is limited. We are undoubtedly operating in a more challenging environment, and this will require strong portfolio management and resourcefulness in developing new sources of income.

In fiscal 2020, growth in revenues, which tapered off in the third quarter, was complemented by progress in other key areas of the Bank's operations. Our Enterprise Risk system is now fully institutionalized with risk champions in every department of the Bank to identify and mitigate a spectrum of risks. We are also making significant strides in customer service improvement with the introduction of a Customer Experience Unit and a Pilot programme designed to revolutionize service in our branches.

In May, despite limited operating hours due to COVID-19 related restrictions, the Bank successfully completed the first phase of its systems upgrade, which has resulted in improved operating efficiencies. Further improvements are anticipated following the implementation of the second phase of the systems upgrade, which will include the full automation of the loans processing and delinquency management systems; this second phase should be completed by the end of the third quarter of fiscal 2021.

During the fiscal year, the Bank continued its defence in its two highest risk litigation matters: Kaydee Limited et al. v. Bank of The Bahamas Limited and Leslie O. Miller et al. v. The Bank of The Bahamas et al.

On October 21, 2019, the Judgment in Default of Defence entered against the Bank, and in favor of the Kaydee Plaintiffs, in excess of $6 million, was set aside by the Deputy Registrar. The Plaintiffs subsequently appealed the decision, which appeal was heard on September 4 and 29, 2020. The Appeal ruling is scheduled to be handed down on January 8, 2021.

In September 2020, the Judge having carriage of the Miller case issued a draft ruling on the application made by the Plaintiffs for judgement against the Attorney General and the Treasurer of the Commonwealth of The Bahamas, awarding judgement to the Plaintiffs for a sum in excess of $9.8 million. The draft ruling, which was only intended to be circulated to the parties' counsels for review before being finalized, entered the public domain and, thereafter, was printed in several of the local dailies. The Bank took exception to certain comments and assertions in the draft ruling and, through its attorneys, pointed out the inaccuracies and misstatements to the Court and to the media. The Court has scheduled further hearings for November 20, 2020, to consider submissions from all parties on the matters that the Bank has taken exception to, and the Court has indicated that the ruling will not be perfected before the parties have been heard on the matter.

Since the last annual general meeting, Margo Hillhouse, a business and technology consultant to top Bahamian companies, was appointed to the Board; Margo's knowledge, experience and skills are a welcome addition to the Board. I extend my appreciation to you, our shareholders, for your support, especially during this challenging time. I would like to thank employees for their commitment, particularly employees of the Freeport Branch and frontline employees, for successfully meeting the challenges brought on firstly, by Hurricane Dorian and, later with greater severity, by COVID-19. Our goals could not have been achieved without the dedicated leadership of the Bank's management and the committed engagement of my Board colleagues, for which I am grateful.

"Persistence and resilience" according to Gever Tulley, an American writer and speaker, "only come from having been given the chance to work through difficult problems". COVID-19 has presented difficult problems, but through the persistence and resilience of the BOB Team, the Bank will recover and return to profitability and its path of rebuilding.

Wayne J Aranha

Message from
THE MANAGING DIRECTOR

Fiscal 2020 has been a challenging year with some setbacks and disappointments. Nevertheless, I am extremely encouraged by the progress we are making to ensure that Bank of The Bahamas becomes the most efficient customer centric bank in The Bahamas. This continues to be my vision as your Managing Director and remains a part of our overall strategy and focus.

I am encouraged by the growth in revenues achieved by our Business Development Team and supporting units. I am encouraged by enhancements to our Core Banking System and expansion of our ATM service channels. I am pleased by improvements to our Customer Service Delivery as a result of the introduction of our Customer Experience Unit; and more importantly, I am greatly heartened by the full and unwavering support of BOB employees. During this fiscal year, members of our team endured a devastating category 5 hurricane and an unprecedented global pandemic, however they remain standing and giving their best to our customers every day. I applaud their commitment and dedication, especially our frontline personnel.

As indicated previously, our key objectives are to create a strong risk management culture, sustained shareholder value through sustained profitability, an improved sales and service culture

The world and The Bahamas are going through a trial, the likes of which has not been experienced in more than 100 years. For BOB, the COVID-19 pandemic has meant having to adapt to new ways of doing business; for example, having some staff working remotely from home and having virtual meetings instead of face-to-face. We have had to quickly adjust and adopt new health protocols to protect our staff and customers, which included social distancing, wearing of masks, installation of sanitizers and abbreviated operating hours. We also put in place a number of financial initiatives to assist customers whose employment and income had been adversely affected by the pandemic.

COVID-19 has dealt a severe blow to our economy, yet we are undeterred in our quest to achieve accelerated growth along with sustainable profits for our shareholders. In the current environment this will mean being even more creative in our approach to Business Development while managing our expenses carefully. I have full confidence in our team and I know they are up to the challenge.

As indicated previously, our key objectives are to create a strong risk management culture, sustained shareholder value through sustained profitability, an improved sales and service culture, more efficient operations and a disciplined, motivated, knowledgeable and well-equipped staff.

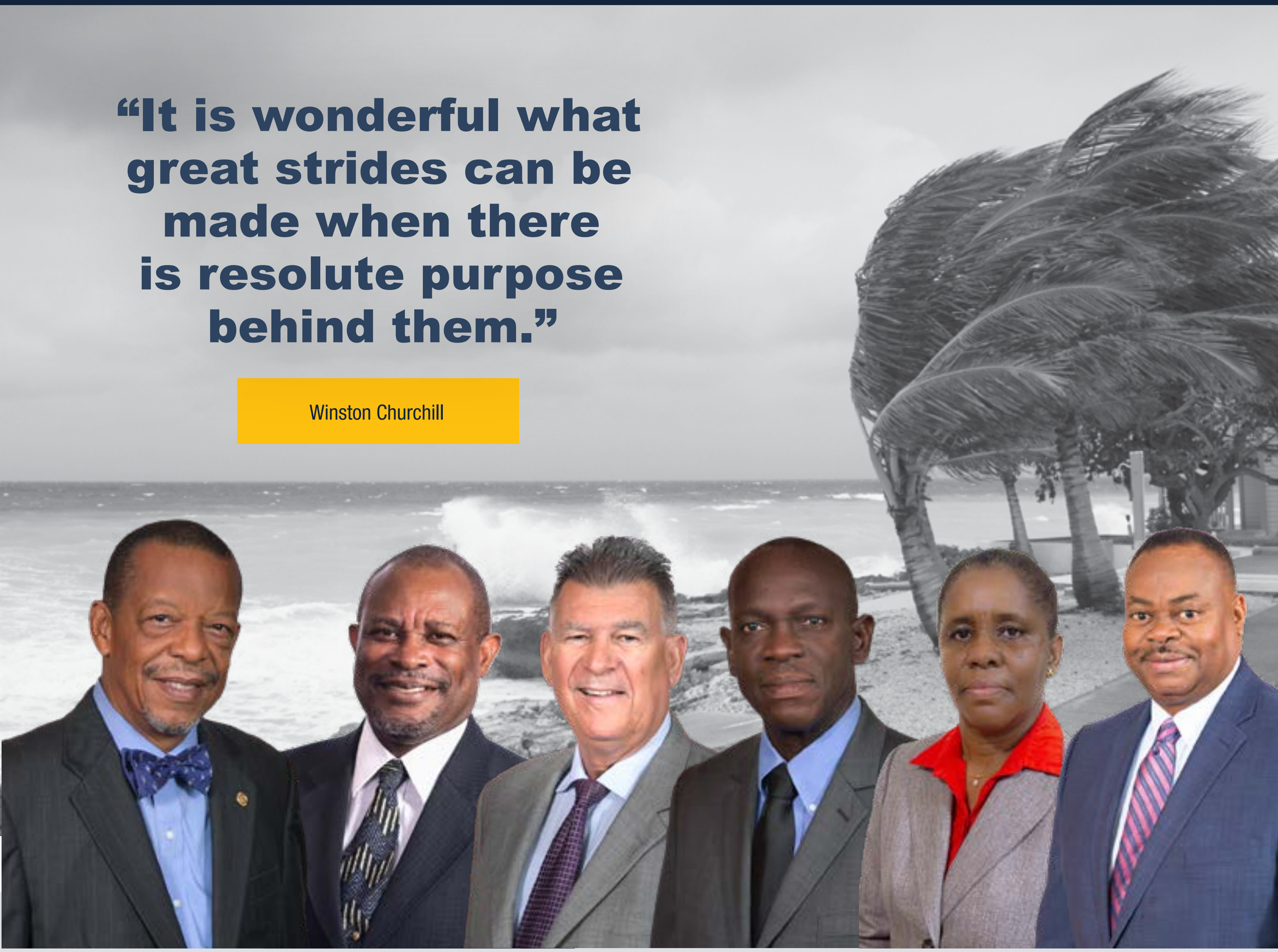
I am excited about the upcoming technology enhancements and the introduction of products that will help us achieve our objectives. These include Phase II of our Core Banking Upgrade and ATM Expansion project, full automation of our loan origination and delinquency management processes, the rollout of our new EMV Card Portfolio, a new mobile app and the introduction of a debit card. By the end of fiscal 2021 we expect that our Bank will be well poised for eventual market leadership.

We are a strong and resilient Bank and, despite the challenges faced, we will be successful. As always I, along with our staff, remain committed to making our Bank your ultimate partner in banking solutions and take this opportunity to thank our dedicated staff and our loyal customers for their continued trust. We will remain steadfast and will ultimately achieve the goals as set out in our Strategic Plan.

Kenrick Brathwaite

"It is wonderful what great strides can be made when there is resolute purpose behind them."

Winston Churchill



Wayne Arahha, Chairman

Kenrick Brathwaite, Managing Director

Kirk Antoni, Director

Timothy Brown, Director

Margo Hillhouse, Director

Whitney Patton, Director

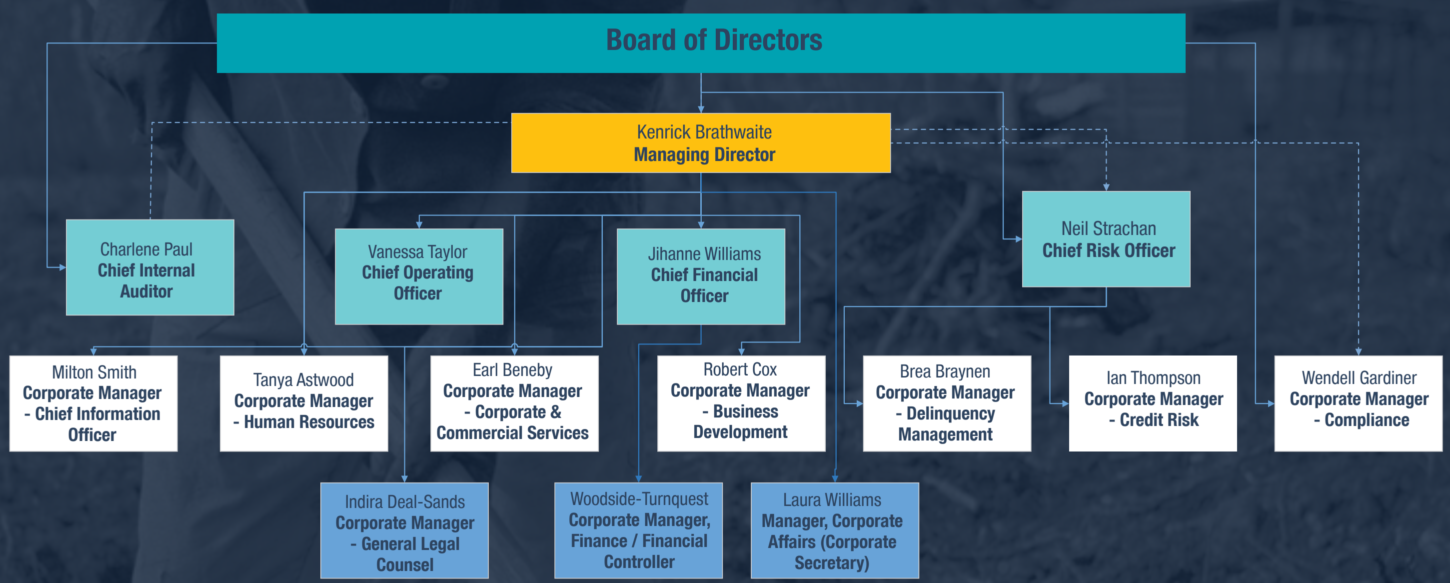
Board of Directors

BOB's Board of Directors is responsible for providing guidance to executive management and oversight of the Bank's operations. The Board, along with management, reviews and measures achievements throughout the year at the Board and committee meetings. These meetings include discussions with management about the current operating environment, human resource issues, trends and developments in the financial sector and regulatory changes that affect the Bank's operations. The Board also monitors the Bank's policies and processes to ensure that risk is managed and the Bank is in compliance with applicable laws and regulations which are consistent with sound banking practices. The current Board is chaired by Wayne Aranha.

"I can be changed by what happens to me but I refuse to be reduced by it."

Maya Angelou.

Executive Office Organizational Chart



Executive Management

Kenrick Brathwaite,
Managing Director

Vanessa Taylor,
Chief Operating Officer

Jlhanne Hosmillo-Williams,
Chief Financial Officer

Neil Strachan,
Chief Risk Officer

Charlene Paul,
Chief Internal Auditor

Corporate Managers



Tanya Astwood
Corporate Manager, Human Resources

Earl Beneby
Corporate Manager, Corporate & Commercial Services

Brea Braynen
Corporate Manager, Delinquency Management



Robert Cox
Corporate Manager, Business Development

Indira Deal-Sands
Corporate Manager, General Legal Counsel

Wendell Gardiner
Corporate Manager, Compliance / MLRO



Milton Smith
Corporate Manager, IT and Chief Information Officer

Ian Thompson
Corporate Manager, Credit Risk

Maureen Woodside-Turnquest
Corporate Manager, Finance / Financial Controller

Senior Managers

Shantell Bain
Senior Manager, Business Development (Operations)

Kelvin Briggs
Senior Manager, Credit Adjudication

Pedro Burrows
Senior Manager, Business Development (Sales)

Jillian Ferreira
Senior Manager, Business Services

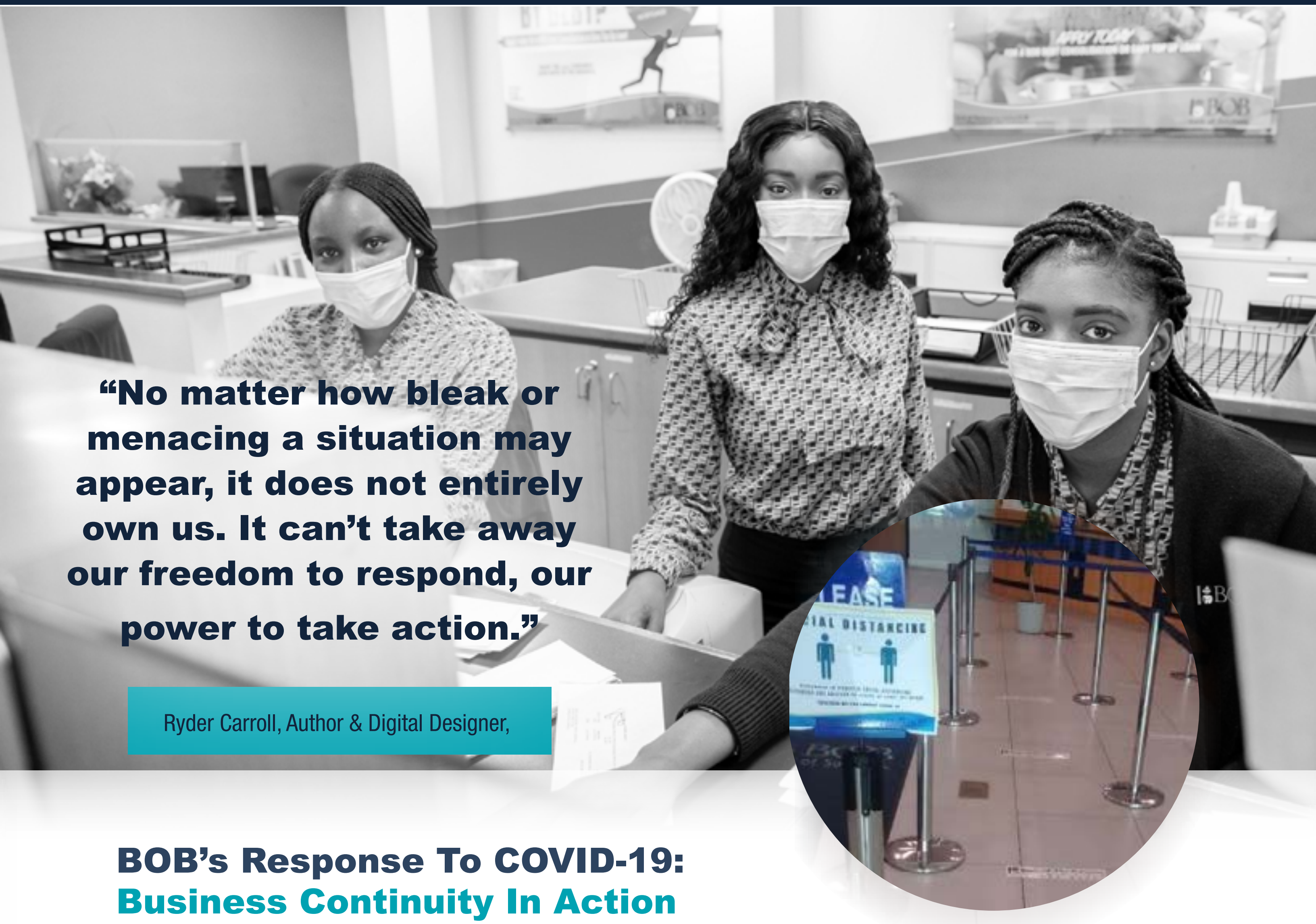
Syche McDonald
Senior Manager, Customer Experience

Elnora Major
Senior Manager, Back Office Support

Renay Miller
Senior Manager, Operational Risk Unit

Clarice Varence
Senior Manager, Operations Administration

BOB STRONG



"No matter how bleak or menacing a situation may appear, it does not entirely own us. It can't take away our freedom to respond, our power to take action."

Ryder Carroll, Author & Digital Designer,

BOB's Response To COVID-19: Business Continuity In Action

In late February 2020, before the first corona virus case was recorded in The Bahamas, BOB Executive Management became aware of the highly transmissible and deadly novel virus and began to monitor developments in China, Europe and the United States.

When Ministry of Health officials announced The Bahamas' first case on Sunday, March 15, 2020, BOB's Executive Management Team immediately invoked the Bank's Business Continuity plan. Hand sanitizing kits, disinfectant spray, gloves and masks were disbursed to all branches in Nassau, Grand Bahama and the Family Islands. Arrangements were also made for increased cleaning of customer facing areas and all work-related travel was cancelled.

In a communication issued by Chief Risk Officer, Neil Strachan, on March 15, 2020 employees were encouraged to cancel non-essential group meetings, practice social distancing and wash hands frequently for 20 seconds each time or use hand sanitizers frequently. Employees were also advised to expect customers to wear masks and heighten their awareness of security threats.

In the same week, the Bank issued what would be the first of many external communications. The notice advised customers of protocols being put in place to ensure safe banking for both staff and customers. It recommended the use of online banking and provided the option of starting business processes electronically.

By March 18 the Government tabled Emergency COVID-19 regulations in Parliament and the next day Prime Minister, Dr. the Most Honourable Hubert A. Minnis, announced emergency orders, a nightly curfew and a partial nationwide shutdown.

Over the next several weeks social distancing signage was introduced at all BOB branches and employees with the ability to work from home were encouraged to do so. The IT department was called upon to provide necessary tools, including laptops with VPNs and access to employee telephone extensions. Staff in small spaces were also put on rotating schedules to allow for social distancing.

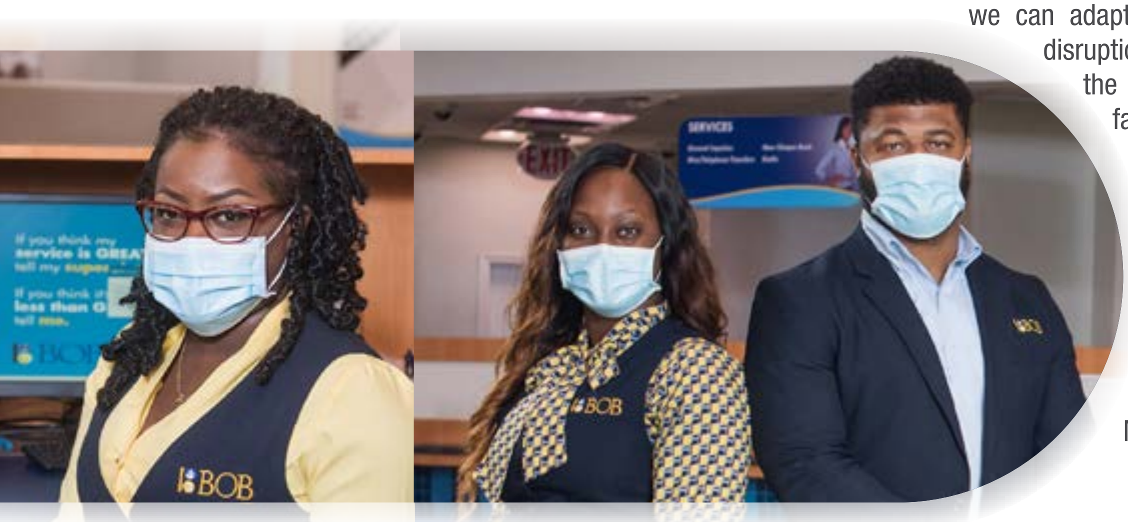
While branch staff were understandably concerned about the risk of infection posed by interacting with the public, they bravely pushed their fears aside and showed up daily to serve customers.

Since March 19 the Bank has carefully followed Ministry of Health protocols and adjusted its operating hours and services menus depending on the current Government regulations. Customers are required to wear a mask to enter all premises, and hand sanitizer is available upon entry.

In addition to implementing health protocols in the branches, financial initiatives were put in place early on to assist customers whose employment and work were disrupted by the pandemic. A three-month automatic waiver was granted to workers in the tourism and restaurant sectors and other waivers were granted by request. The Bank also introduced a dedicated email address loans@bankbahamas.com to assist customers with loan applications and other credit issues. With rapidly changing developments, increased communication with customers has been vital and the Bank has issued a steady stream of notices via print, social media and its website to inform customers of changes impacting operations.

By September normal operating hours had resumed once again and most employees were back on premises full time. However, in October a new curfew and weekend lockdowns were imposed. At the recommendation of Government Health authorities, due to concerns regarding community spread in workplaces, reduced hours, remote work and rotating schedules were reinstated at BOB. As this report goes to print new cases of COVID infection continue to be reported throughout The Bahamas, the pandemic is by no means over, and BOB has not let its guard down. Social distancing and wearing of masks continue to be practiced throughout the Bank's offices, and meetings are held electronically.

According to Chief Risk Officer, Neil Strachan, the COVID-19 pandemic has tested the Bank's business continuity practices and found them to be sound in the face of an unprecedented challenge. "With proper risk monitoring and business continuity procedures we've found that we can adapt quickly to a rapidly changing disruption. We've learned that we have the capacity to work remotely. In fact, in May, the first phase of our Core Banking Upgrade was done entirely remotely by our Core Banking team. We've learned to be even more resourceful and responsive. We are resilient and we can overcome almost any challenge with communication and teamwork," Mr. Strachan said.



STRENGTHENING OUR CORE

BOB CORE SYSTEM UPGRADE PHASE 1

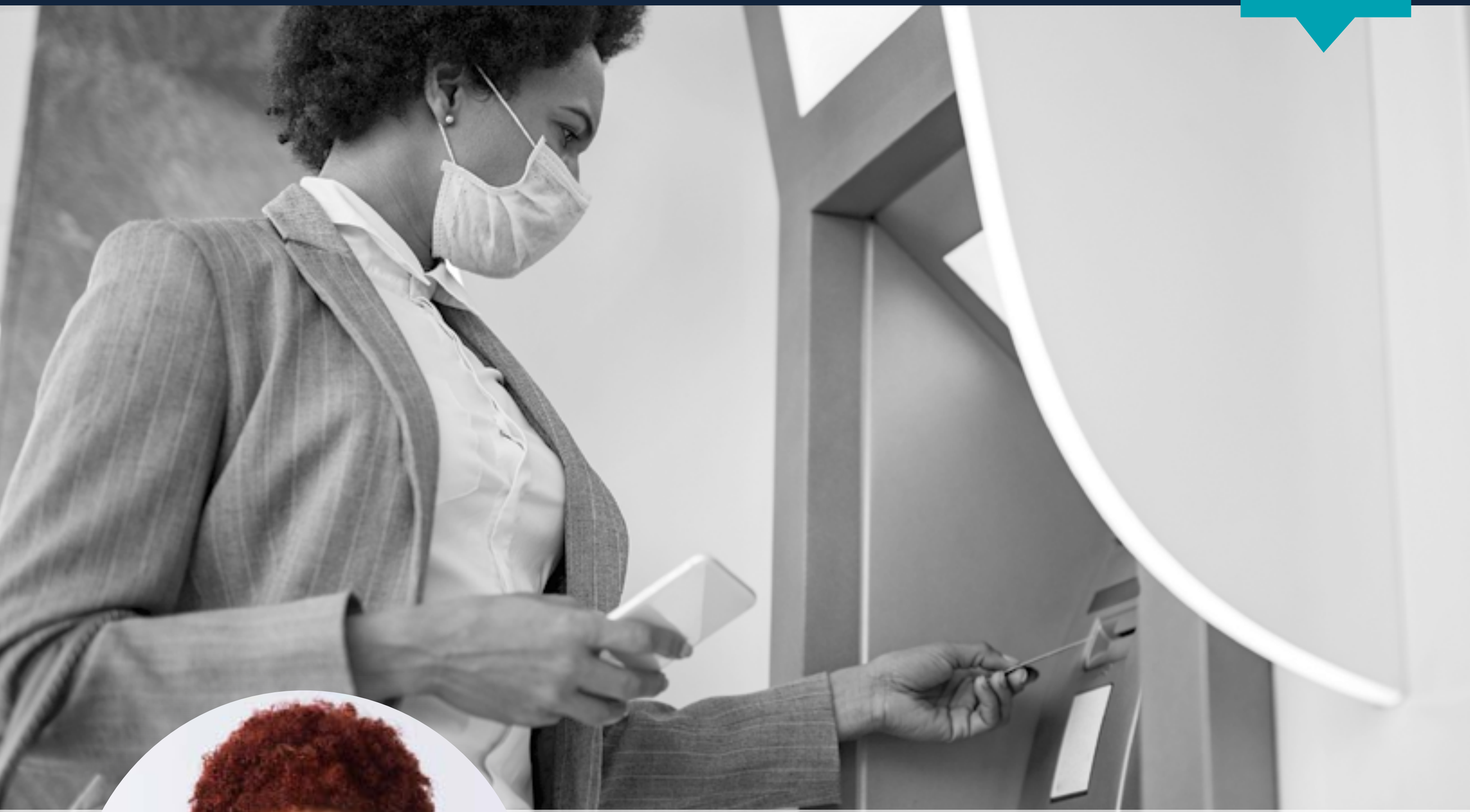
As its name implies BOB's Core Banking system is the critical software with which most of the Bank's information systems interface and upon which the Bank depends to process a wide range of transactions. In recent years the Bank's outdated system had become more and more unreliable and cumbersome for staff to operate, leading to delays in processing functions and customer service delivery.

In fiscal 2019, the Bank's Management and Board of Directors decided it was time to invest in a new system. A Request for Proposals was issued and by early 2019 vendors were selected to provide the software, hardware and necessary support to upgrade the system from Oracle Flexcube v7.1 to Flexcube v12.3, the most current version available.

According to Kenrick Brathwaite, Managing Director, this $5.1 million dollar investment in a modern, cutting edge banking system is central to his vision to transform the Bank into the most customer centric and efficient Bank in The Bahamas.

"Providing our clients and employees with exceptional service is at the heart of everything we do at BOB, and this new system will help employees carry out their functions to serve our customers with greater efficiency," Mr. Brathwaite said.

The project kicked off in January 2019 and, in preparation for the upgrade, management appointed Jillian Ferreira, Senior Manager, Business Services, to manage the project. In August 2019 the Bank also selected a Core Banking Team to work on the project. This team comprised employees from



Jillian Ferreira
Project Manager,
Core Banking
Phase I

a cross section of banking departments including Information Technology, Branch Operations, Sales, Loans Administration, Collections, Finance, Credit Adjudication, Data Centre and other units.

For the next ten months the Core Banking Team and implementation vendors worked closely through 18 different modules including a slew of test scenarios and numerous test cases for different types of accounts and banking functions.

"It's been a very intense, yet extremely enlightening and rewarding experience," said Mrs. Ferreira. "It's really a testament to the value of good teamwork. And I must acknowledge the remarkable teamwork around the Go Live which was all done remotely. That is a singular feat that we cannot overlook."

Finally in May 2020, the Bank was ready to install Phase I. A dress rehearsal was held to ensure that everything would go smoothly during the actual process. Then, over the weekend of Friday, May 15, the upgrade was successfully completed. A complete shutdown of all the Bank's systems was required as data was migrated from the old to the new software. Significantly, the entire process was performed remotely due to the Government's COVID-19 emergency powers regulations which

restricted the movement of staff after certain hours.

Since the completion of the Phase I upgrade, the majority of BOB employees have undergone some training on the new Flexcube system. Furthermore, the Bank and customers are already benefitting from noticeable improvements in key processes. End of day processing has now been reduced to under 2 hours to complete and there has been virtually no system downtime. Customers are also enjoying increased speeds for ATM transactions and some online transactions.

And there is more to come.

When Phase II is completed by December 31, 2020, customers can expect to experience even more efficient service, faster processing of transactions and reduced waiting times at the teller lines.

With a new user friendly core banking system in place, BOB is positioned to deliver exceptional service and poised for accelerated growth.

ENTERPRISE RISK MANAGEMENT

Navigating a Sea of Risk

Enterprise Risk Management (ERM) is a plan-based strategy that seeks to identify risks that could occur to impede an organization's objectives. It assesses the likelihood and impact of various risks and ensures the development of internal controls to mitigate against and manage risks to be within the Bank's risk appetite, to provide reasonable assurance regarding the achievement of the Bank's objectives. The ERM process is applied across the Enterprise by the Bank's Board of Directors, management and all staff.

In Fiscal 2019, the Bank implemented its revised Enterprise Risk Management Framework across the Bank. The framework is now fully embedded into the Bank's culture. The process lasted several months and required the participation and contribution of managers and risk champions from every department within the Bank. The role of the Chief Risk Officer and the Operational Risk Department, in enterprise-wide risks oversight and in providing the second line of defense, has become increasingly challenging as expectations for operational risk engagements are at an all-time high. Risk is a pervasive part of the business strategy, however, the Bank's overall pace of change has increased the volume and complexities of risks.

Neil Strachan,
Chief Risk Officer

ERM is a value-added process that has contributed to the improvement of the Bank's performance and has also assisted management and the Board, in making more risk-informed strategic decisions.

In Banking there are many different kinds of risks that could impact profitability and viability. There is operational risk, credit risk, strategic risk, market risk, information risk, liquidity and capital adequacy risk. There is also compliance risk and legal and reputational risk.

According to the Chief Risk Officer, Neil Strachan, it is impossible to avoid all risks but the objective of BOB's Enterprise Risk Management Framework, is to identify risks and prioritize them for assessing and resolving. This will assist with ensuring that risks are minimized and controlled, so that they do not become a major problem for the business, its shareholders or customers.

"Risk Management is basically stewardship. It is protecting our shareholders' investment and guarding the trust that the Board of Directors, customers and employees have placed in us, by choosing to bank and work with BOB," Mr. Strachan said.

He noted that risks emerge internally and externally, for example, in the form of money laundering attempts, phishing or social engineering scams or may simply arise from failures to follow established controls and procedures.

"Risk is everywhere and it requires constant vigilance, reviews, and testing," he said.

BOB's current Enterprise Risk Framework is inculcated in every facet of the Bank's operations and requires the active participation of management and Risk Champions. These champions, with the support of management, submit quarterly risk control self-assessments (RCSAs) identifying risks specific to their departments along with a mitigating risk response and timelines to address the same.

"The assessments provide a clear picture of what the risks may be at any given time and what is being done to manage those risks."

Renay Miller
Senior Manager,
Operational Risk Unit

Renay Miller, Senior Manager, Operational Risk Unit explained how the department RCSA tool works to mitigate against the likelihood of various risks occurring.

"The assessments provide a clear picture of what the risks may be at any given time and what is being done to manage those risks. At first we required monthly assessments from each department but now that managers are familiar with the ERM processes and tools, the Operational Risk Unit requests that assessments are completed and submitted on a quarterly basis," Ms. Miller said.

In the current business environment where the COVID-19 pandemic has disrupted the local economy and virtually gutted the tourism sector, the Chief Risk Officer acknowledges that the economic impact of the pandemic is likely to affect the Bank and economy for years to come. As such, Credit Risk Management, Operational Risk, Treasury and Business Continuity activities, will continue be a major focus well into fiscal year 2021.

Mr. Strachan stated, "The pandemic has posed a major challenge for the entire industry. So far we have managed the risks very well but we are not completely out of the woods. The various risk units, more specifically, The Operational Risk Unit and Credit Risk and Collections Management Units, will continue to monitor developments and, and in so doing, will ensure that we reduce the likelihood of risks occurring, increase our ability to handle the risks, should they occur and reduce the impact of risks on the organization."

CORPORATE GOVERNANCE PRINCIPLES

The following principles were adopted by the Board and provide the framework for corporate governance of the Bank.

Role Of Board Of Directors

The Bank's corporate governance structure seeks to protect the stakeholders of the Bank to ensure a lasting legacy for its shareholders, staff and the Bahamian community. The Board is ultimately responsible for the conduct of the Bank's affairs and operations. In light of this mandate, the Board provides oversight of the risks identified and ensures that they are adequately monitored and managed. Whilst the management of the day-to-day operations are delegated to the Bank's executives, the Board reviews policies and procedures and monitors the Bank's activities to ensure that its operations are carried out in compliance with applicable laws and regulations and are consistent with sound banking practices.

The Bank's "Directors & Officers Corporate Governance Handbook" addresses the powers, duties, responsibilities and roles of Directors such as:- the appointment of the Managing Director and all other Board appointments, approvals of the Budget, Strategic Plan, Remuneration Policies, assessing management's performance against approved objectives and strategies and providing the annual certification of compliance with the Central Bank's Corporate Governance Guidelines to the Inspector of Banks & Trust Companies.

BOARD COMMITTEES

The Board has implemented and maintains an effective corporate governance framework, which is facilitated by Board Committees, to ensure transparency and accountability to its stakeholders. These Committees assist the Board in carrying out its responsibilities and provide oversight to major functional areas. Each Committee is governed by a Mandate setting out matters relevant to the composition, responsibilities and administration of the Committee, and other matters that the Board may consider appropriate.

The Bank has six Board Committees, namely:-

- Corporate Governance Committee
- Enterprise Risk Committee
- Operations Board Committee
- HR & Compensation Board Committee
- Audit & Finance Board Committee
- Credit Risk Management Board Committee

Director Attestations

There are various policies that Directors are required to adhere to as members of the Board of a Bank. Therefore, on an annual basis, the Board completes attestations which determine their independence, whether any possible conflicts of interest may have arisen during the course of their term and attestations which seek to confirm their fiduciary responsibility to provide the necessary corporate governance oversight required.

Compensation of Directors

The total remuneration of the Board is approved by the shareholders at the Bank's Annual General Meeting ("AGM") and may be divided among members as they see fit.

Director Education

Each Director is expected to be knowledgeable about concepts discussed and to ensure that decisions made by the Board are reasonable. Toward this end, the Bank provides ongoing educational opportunities for its Directors through seminars, trade publications and regulatory updates.

Independence of Directors

As part of its evaluation process, each candidate nominated to serve on the Board completes a document to determine their independence in accordance with best practices and within the Central Bank of The Bahamas' Guidelines for the Corporate Governance of Banks and Trust Companies Licensed to do Business within and from within The Bahamas. Therefore, we can attest that the Board is comprised of a substantial majority of Directors who meet The Central Bank of The Bahamas' criteria for independence. Should a Director not meet these criteria during the course of the year of service on the Board, said Director is required to update the Board with any new information in relation to interests or relationships relevant to independence.

BOARD MEETINGS

Board Committee meetings held during fiscal 2020 are as follows:

Corporate Governance Board Committee	2
Audit & Finance Board Committee	7
Operations Board Committee	4
Human Resources & Compensation Board Committee	4
Enterprise Risk Board Committee	4
Credit Risk Management Board Committee	4

Attendance at Meetings

Regular attendance at all Board meetings, together with Board Committee meetings and the Annual General Meeting, is expected of all Directors. Following is a record of attendance of Directors at the quarterly Board Meetings during the 2020 fiscal year:

Preparation for, and Business of, Meetings

The Chairman along with the Managing Director prepares the agenda for each meeting. In addition, the Management team provides reports on key issues to their respective Board Committees relative to the various units of the Bank. Directors may also request that certain items be added to the Agenda for discussion at the Board level.

BOARD CERTIFICATION

Each year the Board is required to issue a Corporate Governance Statement to The Central Bank of The Bahamas ("CBOB") in accordance with the Guidelines for the Corporate Governance of Banks and Trust Companies Licensed to do Business Within and from Within The Bahamas ("Corporate Governance Guidelines"). As part of this exercise, the Internal Audit Department conducts a Controls Assurance Audit, which tests the control environment of the Bank. The purpose of this audit is to validate the Bank's compliance with the criteria as set out in the Corporate Governance Guidelines.

The Board provides oversight to management to seek remediation of issues that may be highlighted by the Central Bank. The Bank is generally in compliance with the laws, regulations, and guidelines to which it is subject. An action plan to implement the requirements or remedy the deficiencies stated in the most recent Central Bank reports was prepared and submitted to the Inspector, and the agreed remedial actions are being taken. In addition, the Bank is addressing certain issues relating to its credit risks that continue to cause it to be subject to restriction on the extension of commercial credits.

BOD MEETINGS FOR THE PERIOD JULY 1, 2019 TO JUNE 30, 2020

Director	Aug. 29, 2019	Sep. 26, 2019	Nov. 27, 2019	Mar. 24, 2020	Apr. 14, 2020	Apr. 30, 2020	Jun. 9, 2020	Jun. 29, 2020
WAYNE J. ARANHA	🚹	🚹	🚹	🚹	🚹	🚹	🚹	🚹
KENRICK L. BRATHWAITE, SR.	🚹	🚹	🚹	🚹	🚹	🚹	🚹	🚹
TIMOTHY BROWN	🚹	🚹	🚹	🚹	🚹	🚹	🚹	🚹
KIRK ANTONI	🚹	🚹	🚹	🚹	🚹	🚹	🚹	🚹
PHAEDRA MACKEY-KNOWLES	🚺	🚺	n/a	n/a	n/a	n/a	n/a	n/a
WHITNEY PATTON	n/a	n/a	🚹	🚹	🚹	🚹	🚹	🚹
MARGO HILLHOUSE	n/a	n/a	n/a	🚺	🚺	🚺	🚺	🚺

🚹🚺 = Present X = Apologies n/a = was not a Director at that time

FOLLOWING IS A SUMMARY OF BOARD COMMITTEE ACTIVITIES THROUGHOUT THE PAST FISCAL YEAR.

Corporate Governance Board Committee

The Corporate Governance Committee is comprised of the Chairman of the Board, the Chairman of the HR & Compensation Board Committee and the Managing Director. This Committee provides oversight to ensure that Directors and Officers of the Bank conduct themselves in accordance with the Bank's Articles of Association, its Directors & Officers Corporate Governance Handbook and guidelines as outlined by regulatory and supervisory bodies. During the year, the Committee addressed the following matters:

- Identified potential Directors as candidates to serve on the Board;
- Reconstituted the Board Committees taking into consideration skill sets, knowledge and experience of members;
- Reviewed and amended Board Committee mandates;
- Reviewed and amended the Directors & Officers Corporate Governance Handbook;
- Provided oversight to key legal matters
- Organized Board Evaluation Sessions
- Arranged Corporate Governance and AML Training for Directors

Operations Board Committee

The Operations Board Committee is chaired by Mr. Whitney Patton. This committee is primarily responsible for ensuring that the operations of the Bank are consistent with its business objectives and strategies, efficient and effective customer service and internal controls.

Over the past year the following initiatives were undertaken:

- Upgrade of critical banking systems, infrastructure and equipment.
- Preparations for branch/unit upgrades
- Replacement of branch ATMs
- Update and addition of Policies and Procedures

Strengthening the operating environment as the Bank continues to refortify itself within the market, the committee would have observed the completion of Phase one of the Core Banking System upgrade. The second and final phase is on schedule for completion by end of year. The committee also observed the replacement and expansion of the Bank's ATM network and improved profitability as a result of new sales strategies for the first three quarters of fiscal 2020. However, a decline was experienced in the fourth quarter halting the growth trend due to the COVID-19 pandemic, which virtually ceased all lending operations as of March 2020. The Bank will continue with physical improvements to some of its facilities and to ensure a well-trained work force to deliver and add value consistent with our stakeholders' expectations.

Audit & Finance Board Committee

The Audit and Finance Board Committee's primary purpose is to assist the Board in fulfilling its oversight responsibilities relating to financial reporting, external and internal audit functions, finance and compliance with legal and regulatory requirements. This committee is chaired by Mr. Timothy Brown. During the year the Audit & Finance Committee reviewed and addressed the following matters:

- Considered the issues and findings presented by the internal audit team and satisfied itself that management has resolved, or is in the process of effectively resolving, any outstanding issues or concerns on a timely basis. In this regard, the Committee approved the closure of 77% of outstanding internal audit issues;
- Reviewed the regulatory reporting requirements and ensured that all matters were effectively addressed or action plans in place to effectively facilitate remediation, achieving a completion rate of 100% of all issues;
- Reviewed the proposed audit strategy for the 2019/2020 statutory audit, including the level of materiality applied by KPMG, scope of work completed, audit reports from KPMG on the financial statements and the areas of particular focus for the 2019/2020 audit and tasking management to resolve any issues relating to internal controls and risk management systems;
- Approved the strategic internal audit planning approach, ensuring that it was risk based and appropriately addressed the Board approved Strategic Plan; and quarterly reviewed the work of the internal audit function in executing the audit plan;
- Ensured that all issues identified by the external quality assurance review of the internal audit function were addressed in a timely manner; and that a full quality assurance improvement program was fully implemented;
- Revised the Internal Audit Department's Policies and Procedures Manual for approval;
- Reviewed the quality assurance process conducted on the Core Banking system implementation, ensuring that issues and concerns raised are being adequately addressed by management;
- Approved the co-sourcing of the Information Technology Audit covering IT Resourcing and Change Management to adequately assess the risk, governance and management of the IT function;
- Reviewed and assessed the protocols, security and policies in place to facilitate remote working due to the COVID-19 pandemic lockdowns and restrictions.

Human Resource and Compensation Board Committee

The Human Resources and Compensation Board Committee ("HR Committee"), chaired by Mr. Kirk Antoni, ensured that the strategic focus of the Human Resources Department provided the Bank with a competent and inspired cadre of financial services professionals supported by efficient people management processes. Key initiatives overseen by the HR Committee included the following: support and reward staff, execute succession planning and upgrade the HRMS system.

During the latter part of the year, the Human Resources Department shifted focus slightly to address the concerns caused by the COVID-19 pandemic. In the interest of protecting employees and clients, emphasis was placed on structuring a hybrid work program (virtual and in-office), preparing offices for the safe return of employees, implementing safety guidelines and communicating COVID-19 related updates and policies to staff. Despite the slight change in tactics, the HR Department remained resolute in supporting the Bank's broader vision.

SUPPORT AND REWARD STAFF

To assist staff members with navigating the pandemic, the HR department re-introduced its Employee Assistance Program (EAP) and introduced the COVID-19 hotline. The EAP allowed employees to access counselling services and financial support to cope with the stresses of the pandemic. In addition, the hotline served as a central point of contact to the Bank in cases of emergency.

The HR Committee also provided oversight of the Bank's Merit and Incentive Plan, which facilitated merit increases to all eligible employees.

EXECUTE SUCCESSION PLANNING PROGRAMME

During FY 2020, the Succession Planning framework was introduced to secure the Company's resource model for both business continuity and employee development. This objective reinforced the Department's commitment to identifying individuals with the potential to fulfill critical positions while ensuring continuous professional development and retention of 'high potential' individuals.

Freeport Branch After Hurricane Dorian

UPGRADING THE HRMS

We are pleased to advise that during fiscal 2020 the Human Resources Department upgraded its Human Resources Management System. The upgraded system is designed to meet the evolving needs of the Department and the Bank by increasing efficiency and reducing the complexity of the people management processes. The upgraded system includes an employee self-service portal along with other features that assist in better managing the organizational structure, deploying and managing training and streamlining the collection of employee data.

FOCUS FOR FY 2021

The Department expects that many of the changes brought on by the pandemic will continue into the long-term. As such, the focus for next year will include:

- Stabilizing the HR technology
- Rebuilding the HR & Training Infrastructure.
- Implementing the HR strategic plan
- Improving departmental efficiencies
- Improving total rewards, including benefits and compensation

Credit Risk Management Board Committee

The Credit Risk Management Committee is chaired by Mr. Wayne Aranha. This Committee provides guidance to the Board as to the credit risk appetite for the Bank and oversees the identification, assessment, monitoring and management of credit risk impacting the Bank.

The Committee is primarily responsible for providing oversight with respect to:

- Adequacy of credit policies;
- Establishment and approval of lending limits for the Bank;
- Ensuring that credit is extended in accordance with established policies and relevant laws, regulations, guidelines, accepted business practices and ethical standards;
- Ensuring that the credit process is managed appropriately and effectively;
- Authorizing and approving loans of credit applications in excess of the Board approved risk appetite delegated to the Adjudication Function but within the Credit Committee's lending limit upon recommendation by Credit Risk Management; and
- Oversight of Management's administration of the Bank's credit portfolio and compliance with applicable credit risk related policies, procedures and tolerances.

During the past year the Committee focused on the following initiatives:

- Enhancing the Bank's Credit Risk Policy Guidelines;
- Strengthening the Credit Governance Structure of the Bank;
- Updating credit oversight processes, procedures and practices; and
- Implementation of corrective actions to address Directives issued by the Central Bank of The Bahamas.
- Oversight of a project to implement a comprehensive loan origination solution

The Committee is focused on restoring the Bank's capacity to lend commercially as it seeks to regain market share.

Enterprise Risk Committee

All Directors are members of this committee, which is chaired by Mr. Aranha; its mandate is to provide guidance to the Board in defining the risk appetite for the Bank and overseeing the identification, assessment, monitoring and managing of all major areas of risks that may impact the Bank. The responsibilities include:

- Review and recommendation for approval by the Board, after consultation with management, the risk appetite of the Bank, the risks inherent in the Bank's businesses and strategic direction and the overall risk management strategy;
- Review key policies and procedures for the effective identification, assessment, monitoring and management of Strategic, Credit, Market, Liquidity and Funding, Operational, Compliance, Legal and Reputational risks;
- Oversee management's establishment of policies and guidelines (for the Board's adoption), articulating the Bank's tolerances with respect to all risks; and
- Oversight of management's administration of, and compliance with, the Bank's policies and guidelines respecting risk.
- Ensure that the Enterprise Risk Management framework is embedded into the Bank's culture;
- Ensure that the Risk Management Committee Strategic Priorities Risks Assessments are completed annually.

The Bank has completed the enterprise wide assessments of its risks, including Anti-Money Laundering, Countering the Financing of Terrorism and Proliferation Financing (AML/CFT/PF) risks. The comprehensive analysis and documentation of the Bank's AML/CFT/PF risk management framework embeds into the Bank's new policies the following new and amended AML legislation, regulations and guidelines:

- Financial Transactions Reporting Act, 2018
- Proceeds of Crime Act, 2018
- Financial Transactions Reporting (wire transfer) Regulations, 2018
- Streamline Requirements for Account Opening, Provisions of Financial Services and Customer Identification.

During the year, the committee also reviewed the Bank's existing Enterprise Risk Management Framework, including but not limited to the Risk Appetite Framework as developed by management; the Charter of Expectations relative to the Operational Risk Department, encompassing Credit Risk Monitoring, Information Security Risk Monitoring and Operational Risk Monitoring; significant policies and procedures relating to Enterprise Risk Management and Compliance Risk.

The Board Committee ensured that adequate attention was paid to the management of Compliance Risk, which represents the risk of negative impact to the business activities or capital regulatory relationships as a result of failure to comply with or failure to adapt to current and changing regulatory, law, industry codes or rules, regulatory expectations, ethical standards or internal policies and procedures. The Board, on the recommendation of this committee, approved the on-boarding of competent and adequate Compliance resources and tools. The committee, among others, reviewed and approved:

- A more structured and concise reporting regime on compliance related matters to Senior Management and the Board of Directors and its Regulators;
- Revamped policies and procedures relating to Politically Exposed Persons (PEPs).

BOB IN THE COMMUNITY

JUNIOR ACHIEVEMENT 2019-2020 BOB F.O.C.U.S.

The 2019-2020 Junior Achievement year began on September 18, 2019 with BOB sponsoring and advising a company for the third straight year. The main purpose of the program is to promote financial literacy among youth, in an effort to develop the country's next crop of financial experts and entrepreneurs. Students are taught basic business fundamentals and assisted with starting up small companies, inclusive of compiling and presenting a viable business plan for their company. The objective is to realize a return on investment for the shareholders, and areas covered include Finance, Marketing, Production and Human Resources.

This year's company BOB F.O.C.U.S was coached by a committed and enthusiastic team of BOB volunteers who served as advisors to the students. The company offered three products: 1. PolyPour – Acrylic Artwork on canvas. 2. Sip Cups featuring unique local sayings and 3. Inspiration & Treats for My Sweets – Candy filled jars featuring words of inspiration inside. These were marketed and sold at the annual Open House held at Arawak Cay where the general public was able to purchase their products.

Additionally, 18 members of the F.O.C.U.S. group participated in the Annual JA Speech competition in February. Five of the 18 advanced to the semifinals and Shaylaine Roker and Tymia Thompson progressed to the finals after being coached by BOB JA advisors. BOB's Tymia Thompson eventually emerged as winner of both the New Providence and National Speech Competition Titles.

The Company Programme was immediately ceased on March 23 after the outbreak of the Corona Virus. April 13 2020 marked the official closure of the JA Year and in a Virtual closing ceremony, students were rewarded for their efforts as follows:

- **Emerald Award Winners:**
  Shaylaine Roker • Tymia Thompson
  Janae Ingraham • Brendi Butler • Kevin Rigby
- **ABCD Award Winner**
  (Above and Beyond the Call of Duty)
  Edwin Riley
- **Most Distinguished Achiever Nominees**
  Tymia Thompson • Kiara Collie • Shaylaine Roker
- **Most Distinguished Officer Nominee**
  Anja Howard - President

BOB F.O.C.U.S. at the JA Open House.

JA Speech Competition Winner Tymia Thompson.

CHARITABLE DONATIONS AND SPONSORSHIPS 2020

BOB SUPPORTED A NUMBER OF WORTHY CAUSES IN FISCAL 2020 INCLUDING BUT NOT LIMITED TO THE FOLLOWING:

- Bahamas Red Cross Society Hurricane Dorian Relief
- BABVI Blindness Awareness Month
- Rotaract-Paint da Streets Pink
- Crime Stoppers Bahamas
- Smart Women's Women in Transition Seminar
- One Family, Saxons and Roots Junkanoo Organizations
- BUT World Teachers Day
- The Bahamas Boys Club
- Teen Challenge
- Rotaract's 2nd Annual Gift of Love
- Reboot Youth Retreat
- Gentlemen's Club
- Zonta Centennial Awards
- Ride and Run for Hope
- Freedom Farm Baseball League
- Ranfurly Home for Children (Donation and Pizza Party)

MANAGEMENT DISCUSSION & ANALYSIS (MD&A)

OF FINANCIAL POSITION AND RESULTS OF OPERATIONS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2020

This MD&A should be read in conjunction with the audited consolidated financial statements of the Bank included in this Annual Report.

Overview

In the past several years, we continued the journey to create a better Bank of The Bahamas working towards sustainable profitability, positive returns for our investors and financial stability for our stakeholders. During the last quarter of the Bank's fiscal year 2020, the COVID-19 pandemic continued to be a global health crisis that drastically affected the economy and dramatically changed the local and global economic outlook. Additionally, a few days before the Bank's fiscal year ended June 30, 2020, Moody's downgraded The Bahamas' credit rating below the investment grade. International Monetary Fund's GDP projection initially issued in April 2020 at -0.6% further declined to -8.3% in the revised 2020 projection. The Bahamas' unemployment rate is at its highest at 40%.

Amid this challenge of operating an essential business under such conditions, the Bank recorded net operating income of $13.8 million for the twelve months ended June 30, 2020 compared to $4.6 million for the year ended June 30, 2019. However, this net operating income has been offset by the provision for impairment losses of $6.3 million and credit loss expense of $15.3 million resulting in an overall net loss of $7.3 million for the year ended June 30, 2020 compared to $2.9 million of net income in the prior year ended June 30, 2019. Net credit loss expense for the quarter ended June 30, 2020 increased by $6.7 million compared to the quarter ended June 30, 2019; and increased by $13.6 million for the year ended June 30, 2020 vs June 30, 2019 due to the pandemic. The Bank also recorded a $6.3 million provision.

Interest and Similar Income

Interest and similar income for the year ended June 30, 2020 was $5.4 million or 14.77% higher than prior year as interest income from loans and advances to customers increased by $5.6 million due to growth in the Bank's performing consumer and government loan portfolio and deferred loan fees change in accounting estimate. This was partially offset by lower interest income on cash and investment securities.

FINANCIAL HIGHLIGHTS

	2020	2019	2018	2017	2016
INTEREST AND SIMILAR INCOME	$ 41.69	$ 36.32	$ 37.13	$ 38.83	$ 40.01
NET INTEREST INCOME	$ 34.82	$ 28.20	$ 27.92	$ 26.54	$ 24.34
NET NON-INTEREST INCOME	$ 11.94	$ 12.41	$ 10.93	$ 10.05	$ 9.29
OPERATING EXPENSES	$ 32.91	$ 36.00	$ 29.69	$ 31.24	$ 32.53
PROVISION FOR IMPAIRMENT LOSSES	$ 6.32	$ -	$ -	$ -	$ -
NET CREDIT LOSS EXPENSE	$ 15.35	$ 1.72	$ 7.57	$ 51.96	$ 24.50
NET(LOSS)/ INCOME	$ (7.30)	$ 2.91	$ 1.60	$ (46.49)	$ (23.41)
EARNINGS/(LOSS) PER SHARE (EPS)*	$ (0.17)	$ (0.01)	$ 0.04	$ (1.43)	$ (1.09)
TOTAL ASSETS	$ 821.95	$ 818.11	$ 834.19	$ 755.81	$ 853.42
LOANS AND ADVANCES TO CUSTOMERS, NET	$ 370.45	$ 344.18	$ 351.49	$ 448.12	$ 509.88
TOTAL LIABILITIES	$ 667.86	$ 656.60	$ 656.35	$ 691.91	$ 789.33
TOTAL SHAREHOLDERS EQUITY	$ 154.10	$ 161.52	$ 177.85	$ 63.91	$ 64.09
SHARE CLOSING PRICE*	$ 1.78	$ 2.51	$ 1.01	$ 1.47	$ 5.22
COMMON EQUITY TIER 1 (CET1) CAPITAL RATIO*	37.5	41.8	39.9	8.0	6.0
EFFICIENCY RATIO*	70.38	88.65	76.41	84.64	94.35

$ Amounts are stated in Millions * The EPS and Share Price in $, and Capital and Efficiency Ratios are %

Interest and Similar Expense

Interest and similar expense decreased by $1.3 million or 15.44% compared to prior year as certain deposit interest rates were reduced towards the year end.

Net Non-Interest Income

Net non-interest income consists of the Bank's fees and commission income and expense from its cards, deposits and credit services, including other income. The impact of the pandemic was immediately felt by the Bank on its non-interest income resulting in an overall decrease of $0.5 million or 3.79%, while the Bank also discontinued administration of Trust services and government guaranteed student loans.

Net Credit Loss Expense and Provision for Impairment Losses

Net credit loss expense of $15.3 million was $13.6 million or 790.62% higher than prior year. Although non-performing loans declined by $3.4 million or 3.94% year over year, the Bank had to consider the impact of Hurricane Dorian and COVID-19 pandemic to its credit portfolios' provision assessment. The Bank applied expert credit judgement in the assessment of underlying credit deterioration and significant increase in credit risk. This also resulted in the $6.3 million provision for impairment losses on sovereign and corporate financial asset exposures, when historically, no provision was necessary.

The outbreak of COVID-19 has resulted in travel and border restrictions, quarantines, curfews and lockdowns, lower consumer demand and general market uncertainty. The situation is further exacerbated as the extent and duration of the impact of COVID-19 on global and local economies are uncertain at this point. In the face of these challenges, the Bank continued to communicate with and understand borrowers' capability to resolve, in a sensible and balanced fashion, nonperforming and delinquent loans. The Bank has established relief programs to help borrowers manage through the challenges of COVID-19, primarily through payment deferrals.

Operating Expenses

Total operating expenses of $32.9 million was $3.1 million or 8.59% lower than prior year primarily due to the $6.9 million provision recorded for a legal claim in the prior year. The decrease was offset by increases in staff and IT related costs as the Bank invested in the human resources and system innovation and upgrades to support the planned growth and strategic initiatives. Also contributing to the increase were higher banking license fees imposed by the Central Bank.

Efficiency ratio decreased from 88.65% in the prior year to 70.38% for the year ended June 30, 2020 as the Bank recognized a $9.2 million increase in net operating income during the year. Management continues to seek and implement cost control measures in line with the Bank's plan to manage its costs, increase revenue and sustain profitability.

Statement of Financial Position

The Bank's risk management structure promotes sound business decisions. Investment securities and cash equivalents consist primarily of government registered stocks and treasury bills, while cash and due from banks have been placed with high quality reputable institutions. Strategic reviews of the loan portfolio are performed periodically.

Total Assets

Total assets stood at $822.0 million, an increase of $3.8 million or 0.47% compared to the prior year's total assets of $818.1 million. This increase was primarily owing to the rise in Cash and account with The Central Bank by $42.3 million or 60.82% and the growth in loans and advances by $26.3 million or 7.63%. The Bank continued to show a consistently strong liquidity level while it funds the growth in its credit portfolio.

Increases were also noted on Computer software and Property and equipment by $2.9 million and $1.3 million, respectively, as the Bank upgrades its systems and processes, namely, core banking, ATMs and systems hardware. Right of Use Assets stood at $3.8 million from the adoption of IFRS 16 Leases. Due from Banks and Investment securities decreased by $12.3 million and $51.3 million, respectively, primarily due to maturities.

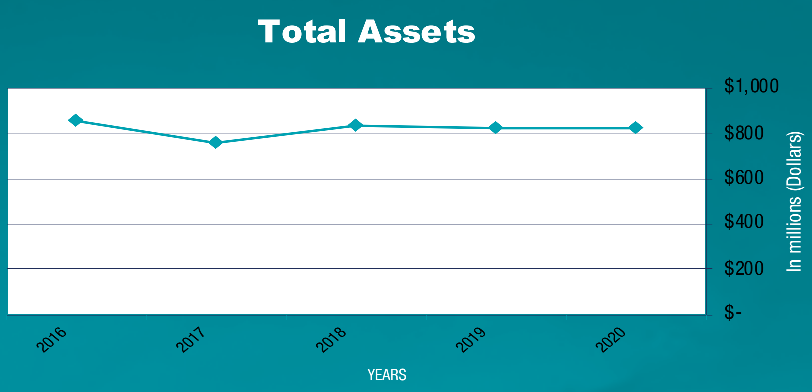
Total Liabilities

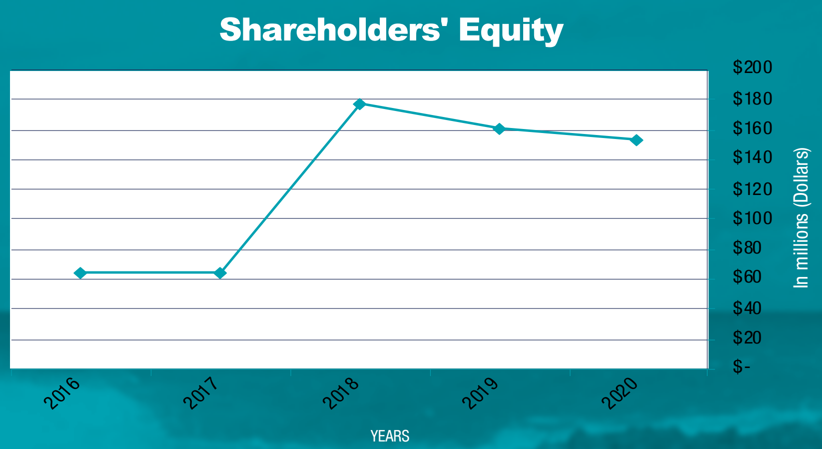
Total liabilities stood at $667.9 million, an increase of $11.3 million or 1.71% compared to prior year's total liabilities of $656.6 million. Deposits from customers and banks, which account for approximately 94.75% of total liabilities, increased by $17.0 million or 2.76%, from $615.9 million as at June 30, 2019 to $632.8 million as at June 30, 2020. The Bank's demand and savings deposits grew despite a decrease in term deposits. Notable increases were seen in government demand deposits; however, decreases were seen in government and related

Share Price

Net Income/ (Loss)

Gross Revenue





party business term deposits, as cash flows were managed by the government to provide certain economic relief to those impacted by the pandemic. The Bank continues with its initiatives in creating and implementing sales and service strategies to replenish deposits and achieve optimal growth.

The net increase in total liabilities was also attributed to Lease liabilities, which stood at $4.1 million due to the adoption of IFRS 16 Leases. The overall increase was offset by the $6.9 million or 19.64% decrease in Other Liabilities as cheques and other items in transit decreased and the funds from government guaranteed hurricane loan collections were remitted to the government. Deferred loan fees also decreased by $2.9 million owing to a change in accounting estimate.

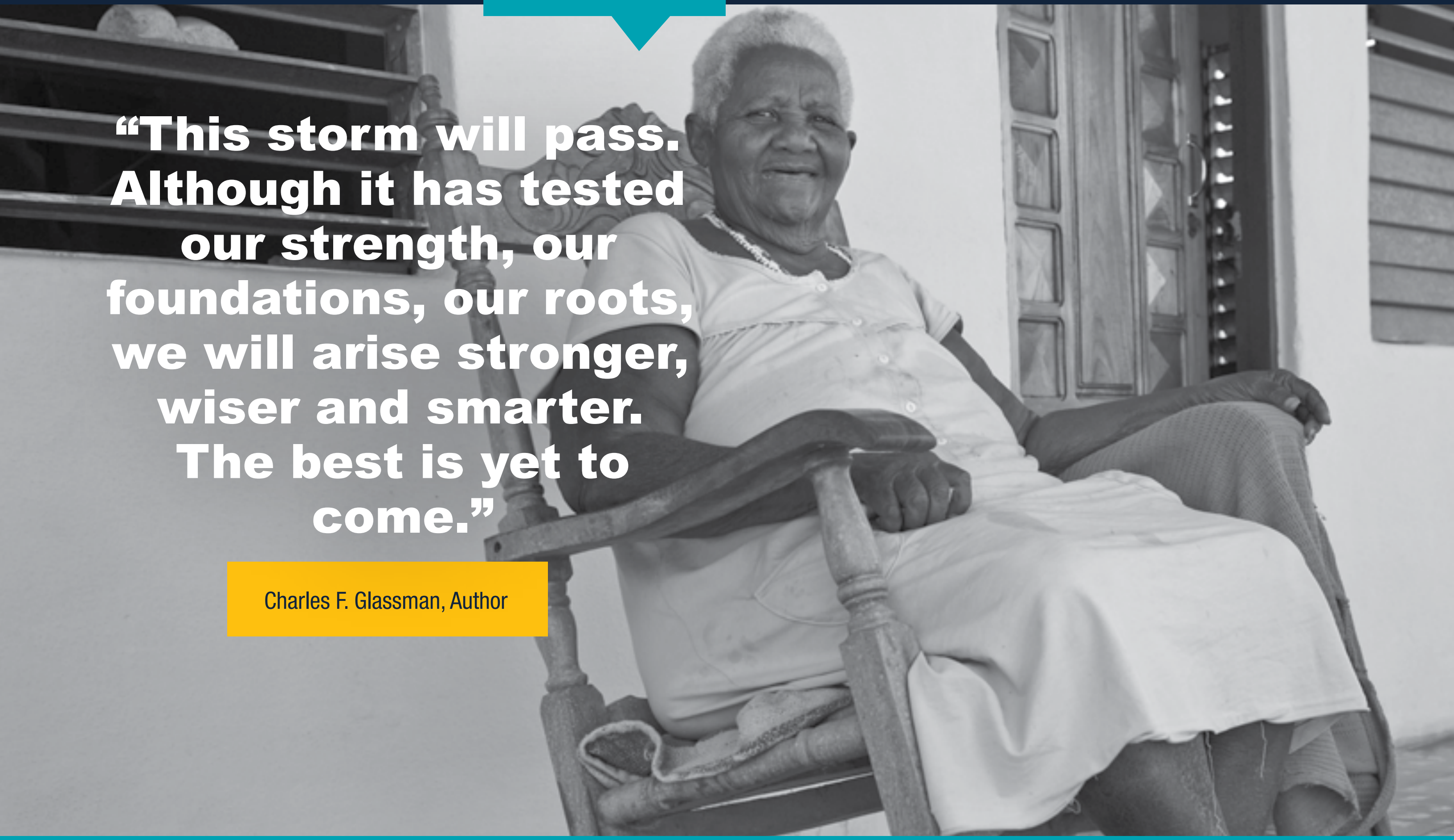
Total Shareholders' Equity

The Bank's total equity closed at $154.1 million, $7.4 million or 4.59% lower than the June 30, 2019 balance of $161.5 million due to net $0.4 million charge against beginning retained earnings for the implementation of IFRS 16 effective July 1, 2019, and recognition of $7.3 million net loss for the year ended June 30, 2020. The decrease was slightly offset by the $0.3 million gain on the Bank's investment in shares of VISA.

The Bank's key capital ratios were in compliance with regulatory requirements, and remained strong, with the Bank's CET1 ratio at 37.5% (2019: 41.8%), well above the Central Bank's minimum requirement of 9.6%.

Conclusion

We continue to make considerable strides to reach a position of sustainable profitability and growth for many years to come. Our quest has not been an easy one, but we remain committed to overcoming this crisis and focused on our Strategic Plan in strengthening of our systems, expanding of products and improving overall customer service.



"This storm will pass. Although it has tested our strength, our foundations, our roots, we will arise stronger, wiser and smarter. The best is yet to come."

Charles F. Glassman, Author

Bank of The Bahamas LIMITED

Consolidated Financial Statements

Year ended June 30, 2020

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PO Box N-123
Montague Sterling Centre
13 East Bay Street
Nassau, Bahamas

INDEPENDENT AUDITORS' REPORT

To the Shareholders and Directors of Bank of The Bahamas Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Bank of The Bahamas Limited and its subsidiaries ("the Bank"), which comprise the consolidated statement of financial position as at June 30, 2020, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, including significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Bank as at June 30, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Bank in accordance with International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

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Interest income $41,685,999 (2019: $36,321,639), see note 18	
The risk	***Our response***
Interest income is the Bank's primary source of revenues. The existence and accuracy of interest income are considered to be a key audit area due to the material financial impact of this account on the Bank's consolidated financial statements.	In this area, our audit procedures included: • Reviewing the internal controls and testing the key controls; • Confirmation of principal balances and terms of interest bearing assets and vouching interest bearing assets to supporting documentation evidencing amounts, interest rates and payment terms; and • Substantive analytical procedures and re-performance of the calculation of interest accruals to test the accuracy of interest income.

Application of IFRS 9 in the calculation of impairment of Loans and advances to customers $68,262,712 (2019: $61,505,934), see note 7	
The risk	***Our response***
On January 1, 2018 a new accounting standard for financial instruments ("IFRS 9") became effective, which requires impairment to be calculated based on expected credit losses ("ECLs"), rather than the incurred loss model previously applied under IAS 39. As at June 30, 2020, Loans comprise a major portion of the Bank's assets. Impairment of Loans was considered to be a key audit area primarily for the following reasons: • IFRS 9 is a complex accounting standard which requires significant judgment to determine both the timing and measurement of impairment losses.	In assessing the impairment losses on Loans, we performed the following procedures: • Obtained an overall understanding of the Bank's methodology to determine the impairment allowance under the newly implemented IFRS 9. • Obtained an understanding of the Bank's key credit processes and related controls, including granting, recording, monitoring and ECL provisioning. • Assessed and tested key modeling assumptions used in the ECL model used by management to calculate the impairment allowance;

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• The determination of expected credit loss allowances is highly subjective and judgmental. Small changes in key assumptions may result in material differences in the Bank's consolidated financial statements. Key judgments and estimates in respect of the timing and measurement of ECLs include: - The interpretation of the requirements to determine impairment under IFRS 9, which are reflected in the Bank's ECL model; - The identification of exposures with a significant deterioration in credit quality; - The allocation of Loans to stages 1, 2 and 3 using criteria in accordance with IFRS 9; - Modelling assumptions used to build the ECL model; - Completeness and accuracy of data used to calculate the ECL; and - Accuracy and adequacy of related financial statement disclosures.	• Involved our internal specialists in testing the assumptions, inputs and formulas used in the ECL model. This included assessing the model's arithmetic accuracy and consistency with the requirements of IFRS 9. • Tested the completeness and accuracy of key data inputs sourced from underlying systems that are applied in the calculation of the impairment allowance. We tested the reconciliation of Loans between the underlying source systems and the ECL models. • Recalculated the risk ratings for a sample of Loans to assess if they were appropriately allocated to the relevant stage, (i.e. stages 1, 2 and 3). • As IFRS 9 was adopted at the start of the 2019 fiscal year, we evaluated related opening balances to gain assurance on the transition to IFRS 9. This included testing related adjustments and disclosures made on the transition in compliance with IFRSs.

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Going concern assumption, see note 2(a)	
The risk	***Our response***
These consolidated financial statements are prepared on a going concern basis, as the Bank's directors and management are satisfied that the Bank has the necessary financial resources to continue in business for the foreseeable future. In making this assessment, the directors considered a range of information relating to present and future conditions, including projections of profitability, cash flows and capital requirements. As part of that assessment, the directors also considered the impact to date, and the potential impact going forward, of the global COVID-19 pandemic on the Bank's operations. In their assessment, the directors also took into account the fact that the Government, as majority shareholder, has confirmed its continuing financial support of the Bank for at least the next twelve months and, in fact, for the foreseeable future. The directors' conclusion that the consolidated financial statements have been appropriately prepared using the going concern basis of accounting, and that adequate related disclosures have been made in the consolidated financial statements have been determined to be a key audit area because (i) the going concern assessment was considered to be a significant judgement area that required	In this area, our audit procedures included: • Evaluating the appropriateness of the directors' assessment of the Bank's ability to continue as a going concern for at least twelve months from the reporting date; • Evaluating the appropriateness of the directors' analysis of the impact of the COVID-19 pandemic, as reflected in the going concern assessment, on the Bank's operations, financial position, financial performance and cashflows to the date of the issue of the financial statements, and the potential impact for the foreseeable future; • Evaluating management's strategic plan, as included in the going concern assessment, including its forecasts of the future outcome of events and conditions for the Bank and (i) evaluating the reliability of the underlying data generated to prepare the forecast; and (ii) determining whether there is adequate support for the assumptions underlying the forecast; • Requesting written representations, where appropriate, from management regarding their plans for future action and evaluating the feasibility of these plans through our knowledge of the Bank and the banking industry; • Obtaining a direct confirmation from the Government in relation to the financial support to the Bank to assess the financial support from the Government factored by the directors in the Bank's going concern assessment; • Evaluating the ability of the Government to provide the financial support to the Bank as and when required, through our knowledge of the economy of the Bahamas and other relevant information;

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significant audit effort; and (ii) of the material financial impact of the basis of preparation on the Bank's consolidated financial statements. The considerations around the going concern assessment involve assumptions around projected profits, cash flows and changes in equity, which are affected by expected future economic conditions and, in particular, the extent of the impact of those conditions on net interest income and net fee income, level of deposits, asset prices, compliance with regulatory ratios and credit losses on exposures held by the Bank.	• Discussing the going concern assessment with the directors, to determine whether they have appropriately identified events or conditions that, individually or collectively, may cast significant doubt on the Bank's ability to continue as a going concern and, the directors' plans to address such events or conditions; and • Evaluating the adequacy and appropriateness of the disclosures in the consolidated financial statements in relation to going concern, through our knowledge of the Bank and considering the results of our procedures on the going concern assumption.

Other information

We expect to receive other information from the Bank on November 16, 2020, which will comprise the information to be included in the Bank's annual report, but does not include the consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated financial statements does not and will not cover other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether there are indications that the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we determine that there is a material misstatement of this other information, we would be required to report that fact.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

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Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Bank to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Lambert D. Longley.

KPMG

Nassau, Bahamas
November 13, 2020

BANK OF THE BAHAMAS LIMITED
Consolidated Statement of Financial Position

June 30, 2020, with corresponding figures for 2019
(Expressed in Bahamian Dollars)

	Notes		2020		2019
ASSETS					
Cash and account with the Central Bank	5, 24	$	111,805,644	$	69,524,170
Cash equivalents - Treasury Bills	5, 24		44,935,963		49,917,360
Due from banks, net	5		49,337,226		61,686,033
Investment securities, net	6, 24		49,515,299		100,809,968
Loans and advances to customers, net	7, 24		370,450,448		344,181,094
Investment property	8		6,463,000		6,463,000
Other assets	9, 24		11,396,999		10,682,478
Property and equipment, net	10		6,099,639		4,768,982
Right-of-use assets	2, 24		3,833,240		-
Computer software, net	11		5,313,347		2,453,615
Note receivable, net	12, 24		162,803,411		167,626,500
TOTAL ASSETS		**$**	**821,954,216**	**$**	**818,113,200**
LIABILITIES					
Deposits from customers and banks	13, 24	$	632,824,620	$	615,852,515
Other liabilities	14, 24		28,340,104		35,265,030
Lease liabilities	2, 24		4,073,638		-
Deferred loan fees	3, 24		2,617,776		5,480,315
Total liabilities			**667,856,138**		**656,597,860**
EQUITY					
Share capital	15		42,610,505		42,610,505
Share premium	15		81,950,384		81,950,384
Treasury shares	16		(1,318,224)		(1,318,224)
Net gain on FVOCI	17		2,821,670		2,512,459
Special retained earnings	12		172,122,932		172,122,932
Accumulated deficit			(144,089,189)		(136,362,716)
Total equity			**154,098,078**		**161,515,340**
TOTAL LIABILITIES AND EQUITY		**$**	**821,954,216**	**$**	**818,113,200**

The notes on pages 42-99 are an integral part of these consolidated financial statements.

These consolidated financial statements were approved by the Board of Directors on November 13, 2020 and are signed on its behalf by:

Director

Director

BANK OF THE BAHAMAS LIMITED
Consolidated Statement of Comprehensive Income

Year ended June 30, 2020, with corresponding figures for 2019
(Expressed in Bahamian Dollars)

	Notes		2020		2019
Continuing Operations:					
Interest and similar income	18, 24	$	41,685,999	$	36,321,639
Interest and similar expense	18, 24		(6,870,821)		(8,125,743)
Net interest income			34,815,178		28,195,896
Fees and commission income	19, 24		7,881,799		8,259,523
Fees and commission expense			(365,172)		(473,611)
Net fees and commission income			7,516,627		7,785,912
Other operating income	20		4,423,470		4,624,519
Total operating income			46,755,275		40,606,327
Operating expenses	21, 24		(32,907,165)		(35,997,585)
Net operating income			**13,848,110**		**4,608,742**
Provision for impairment losses	21, 24		(6,316,125)		-
Credit loss expense, net	7		(15,347,943)		(1,723,287)
Net (loss)/income from continuing operations			**(7,815,958)**		**2,885,455**
Discontinued Operations:					
Gain from discontinued operations	26		512,752		24,804
Net (loss)/income			**(7,303,206)**		**2,910,259**
Other comprehensive income					
Movement in fair value: equity investments at FVOCI	6, 17		309,211		378,781
Total comprehensive (loss)/income for the year		**$**	**(6,993,995)**	**$**	**3,289,040**
Earnings per share					
Basic loss per ordinary share	27	$	(0.17)	$	(0.01)

The notes on pages 42-99 are an integral part of these consolidated financial statements.

BANK OF THE BAHAMAS LIMITED
Consolidated Statement of Changes in Equity

Year ended June 30, 2020, with corresponding figures for 2019
(Expressed in Bahamian Dollars)

	Share Capital	Share Premium	Treasury Shares	Reserves	Special Retained Earnings	Accumulated Deficit	Total Equity
Balance, 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)
Total comprehensive income:							
Net income for the year	-	-	-	-	-	2,910,259	2,910,259
Movement in fair value: equity investments at FVOCI (Note 6)	-	-	-	378,781	-	-	378,781
Transactions with owners of the Bank:							
Redemption of preference shares (Note 15)	(15,250,000)	-	-	-	-	-	(15,250,000)
Dividends on preference shares (Note 27)	-	-	-	-		(3,181,052)	(3,181,052)
Balance, 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 (Note 2)	-	-	-	-	-	(423,267)	(423,267)
Adjusted balance July 1, 2019	**42,610,505**	**81,950,384**	**(1,318,224)**	**2,512,459**	**172,122,932**	**(136,785,983)**	**161,092,073**
Total comprehensive loss:							
Net loss for the year	-	-	-	-	-	(7,303,206)	(7,303,206)
Movement in fair value: equity investments at FVOCI (Note 6)	-	-	-	309,211	-	-	309,211
Balance, June 30, 2020	**$ 42,610,505**	**$ 81,950,384**	**$ (1,318,224)**	**$ 2,821,670**	**$ 172,122,932**	**$ (144,089,189)**	**$ 154,098,078**

The notes on pages 42-99 are an integral part of these consolidated financial statements.

BANK OF THE BAHAMAS LIMITED
Consolidated Statement of Cash Flows

Year ended June 30, 2020, with corresponding figures for 2019
(Expressed in Bahamian Dollars)

	Notes		2020		2019
Cash flows from operating activities:					
Net (loss)/income		$	(7,303,206)	$	2,910,259
Adjustments for:					
Depreciation and amortisation	21		849,008		703,314
Provision for impairment losses	21		6,316,125		-
Loss on disposal of fixed assets	10		-		3,937
Loss on disposal of computer software	11		-		11,164
Net provision for loan losses	7		15,347,943		1,723,287
			15,209,870		5,351,961
Change in operating assets and liabilities			(10,977,327)		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)
Net cash (used in)/provided by operating activities			(20,412,649)		17,510,979
Cash flows from investing activities:					
Acquisition of property and equipment	10		(1,823,430)		(2,078,331)
Acquisition of computer software	11		(3,215,967)		(1,878,547)
Purchase of investment securities	6		(6,204,300)		(48,503,800)
Proceeds from maturity of investment securities	6		56,289,400		12,659,500
Net cash provided by/(used in) investing activities			45,045,703		(39,801,178)
Cash flows from financing activities:					
Payment of lease liabilities	2		(1,378,096)		-
Redemption of preference shares	15		-		(15,250,000)
Dividends on preference shares	27		-		(3,181,052)
Net cash used in financing activities			(1,378,096)		(18,431,052)
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
Cash and cash equivalents, end of year	5	$	180,734,831	$	157,479,873
Supplemental information:					
Interest received		$	40,328,733	$	45,792,037
Interest paid			7,570,549		8,114,784

The notes on pages 42-99 are an integral part of these consolidated financial statements.

BANK OF THE BAHAMAS LIMITED
Notes to Consolidated Financial Statements
Year ended June 30, 2020
(Expressed in Bahamian Dollars)

1. Corporate 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 of The Bahamas.

The Bank's shares are publicly traded and listed on The Bahamas International Securities Exchange. As at June 30, 2020 and 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, The Bahamas. The registered office is located at Sassoon House, corner of Shirley Street and Victoria Avenue, Nassau, The Bahamas.

The Bank's services include the provision of commercial and retail banking services , private banking and the issuance of Visa branded stored value, prepaid and credit cards. The Bank is an agent for American Express. Prior to October 31, 2019, the Bank also provided trust services (Note 26). As at June 30, 2020, the Bank had twelve branches (2019: twelve): 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. Basis of preparation

The Bank's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). This is the first set of the Bank's annual consolidated financial statements in which *IFRS 16 Leases* has been applied. Changes to significant accounting policies are described in Note 2(d).

These consolidated financial statements are presented in Bahamian Dollars, which is the Bank's functional currency. All amounts have been rounded to the nearest dollar, except when otherwise indicated.

BANK OF THE BAHAMAS LIMITED
Notes to Consolidated Financial Statements
Year ended June 30, 2020
(Expressed in Bahamian Dollars)

2. Basis of preparation *(continued)*

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. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

(a) Going concern

These consolidated financial statements are prepared on a going concern basis, as the Bank's directors and management are satisfied that the Bank have the resources to continue in business for the foreseeable future. In making this assessment, a range of information relating to present and future conditions have been considered, including projections of profitability, cash flows and capital requirements. These considerations include the impact that the global COVID-19 pandemic has had, and continue to have, on the Bank's operations.

In March 2020, the World Health Organization declared a global pandemic due to COVID-19. This pandemic has affected the Bank's operations during the last quarter of the fiscal year and subsequent to that period. The restrictions imposed by the 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 this pandemic. These also negatively impacted the Bank's impairment and credit loss expenses for the year. Without the significant increases in impairment and credit loss expense due to COVID-19 the Bank would have recorded net income for the year.

The Bank experienced significant operating losses for several years prior to the fiscal year ended June 30, 2018 and has an accumulated deficit as at June 30, 2020 of $144,089,189 (2019: $136,362,716). Notwithstanding the uncertainties surrounding COVID-19 and the losses incurred to date, management is satisfied that it has implemented a strategic plan to sustain the operations and financial viability of the Bank and to support its continuing ability to operate as a going concern.

The Government, as majority shareholder, has confirmed that it fully supports the Bank when circumstances necessitate the need for the Bank to receive financial support to ensure that it is able to continue to operate as a going concern, and remains firmly committed to supporting the continuing operations of the Bank, including the implementation of the Bank's strategic plan, and will ensure that adequate resources are provided to enable the Bank to satisfy its financial obligations for at least the next twelve months and, in fact, for the foreseeable future.

BANK OF THE BAHAMAS LIMITED
Notes to Consolidated Financial Statements
Year ended June 30, 2020
(Expressed in Bahamian Dollars)

2. Basis of preparation *(continued)*

(b) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries (Note 31) as at June 30, 2020 and 2019. 'Subsidiaries' are entities controlled by the Bank. The Bank 'controls' an entity if it is exposed to, or has rights, to variable returns from its involvement with the entity investee and has the ability to affect those returns through its power over the investee. Specifically, the Bank controls an investee if and only if the Bank has:

- power over the investee, namely, existing rights that give it the current ability to direct the relevant activities of the investee
- exposure, or rights, to variable returns from its involvement with the investee, and
- the ability to use its power over the investee to affect its returns

When the Bank has less than a majority of the voting or similar rights of an investee, the Bank considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee
- rights arising from other contractual arrangements
- the Bank's voting rights and potential voting rights

The Bank re-assesses whether it has control if there are changes to one or more of the elements of control. Consolidation of a subsidiary begins when the Bank obtains control over the subsidiary and ceases when the Bank loses control of the subsidiary. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between the Bank and its subsidiaries are eliminated in full on consolidation.

When the bank loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any Non-Controlling Interest (NCI) and other components of equity.

Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

(c) New standards, amendments and interpretations

In these consolidated financial statements, the Bank has applied *IFRS 16 Leases* for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard are described below in Note 2 (d).

Standards, amendments and interpretations issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Bank's financial statements are disclosed below. The Bank intends to adopt these standards, if applicable, when they become effective.

BANK OF THE BAHAMAS LIMITED
Notes to Consolidated Financial Statements
Year ended June 30, 2020
(Expressed in Bahamian Dollars)

2. Basis of preparation *(continued)*

(c) New standards, amendments and interpretations

IFRS 17 Insurance contracts
In May 2017, the IASB issued IFRS 17 *Insurance Contracts* (IFRS 17), a comprehensive new accounting standard for insurance contracts, covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 *Insurance Contracts* (IFRS 4). IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. IFRS 17 is effective for reporting periods beginning on or after 1 January 2021, with comparative figures required. The Bank has not yet assessed the full impact of adopting IFRS 17, but anticipates that it will not be applicable to the Bank.

Amendments to IFRS 3: Definition of a Business
In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Bank will not be affected by these amendments on the date of transition.

Amendments to IAS 1 and IAS 8: Definition of Material
In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.' The amendments to the definition of material are not expected to have a significant impact on the Bank's consolidated financial statements.

BANK OF THE BAHAMAS LIMITED
Notes to Consolidated Financial Statements
Year ended June 30, 2020
(Expressed in Bahamian Dollars)

2. Basis of preparation *(continued)*

(d) Changes in significant accounting policies

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*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases on the balance sheet.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17.

As the lessee, 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 initially applying the standard recognized at the date of initial application. The Bank elected to use the transition practical expedient to not reassess whether a contract is or contains a lease at July 1, 2019. Instead, the Bank applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

The Bank has lease contracts for various branches and back offices. Before the adoption of IFRS 16, the Bank classified each of its leases (as lessee) at the inception date as an operating lease. Upon adoption of IFRS 16, the Bank applied a single recognition and measurement approach for all leases except for short-term and low-value leases. The standard provides specific transition requirements and practical expedients, which have been applied by the Bank.

BANK OF THE BAHAMAS LIMITED
Notes to Consolidated Financial Statements
Year ended June 30, 2020
(Expressed in Bahamian Dollars)

2. Basis of preparation *(continued)*

(d) Changes in significant accounting policies *(continued)*

Leases previously accounted for as operating leases
The Bank recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate of 4% at the date of initial application.

The Bank also applied the available practical expedients wherein it:
- Used a single discount rate to a portfolio of leases with reasonably similar characteristics.
- Relied on its assessment of whether leases are onerous immediately before the date of initial application.
- Applied the short-term leases exemption to leases with lease term that ends within 12 months of the date of initial application.
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

Based on the above, as at July 1, 2019, with the adoption of IFRS 16, the Bank recognized right-of-use of assets and lease liabilities, with the difference of $423,267 recognized against the Bank's retained earnings as at July 1, 2019.

The reconciliation of the Bank's Right-of-use assets and Lease liabilities are as follows:

	Right-of-use assets		Lease liabilities	
July 1, 2019	$	3,977,323	$	4,400,590
Net increase		1,008,524		984,100
Depreciation expense		(1,152,607)		-
Interest expense		-		67,044
Actual lease paid		-		(1,378,096)
June 30, 2020	$	3,833,240	$	4,073,638

BANK OF THE BAHAMAS LIMITED
Notes to Consolidated Financial Statements

Year ended June 30, 2020
(Expressed in Bahamian Dollars)

3. Critical accounting judgments and key sources of estimation uncertainty

Certain amounts included in or affecting the consolidated financial statements and related disclosures must be estimated, requiring management to make assumptions with respect to values or conditions that cannot be known with certainty at the time the consolidated financial statements are prepared. A "critical accounting estimate" is one that is both important to the presentation of the Bank's financial position and results of operations and requires management's most difficult, subjective or complex judgments, often because of the need to make estimates about the effect of matters that are inherently uncertain.

There were no changes to the critical accounting estimates and judgements during the year, except as discussed below. However, the level of estimation uncertainty and judgement for the calculation of expected credit losses ("ECL") has increased as a result of the economic effects of the COVID-19 outbreak.

Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets and liabilities affected in future periods.

Management evaluates such estimates on an ongoing basis based upon historical results and experience, consultation with experts, trends and other methods considered reasonable in the particular circumstances.

Classification of financial assets

Assessment of the business model within which the assets are held and assessment is made as to whether the contractual terms of a financial asset are solely payment of principal and interest ("SPPI") on the principal amount outstanding.

Impairment of financial assets
The allowance for loan impairment represents management's estimate of an asset's expected credit loss ("ECL").

The measurement of the ECL allowance for financial assets is an area that requires the use of complex models and significant assumptions about the future economic conditions and credit behavior (e.g. the likelihood of customers defaulting and the resulting losses).

ECL is defined as the weighted expected probable value of the discounted credit loss (principal and interest) determined by evaluating a range of possible outcomes and future economic conditions. It represents the present value of the difference between the contractual cash flows and the expected cash flows (including principal and interest).

The process for determining the allowance involves significant quantitative and qualitative assessments. Particularly, a number of significant judgments is also required in applying the accounting requirements for measuring ECL, such as:

BANK OF THE BAHAMAS LIMITED
Notes to Consolidated Financial Statements
Year ended June 30, 2020
(Expressed in Bahamian Dollars)

3. Critical accounting judgments and key sources of estimation uncertainty *(continued)*

Impairment of financial assets (continued)

i. Determining criteria for significant increase in credit risk;
ii. Choosing appropriate models and assumptions for the measurement of ECL;
iii. Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL;
iv. Assessing the risk rating and impaired status of loans;
v. Estimating cash flows and realisable collateral values;
vi. Developing default and loss rates based on historical data;
vii. Estimating the impact on this historical data by changes in policies, processes and credit strategies;
viii. Assessing the current credit quality based on credit quality trends; and
ix. Determining the current position in the economic cycle.

Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in Note 30.

Property and equipment

Property and equipment are tested for impairment when circumstances indicate there may be a potential impairment. Changes in circumstances and management's evaluations and assumptions may give rise to impairment losses in the relevant future periods. During the year ended June 30, 2020, the Bank recognized impairment losses of Nil (2019: Nil).

Depreciation and amortisation

Depreciation and amortisation are based on management estimates of the future useful lives of property and equipment and intangible assets. Estimates may change due to technological developments, competition, changes in market conditions and other factors and may result in changes in the estimated useful lives and in the amortisation or depreciation charges. The Bank reviews the future useful lives of property and equipment and intangible assets periodically taking into consideration the factors mentioned above and all other important factors.

Estimated useful lives for similar types of assets may vary due to factors such as growth rate, maturity of the market, history and expectations for replacements or transfer of assets, and climate, among others. In case of significant changes in the estimated useful lives, depreciation and amortisation charges are adjusted prospectively.

Fair value of financial instruments

IFRS 13 requires that the classification of financial instruments at fair value be determined by reference to the source of inputs used to derive the fair value. This classification uses three-level hierarchy as discussed in Note 28.

BANK OF THE BAHAMAS LIMITED
Notes to Consolidated Financial Statements
Year ended June 30, 2020
(Expressed in Bahamian Dollars)

3. Critical accounting judgments and key sources of estimation uncertainty *(continued)*

Recognition and measurement of provisions and contingencies

Management uses key assumptions about the likelihood and magnitude of an outflow of resources to determine adequate provisions or disclosures in the consolidated financial statements.

Valuation of investment property

The Bank carries its investment property at fair value, with changes in fair value being recognized in the consolidated statement of comprehensive income. The Bank assesses the fair value of its investment property through the use of independent valuation specialists on a periodic basis, performing management assessments in the intervening years. Investment property was valued by reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location, and the condition of the respective property. Key assumptions used to determine the fair value of the investment property are discussed in Note 8.

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 $3.3 million of interest income.

4. Summary of significant accounting policies

(a) Revenue and expense recognition

Interest income and expense are recognised in the consolidated statement of comprehensive income using the effective interest method. The 'effective interest method' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- The gross carrying amount of the financial asset; or
- The amortised cost of the financial liability.

The calculation of the effective interest rate includes transaction costs and fees received that are an integral part of the effective interest rate. The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability.

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4. Summary of significant accounting policies *(continued)*

(a) Revenue and expense recognition *(continued)*

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate. Other fee and commission income is recognized as the related services are performed. Other fee and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

(b) Cash and cash equivalents

For purposes of the consolidated statement of cash flows, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash with The Central Bank of The Bahamas, amounts due from banks, and short-term treasury bills.

(c) Financial instruments

Recognition and initial measurement

The Bank initially recognizes loans and advances and deposits on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Bank becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

Classification

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL").

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

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4. Summary of significant accounting policies *(continued)*

(c) Financial instruments *(continued)*

Classification *(continued)*

Financial assets *(continued)*

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The Bank makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Bank's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

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4. Summary of significant accounting policies *(continued)*

(c) Financial instruments *(continued)*

Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Bank's claim to cash flows from specified assets (e.g. non-recourse loans); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

The Bank holds a portfolio of long-term fixed-rate loans for which the Bank has the option to revise the interest rate at periodic reset dates. These reset rights are limited to the market rate at the time of revision. The borrowers have an option to either accept the revised rate or redeem the loan at par without penalty. The Bank has determined that the contractual cash flows of these loans are SPPI because the option varies the interest rate in a way that is consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Bank changes its business model for managing financial assets.

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4. Summary of significant accounting policies *(continued)*

(c) Financial instruments *(continued)*

Modification

If the terms of a financial asset are modified, the Bank evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

• fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of the eligible transaction costs are included in the initial measurement of the asset; and

• other fees are included in profit or loss as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximize recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Bank plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place. This approach impacts the result of quantitative evaluation and means that the derecognition criteria are usually not met in such cases.

(d) Impairment of financial assets

The Bank recognises loss allowance for ECL on financial assets measured at amortised cost and measures impairment losses at amount equal to 12-month ECL or lifetime ECL, depending on the stage in which the asset is classified. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial asset. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Bank is exposed to credit risk.

Impairment of financial assets is recognised in three stages:

Stage 1 – When a financial asset is originated, ECLs resulting from default events that are possible within the next 12 months are recognised and a loss allowance is established. On subsequent reporting dates, 12-month ECL also applies to existing financial assets with no significant increase in credit risk since their initial recognition.

Stage 2 - If the credit quality subsequently significantly deteriorates for a particular portfolio or transaction, the Bank recognises the full lifetime expected credit losses.

Stage 3 - At a later date, once one or more default events have occurred on the transaction or on a counterparty resulting in an adverse effect on the estimated future cash flows, the Bank recognises the full lifetime expected credit losses. At this stage, the financial asset is credit-impaired.

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4. Summary of significant accounting policies *(continued)*

(d) Impairment of financial assets *(continued)*

In determining whether a significant increase in credit risk has occurred since initial recognition, and when estimating ECLs, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank's historical experience and informed credit assessment and forward-looking information.

The assessment of whether an asset is in stage 1 or 2 considers the relative change in the probability of default occurring over the expected life of the instrument and is not assessed based on the change in the amount of the expected credit losses. This involves setting quantitative tests combined with additional indicators such as credit risk classification and other observable inputs. Assets that are more than 30 days past due, but not credit-impaired, are classed as Stage 2.

Changes in credit loss, including the impact of movements between the first stage (12 month expected credit losses) and the second stage (lifetime expected credit losses), are recorded in the consolidated statement of profit or loss.

IFRS 9 requires the use of more forward-looking information including reasonable and supportable forecasts of future economic conditions. The requirement to consider a range of economic scenarios and their possible impact on impairment allowances is a subjective feature of the IFRS 9 ECL model. The Bank continues to develop its capability to model a number of economic scenarios and capture the impact on credit losses to ensure the overall ECL represents a reasonable distribution of economic outcomes.

The application of IFRS 9 does not alter the current definition of default currently used to determine whether or not there is objective evidence of impairment of a financial asset.

The Bank considers a financial asset to be in default when:

– The borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank through actions such as realising security (if any held);

– The financial asset is more than 90 days past due; or

– The borrower is on principal only repayment terms.

Impairment losses for financial assets measured at amortised cost are deducted from the gross carrying amount of assets.

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4. Summary of significant accounting policies *(continued)*

(d) Impairment of financial assets *(continued)*

Write-off of loans and advances

A loan (and the related impairment allowance account) is normally written off, either partially or in full, when there is no realistic prospect of recovery of the principal amount and, for a collateralised loan, when the proceeds from realising the security have been received. Consumer installment and credit card loans are written-off after principal and/or interest payments become 270 days and 180 days contractually in arrears, respectively.

Recovery of previously written-off loans

Recoveries of principal and/or interest on previously written off loans are recognised in provisions for credit losses, net in the consolidated statement of profit or loss and other comprehensive income on a cash basis or when the loan is rewritten on normal terms prevailing at the time of the rewrite.

Renegotiated loans

Loans subject to impairment assessment, whose terms have been renegotiated, are subject to ongoing review to determine whether they remain impaired or should be considered past due. The carrying amount of loans that have been classified as renegotiated retain this classification until maturity or derecognition.

(e) Derecognition of financial assets and financial liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The contractual rights to receive cash flows from the financial asset have expired; or
- The Bank has transferred its rights to receive the contractual cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass–through' arrangement; and either:
  - The Bank has transferred substantially all the risks and rewards of ownership of the financial asset, or
  - The Bank has neither transferred nor retained substantially all the risks and rewards of ownership and it does not retain control of the financial asset.

When the Bank has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Bank's continuing involvement in the asset. In that case, the Bank also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

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4. Summary of significant accounting policies *(continued)*

(e) Derecognition of financial assets and financial liabilities *(continued)*

Financial assets (continued)

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in OCI is recognized in profit and loss.

Financial liabilities

A financial liability is derecognised when its contractual obligations are discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

(f) Foreign currency

The reporting and functional currency of the Bank is the Bahamian dollar (B$). Transactions in foreign currencies are converted to B$ at the rates of exchange prevailing at the dates of the transactions.

Foreign currency monetary assets and liabilities are converted to B$ at rates of exchange prevailing on the reporting date. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in the foreign currency translated at the spot exchange rate at the end of the year. Realized and unrealized foreign exchange gains and losses are included in the consolidated statement of comprehensive income.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at historical cost or amortised cost are recorded at the exchange rates ruling at the dates of transaction.

(g) Property and equipment

Items of property and equipment (excluding the building) are stated at historical cost less accumulated depreciation and any accumulated impairment losses. The building is stated at cost less accumulated depreciation. Historical costs include expenditure that is directly attributable to the acquisition of the items. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

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4. Summary of significant accounting policies *(continued)*

(g) Property and equipment *(continued)*

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. Repairs and maintenance are charged to the consolidated statement of comprehensive income during the financial period in which they are incurred.

Any gain or loss on disposal of an item of property and equipment is recognized within the consolidated statement of comprehensive income.

Depreciation and amortisation are calculated using the straight-line method to write down the cost of property and equipment less their estimated residual values using the straight-line method over their estimated useful lives and is generally recognized in the consolidated statement of comprehensive income. The estimated useful lives are as follows:

Building	50 years
Leasehold improvements	3-5 years
Furniture, fixtures and equipment	3-10 years

Leasehold improvements are amortised over the shorter of the economic useful life of the asset or the lease term and taking into consideration any extension of the lease term if there is reasonable expectation of renewal. The amortisation term, however, does not exceed five years. Land is not depreciated.

Property and equipment are derecognised on disposal or when no future economic benefits are expected from their use. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the consolidated statement of comprehensive income.

(h) Impairment of non-financial assets

At each reporting date, the Bank reviews the carrying amount of non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

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4. Summary of significant accounting policies *(continued)*

(h) Impairment of non-financial assets *(continued)*

The 'recoverable amount' is the greater of an asset's fair value less costs to sell and value in use. 'Value in use' is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For impairment testing, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(i) Provisions

Provisions are recognised when the Bank has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Bank expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of comprehensive income net of any reimbursement.

(j) Related parties

Related parties include all Ministries and Departments of the Government, Government Corporations, Subsidiaries and Agencies as well as directors and key management personnel of the Bank. All transactions with related parties are based on rates and terms used in the normal course of business, except for reduced rates for borrowings by the Bank's personnel.

(k) Employee benefits

The Bank operates a defined contribution plan (the "Plan") where the Bank pays fixed contributions into a separate entity. The Bank has no legal or constructive payment obligations once contributions have been paid. The Plan's costs are charged to general and administrative expenses and are funded as accrued.

The Bank operates an Employee Share Ownership Plan ("ESOP") where the Bank matches employees' share purchases up to 25%. The matching contributions vest over 5 years. The costs of the ESOP are charged to general administrative expenses.

(l) Earnings/(Loss) per share

Basic earnings/(loss) per share is computed by dividing the net income/(loss) attributable to common shareholders by the weighted average number of shares outstanding during the year.

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4. Summary of significant accounting policies *(continued)*

(m) Fiduciary activities

The Bank acts as trustee and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets and income arising thereon are excluded from these consolidated financial statements, as they are not assets of the Bank.

(n) Taxes

Effective January 1, 2015, the Government implemented a value-added tax ("VAT") in the Commonwealth of The Bahamas. VAT is a broad-based consumption tax that would be applied to most goods and services bought locally or imported into the country. The standard rate for VAT is12%, charged on all goods and services that are not zero-rated or exempt. Under the VAT Act, all VAT registrants, among other things, must maintain proper accounts and records, file accurate and timely VAT returns, and remit the net VAT collected (output minus input VAT) to the government within the stipulated deadlines. The Bank is a VAT registrant and has remitted all VAT collected during the year to the Government within the stipulated deadlines.

(o) Investment property

Investment property is initially measured at cost including transaction costs and subsequently at fair value based on an appraisal by a local real estate appraiser. Additions to investment property are also recorded at cost. On an annual basis, the investment property is assessed for impairment with gains and losses arising from changes in the fair value of the investment property included in the consolidated statement of comprehensive income for the period in which they arise. The impairment assessment is based on fair values as determined by an independent appraisal performed every three years, and as determined by management in intervening years.

Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in the consolidated statement of comprehensive income or loss.

When the use of property changes such that it is reclassified as Property and Equipment, its fair value at the date of classification becomes its cost of subsequent accounting.

(p) Computer software

Acquired computer software costs and licenses are capitalized based on the costs incurred to acquire and bring to use the specific software. These costs are amortised using the straight-line basis of accounting over the expected useful life. Software has expected useful life of 5 to 10 years.

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4. Summary of significant accounting policies *(continued)*

(q) Borrowings

Borrowings are recognised initially at fair value net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method.

(r) Share capital

(i) Share issue costs

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

(ii) Dividends on shares

Dividends on common and preferred shares are recognised in equity in the period in which they are approved by the Bank's Directors and Regulator.

(iii) Treasury shares

Where the Bank has purchased its own equity share capital, the consideration paid is deducted from total shareholders' equity as treasury shares until they are cancelled. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity.

(s) Leases

Policy applicable before July 1, 2019:

Operating lease payments are recognised as an expense on a straight-line basis over the lease term and included in 'operating expenses' in the consolidated statement of comprehensive income.

Policy applicable as of July 1, 2019:
Bank as a lessee
The Bank applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Bank recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Bank recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

4. Summary of significant accounting policies *(continued)*

(s) Leases *(continued)*

Policy applicable as of July 1, 2019 *(continued)***:**

Lease liabilities

At the commencement date of the lease, the Bank recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

(t) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. As at June 30, 2020 and 2019, there was no master netting agreements outstanding. Therefore, any related assets and liabilities are presented gross in the consolidated statement of financial position.

(u) Financial guarantees

'Financial guarantees' are contracts that require the Bank to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument. In the ordinary course of business, the Bank gives financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognised in the consolidated financial statements (within 'Other liabilities') at fair value, being the premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amount initially recognised less, when appropriate, cumulative amortisation recognised in the consolidated statement of comprehensive income, and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee.

Any increase in the liability relating to financial guarantees is recorded in the consolidated statement of comprehensive income. The premium received is recognised in the consolidated statement of comprehensive income in 'Net fees and commission income' on a straight-line basis over the life of the guarantee.

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5. Cash and cash equivalents

		2020		2019
Cash	$	19,339,409	$	13,438,650
Deposits with the Central Bank non-interest bearing (Note 24)		92,466,235		56,085,520
Cash and account with the Central Bank		111,805,644		69,524,170
Cash equivalents - Treasury Bills (Note 24)		44,935,963		49,917,360
Due from banks (Note 2)		49,370,314		61,686,033
Cash, cash equivalents and due from banks (Note 30)		206,111,921		181,127,563
Less: mandatory reserve deposits with the Central Bank		25,377,090		23,647,690
Cash and cash equivalents	$	180,734,831	$	157,479,873

The statutory reserve account with The Central Bank of The Bahamas ("the Central Bank") of $25,377,090 (2019: $23,647,690) is not included in cash and cash equivalents. Mandatory reserve deposits represent the Bank's regulatory requirement to maintain a percentage of deposit liabilities as cash or deposits with the Central Bank. These funds are not available to finance the Bank's day-to-day operations. All balances with The Central Bank of The Bahamas are non-interest bearing. Government issued Treasury Bills have maturity dates extending through to September 2020 (2019: September 2019). Money market placements included in Due from banks amount to $2,410,615, net of $33,088 allowance for impairment losses (Note 21) (2019: Nil).

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6. Investment securities, net

Investment securities comprise equity and debt securities classified into the following categories:

		FVOCI		Amortised cost		Total
Bahamas Registered Stock (Note 24)	$	-	$	47,957,388	$	47,957,388
Equity Securities		3,044,359		-		3,044,359
Allowance for impairment loss (Notes 21, 30)		-		(1,486,448)		(1,486,448)
At June 30, 2020	**$**	**3,044,359**	**$**	**46,470,940**	**$**	**49,515,299**

		FVOCI		Amortised cost		Total
Bahamas Registered Stock (Note 24)	$	-	$	98,101,320	$	98,101,320
Equity Securities		2,735,148		-		2,735,148
Allowance for impairment loss (Note 30)		-		(26,500)		(26,500)
At June 30, 2019	**$**	**2,735,148**	**$**	**98,074,820**	**$**	**100,809,968**

As at year end, government securities mainly comprise Bahamas Registered Stock which are variable rate bonds tied to the Bahamian $ Prime Rate issued by The Bahamas Government with interest rates ranging from 2.54% to 5.65% per annum (2019: from 2.39% to 4.81% per annum) and scheduled maturities between 2020 and 2049 (2019: between 2019 and 2035).

As at June 30, 2020, the allowance for impairment loss significantly increased as the ECL estimates and assumptions considered the impact of the COVID-19 pandemic. Management used its judgement in the assessment of significant increase in risk and migration of balances to progressive stages as exposures on government securities deteriorated from Stage 1 to Stage 2 at higher PD (Note 30).

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6. Investment securities, net *(continued)*

The movements in the categories of investment securities are as follows:

		FVOCI		Amortised cost		Total
At July 1, 2019	$	2,735,148	$	98,074,820	$	100,809,968
Additions		-		6,204,300		6,204,300
Maturities		-		(56,289,400)		(56,289,400)
Movement in fair value: equity investments at FVOCI		309,211		-		309,211
Premium amortisation		-		(58,832)		(58,832)
Allowance for impairment loss (Notes 21, 30)		-		(1,459,948)		(1,459,948)
At June 30, 2020	**$**	**3,044,359**	**$**	**46,470,940**	**$**	**49,515,299**

		Available-for-sale		Held-to-maturity		Total
At June 30, 2018	$	50,930,678	$	13,590,600	$	64,521,278
IFRS 9 Reclassification		(48,884,400)		48,884,400		-
		FVOCI		**Amortised cost**		**Total**
At July 1, 2018		2,046,278		62,448,500		64,494,778
Additions		-		48,503,800		48,503,800
Maturities		-		(12,659,500)		(12,659,500)
Movement in fair value: equity investments at FVOCI		688,870		(310,089)		378,781
Premium amortisation		-		92,109		92,109
At June 30, 2019	**$**	**2,735,148**	**$**	**98,074,820**	**$**	**100,809,968**

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7. Loans and advances to customers, net

		2020		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 (Note 24)		37,286,348		9,122,065
Credit cards		1,563,211		1,227,754
Business overdrafts		554,730		1,377,502
Personal overdrafts		147,821		504,990
	$	435,707,952	$	404,211,785

Loan loss provisions are as follows:

		2020		2019
Less: Provision for loan losses				
At June 30	$	61,505,934	$	65,649,984
IFRS 9 Day 1 Loss (Note 2)		-		1,091,667
At July 1		61,505,934		66,741,651
Amount written-off		(8,591,165)		(6,959,004)
Net provision charged to expense		15,347,943		1,723,287
At June 30		68,262,712		61,505,934
Accrued interest receivable		3,005,208		1,475,243
Loans and advances to customers, net	$	370,450,448	$	344,181,094

During the year, the Bank recorded $15.3 million in additional provision for loan losses, approximately $5.8 million of which is the result of the COVID-19 pandemic. Management used its judgement in the assessment of underlying credit deterioration, significant increase in risk and migration of balances to progressive stages (Note 30).

		2020		2019
Specific Provisions				
Mortgage residential loans	$	41,237,390	$	41,357,543
Mortgage commercial loans		2,389,268		2,744,068
Commercial loans		7,957,066		9,978,390
Consumer loans		14,851,495		7,134,448
Government (Note 24)		1,350,126		-
Credit and prepaid cards		477,367		291,485
	$	68,262,712	$	61,505,934

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7. Loans and advances to customers, net *(continued)*

Included in the specific provisions on mortgage, commercial and consumer loans are specific provisions for certain business and personal overdrafts.

	2020	2019
Provisions as a percentage of the net loan portfolio	18.43%	17.87%
Provisions as a percentage of non-accrual loans	81.37%	70.43%

Non-accrual (impaired) loans are as follows:

		2020		2019
Mortgage residential loans	$	61,861,888	$	65,980,501
Mortgage commercial loans		2,647,012		3,301,101
Commercial loans and overdrafts		8,565,531		10,848,280
Consumer loans and overdrafts		10,634,395		7,149,096
Credit cards		184,868		52,593
	$	83,893,694	$	87,331,571
Percentage of loan portfolio (net)		22.65%		25.37%
Percentage of total assets		10.21%		10.67%

The following is an analysis of the concentration of loans and advances to customers by outstanding balances:

				2020			2019	
				Value	No. of Loans and Overdrafts		Value	No. of Loans and Overdrafts
$0	- $	10,000	$	9,269,455	6,337	$	5,571,622	3,717
$10,001	- $	25,000		17,887,221	1,027		12,918,823	762
$25,001	- $	50,000		49,357,603	1,338		34,944,089	944
$50,001	- $	100,000		56,245,739	841		55,732,902	813
Over	$	100,000		302,947,934	1,041		295,044,349	1,152
			$	435,707,952	10,584	$	404,211,785	7,388

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7. Loans and advances to customers, net *(continued)*

The following is an analysis of loans and advances by credit quality:

In ($000s)		2020		2019
Mortgage residential loans				
Neither past due nor impaired	$	134,998	$	140,475
Past due but not impaired		15,754		21,441
Impaired		61,862		65,981
	$	212,614	$	227,897
Mortgage commercial loans				
Neither past due nor impaired	$	9,256	$	1,906
Past due but not impaired		227		8,170
Impaired		2,647		3,301
	$	12,130	$	13,377
Commercial loans and overdrafts				
Neither past due nor impaired	$	61,313	$	64,931
Past due but not impaired		1,232		983
Impaired		8,566		10,848
	$	71,111	$	76,762
Consumer loans and overdrafts				
Neither past due nor impaired	$	81,828	$	63,703
Past due but not impaired		8,542		4,974
Impaired		10,634		7,149
	$	101,004	$	75,826
Government				
Neither past due nor impaired	$	37,286	$	9,122
Past due but not impaired		-		-
Impaired		-		-
	$	37,286	$	9,122
Credit cards				
Neither past due nor impaired	$	1,004	$	854
Past due but not impaired		374		321
Impaired		185		53
	$	1,563	$	1,228

In the opinion of management, the credit quality of the majority of loans and advances to customers that are neither past due nor impaired is satisfactory.

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7. Loans and advances to customers, net *(continued)*

2020, In ($000s)		Principal		Restructured		Total
Mortgage residential loans	$	155,885	$	56,729	$	212,614
Mortgage commercial loans		3,186		8,944		12,130
Commercial loans and overdrafts		27,918		43,193		71,111
Consumer loans and overdrafts		97,620		3,384		101,004
Government		37,286		-		37,286
Credit cards		1,563		-		1,563
	$	323,458	$	112,250	$	435,708

2019, In ($000s)		Principal		Restructured		Total
Mortgage residential loans	$	169,424	$	58,473	$	227,897
Mortgage commercial loans		4,178		9,199		13,377
Commercial loans and overdrafts		40,037		36,725		76,762
Consumer loans and overdrafts		72,889		2,937		75,826
Government		9,122		-		9,122
Credit cards		1,228		-		1,228
	$	296,878	$	107,334	$	404,212

The analysis of the age of loans and advances to customers that were past due but not impaired is as follows:

						2020						
In ($000s)		Mortgage Residential		Mortgage Commercial		Commercial and overdrafts		Consumer and overdrafts		Credit Card		Total
Past due up to 29 days	$	4,843	$	169	$	612	$	3,995	$	-	$	9,619
Past due 30 - 59 days		5,952		-		351		2,970		313		9,586
Past due 60 - 89 days		4,959		58		269		1,577		61		6,924
	$	15,754	$	227	$	1,232	$	8,542	$	374	$	26,129

						2019						
In ($000s)		Mortgage Residential		Mortgage Commercial		Commercial and overdrafts		Consumer and overdrafts		Credit Card		Total
Past due up to 29 days	$	12,746	$	8,070	$	804	$	3,760	$	-	$	25,380
Past due 30 - 59 days		6,698		100		159		755		148		7,860
Past due 60 - 89 days		1,997		-		20		459		173		2,649
	$	21,441	$	8,170	$	983	$	4,974	$	321	$	35,889

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8. Investment property

Investment Property comprises of land owned by the Bank. The land is located on West Bay Street, Nassau Bahamas.

During the current year, the Bank engaged the services of an independent real estate and valuation expert who holds a recognised and relevant professional qualification and who has recent experience in the location and category of the investment property being valued. The fair value of the investment property of $6,463,000 as at June 30, 2020 is based on the independent valuation (2019: $6,463,000 based on an appraisal that was performed in June 2017).

The appraisal has been prepared during the COVID-19 pandemic but does not take into consideration the potential impact of the pandemic on real estate values. The medium to long-term effects of the pandemic on real estate values are unknown at this time, adding a level of uncertainty regarding the fair value of investment property as reported in these financial statements. Based on the information now available, management believes that the appraised value appropriately reflects the fair value of the investment property.

This investment property has been classified as Level 3 in the fair value measurement hierarchy and there were no transfers from or to Level 3 during the period. The fair value of the investment property reflects the current market conditions and is based on the appraised value using the sales comparison approach where the average sales price approximated $1,150,000 per acre.

Under the sales comparison approach, fair value is estimated using the assumption that title to the property is good and marketable and clear of any or all liens or encumbrances. All engineering is assumed to be correct and that there are no hidden or unapparent conditions of the property, subsoil or structures that render it more or less valuable. It is assumed that all applicable zoning, regulations and restrictions have been complied with and that the utilization of the land and improvements is within the boundaries or property lines of the property described and that there is no trespass or encroachment.

9. Other assets

		2020		2019
Accrued interest receivable on securities and note receivable (Notes 6 and 12)	$	2,508,666	$	2,709,033
Prepaid assets		6,104,361		4,893,206
Cheques and other items in transit		768,814		870,100
Accounts receivable		1,391,551		1,548,079
Other assets		623,607		662,060
	$	**11,396,999**	**$**	**10,682,478**

As at June 30, 2020, included in other assets is the Bank's investment in the Bahamas Automated Clearing House Limited in the amount of $ 208,453 (2019: $212,944). Also included in Clearing and other items in transit is a debit balance for BSD cheque clearing of $482,277 (2019: $309,347) with allowance for unresolved items of $133,401 (2019: Nil).

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10. Property and equipment, net

		Land and Building		Leasehold Improvements		Furniture, Fixtures and Equipment		Total
Cost								
Balance as at June 30, 2018	$	1,164,360	$	6,658,183	$	11,664,461	$	19,487,004
Additions		-		-		2,078,331		2,078,331
Disposal/write-off		-		(723,120)		(664,074)		(1,387,194)
Balance as at June 30, 2019		1,164,360		5,935,063		13,078,718		20,178,141
Additions		-		-		1,823,430		1,823,430
Disposal/write-off		-		-		(167,078)		(167,078)
Balance as at June 30, 2020	$	1,164,360	$	5,935,063	$	14,735,070	$	21,834,493
Accumulated Depreciation								
Balance as at June 30, 2018	$	734,840	$	6,376,676	$	9,289,380	$	16,400,896
Depreciation (Note 21)		-		66,742		324,778		391,520
Disposal/write-off		-		(723,120)		(660,137)		(1,383,257)
Balance as at June 30, 2019		734,840		5,720,298		8,954,021		15,409,159
Depreciation (Note 21)		-		65,740		427,033		492,773
Disposal/write-off		-		-		(167,078)		(167,078)
Balance as at June 30, 2020	$	734,840	$	5,786,038	$	9,213,976	$	15,734,854
Net book value:								
Balance as at June 30, 2020	$	429,520	$	149,025	$	5,521,094	$	6,099,639
Balance as at June 30, 2019	$	429,520	$	214,765	$	4,124,697	$	4,768,982

Land in the amount of $44,565 (2019: $44,565) is included in land and building.

Leasehold Improvements and Furniture, Fixtures and Equipment include work in progress, on which no depreciation has been charged, in the amount of $2,729,060 (2019: $3,333,928).

There is still uncertainty over how the COVID-19 pandemic will impact the Bank's property and equipment. Based on the information now available, management believes that the land stated at cost, building and other fixed assets net of depreciation appropriately reflect the net book value of the Bank's property and equipment.

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11. Computer software, net

		2020		2019
At beginning of year	$	2,453,615	$	898,026
Additions		3,215,967		1,878,547
Disposal/write-off		-		(11,164)
Amortisation (Note 21)		(356,235)		(311,794)
At end of year	$	5,313,347	$	2,453,615

Computer software includes work in progress, in the amount of $1,448,624 (2019: $1,736,063) on which no amortisation has been charged.

12. Notes receivable, net and special retained earnings

During October 2014, the Government created a special purpose vehicle, Bahamas Resolve Limited ("Resolve"), that is owned and controlled by the Government. At that time, the Bank sold to Resolve certain of its non-performing loans with a face value of $100.0 million and a net book value of approximately $45.4 million in consideration for $100.0 million in unsecured promissory notes (the "Notes"). The difference of approximately $54.6 million between the Notes received and net book value of the assets sold was recognized directly in equity as Special Retained Earnings. The Notes which had a final maturity of October 30, 2024 were redeemed during the financial year ended June 30, 2018.

Also during the financial year ended June 30, 2018, the Bank sold to Resolve another portfolio of non-performing loans with aggregate face value of $134.5 million and net book value of approximately $50.6 million, together with accrued (but suspended) interest on the loans of $33.2 million, in consideration for an unsecured promissory in the amount of $167.7 million. The difference between the promissory note received and the net book value of the loans and accrued interest transferred to Resolve, amounting to approximately $117.1 million, was credited to Special Retained Earnings. An additional $0.4 million in fees and charges were recognized in Special Retained Earnings. The promissory note with final maturity date of August 31, 2022 bears fixed interest at 3.5%, payable semi-annually on the 28th day of February and the 31st day of August, commenced in August 2018. As at June 30, 2020, accrued interest receivable amounts to $1,956,500 (2019: $1,956,500).

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12. Notes receivable, net and special retained earnings *(continued)*

The Bank has transferred all of its rights relating to the non-performing loans to Resolve and will have no rights to future cash flows from the non-performing loans. Resolve, and not the Bank, will bear all the risks and rewards of the non-performing loans subsequent to the transaction and Resolve, and not the Bank, will control the non-performing loans. The Bank will not have any continuing involvement in servicing the non-performing loans, and the Bank's only rights will relate to the cash flows associated with the promissory note. Further, the Bank will not be providing any form of future direct or indirect financing to the customers whose loans were transferred to Resolve, and these customers will no longer be customers of the Bank.

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 promissory note and confirms that, in the event of default by Resolve, the Bank can seek to recover outstanding balances from the Government.

		2020		**2019**
Note receivable	$	167,700,000	$	167,700,000
Allowance for impairment loss (Notes 21, 30)		(4,896,589)		(73,500)
	$	**162,803,411**	**$**	**167,626,500**

As at June 30, 2020, the allowance for impairment loss significantly increased as the ECL estimates and assumptions considered the impact of the COVID-19 pandemic. Management used its judgement in the assessment of significant increase in risk and migration of balances to progressive stages as exposures related to government deteriorated from Stage 1 to Stage 2 at higher PD (Note 30).

13. Deposits from customers and banks

		2020		**2019**
Term deposits	$	258,806,545	$	301,233,033
Demand deposits		243,701,913		203,197,067
Savings accounts		128,680,350		109,086,875
		631,188,808		613,516,975
Accrued interest payable		1,635,812		2,335,540
		632,824,620	$	615,852,515

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13. Deposits from customers *(continued)*

The following is an analysis of the concentration of deposits from customers and banks by size of deposits:

		2020			2019	
		Value	No. of Deposits		Value	No. of Deposits
$0 - $ 10,000	$	44,608,371	79,126	$	40,170,148	75,064
$10,001 - $ 25,000		33,204,407	2,158		27,953,019	1,822
$25,001 - $ 50,000		31,739,864	908		27,213,947	767
$50,001 - $100,000		36,914,149	541		33,647,666	491
Over $100,000		484,722,017	681		484,532,195	665
	$	631,188,808	83,414	$	613,516,975	78,809

In 1999, The Central Bank established the Deposit Insurance Corporation (the "Corporation"). The Bank paid an annual premium of $173,256 (2019: $183,425) to the Corporation, which insures the funds of all individual Bahamian dollar depositors of the Bank up to a maximum of $50,000 per depositor.

14. Other liabilities

		2020		2019
Accounts payable (Note 22)	$	13,995,810	$	18,762,618
Cardholders liability		7,236,527		5,923,796
Cheques and other items in transit		3,662,494		6,965,678
Clearing in transit		66,252		168,572
Deferred revenue		148,543		160,024
Other liabilities		3,230,478		3,284,342
	$	28,340,104	$	35,265,030

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15. Share capital

		2020		2019
Authorized:				
45,000 Preference shares of B$1,000 each	$	45,000,000	$	45,000,000
105,000,000 Voting common shares of B$1 each		105,000,000		105,000,000
10,000,000 Non-voting common shares of B$1 each		10,000,000		10,000,000
	$	160,000,000	$	160,000,000
Issued and fully paid:				
36,936,549 Voting common shares of B$1 each	$	36,936,549	$	36,936,549
6,022,945 Non-voting common shares of B$1 each		6,022,945		6,022,945
Treasury shares				
235,021 issued previously at B$1 each (Note 16)		235,021		235,021
Less: Cost of preference shares		584,010		584,010
	$	42,610,505	$	42,610,505

Preference shares

The Bank's shareholders approved resolutions to increase the authorized share capital of the Bank and allow the issuance of non-voting cumulative preference shares, redeemable at the discretion of the Board of Directors. On June 30, 2006 and during May 7, 2009 the Bank issued a total of B$15,000,000 and B$20,000,000 in redeemable preference shares at a rate of 2.00% and 2.50% above the Bahamian dollar prime rate. In accordance with International Financial Reporting Standards, the preference shares were classified as equity. Costs totaling $235,010 and $349,000 related to the preference share offering respectively were netted against the proceeds.

From fiscal years 2014 to 2017, the Bank redeemed $3,400,000 of preference shares annually and $6,150,000 by fiscal year 2018, with the final redemption of $15,250,000 during fiscal year 2019.

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15. Share capital *(continued)*

Voting common shares

Effective January 2006, the Bank had a rights offering resulting in the increase in voting common shares from $12,000,000 to $15,600,000 and share premium from $7,589,064 to $28,587,866.

On April 15, 2016, the Bank's shareholders approved the reclassification of the authorized and unissued preference shares of the Bank comprising 80,000 shares having a par value of $1,000 per share into 80,000,000 voting common shares having a par value of $1.00 per share. The total authorized capital of the Bank remained unchanged at $160,000,000.

During the period from September 6 - 12, 2016, the Bank entered into a common shares' rights offering for an aggregate amount of $40 million for 14,814,814 voting common shares. For each 1.44 common shares held as at record date of September 5, 2016, shareholders had the right to purchase an additional 1 share. At the end of the offer period, the Government subscribed for the majority of the offering, and the Bank issued a total of $39,517,333 in voting common shares to its shareholders at a price of $2.70 per share. Costs totaling $482,667 related to this common share offering were netted against the proceeds and resulted in additional share premium of $24,702,519.

During the period December 31, 2016 to February 28, 2017, the Bank offered a private placement of $30 million at 3.125% Fixed Rate Perpetual Contingent Convertible Bonds to accredited investors only. This private placement was offered in three tranches of $10 million each. As at December 31, 2016, the first tranche was subscribed by and issued to the Government. Effective June 30, 2017, this bond in the amount of $10 million was converted to 6,756,756 voting common shares at a price of $1.48 per share which resulted in additional share premium of $3,243,244.

Non-voting common shares

During 2013, the Bank's shareholders approved resolutions to increase the authorized share capital of the Bank and allow for the issuance of a separate class of B$10,000,000 non-voting common shares. On June 28, 2013 the Bank issued a total of 6,022,945 Class B non-voting common shares to its major shareholder at a share price of $5.23. Costs totaling $60,300 related to this common share offering were netted against the proceeds and resulted in additional share premium of $25,416,755.

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16. Treasury shares

During each of the fiscal years 2011 and 2013, the Bank's Board of Directors approved the repurchase of $750,000 of the Bank's own shares. The implementation of the share repurchase plan was a strategy to enhance the shareholder value of then existing shareholders. There have not been any repurchase of shares since fiscal 2013.

The balance in treasury shares at year end is as follows:

	No. of Shares		Value
Balance as at June 30, 2020 and 2019 (Note 15)	235,021	$	1,318,224

17. Net gain on investments at FVOCI

		Net Gain on Investments at FVOCI
Balance at July 1, 2019	$	2,512,459
Movement in fair value: equity investments at FVOCI (Note 6)		309,211
Balance at June 30, 2020	$	2,821,670

		Reserves		Net Gain on Investments at FVOCI		Total
Balance at June 30, 2018	$	4,000,000	$	2,133,678	$	6,133,678
IFRS 9 Adjustment		(4,000,000)		-		(4,000,000)
Balance at July 1, 2018		-		2,133,678		2,133,678
Movement in fair value: equity investments at FVOCI (Note 6)		-		378,781		378,781
Balance at June 30, 2019	$	-	$	2,512,459	$	2,512,459

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18. Net interest income

		2020		2019
Interest and similar income				
Loans and advances to customers	$	31,728,330	$	26,143,971
Notes receivable		5,869,500		5,728,944
Investment securities		2,284,460		2,384,430
Cash and short term investments		1,803,709		2,064,294
		41,685,999		36,321,639
Interest and similar expense				
Banks and customers		(6,870,821)		(8,125,743)
Total net interest income	$	34,815,178	$	28,195,896

19. Fees and commission income

		2020		2019
Deposit services fees and commission	$	3,741,501	$	3,525,744
Card services fees and commission		3,058,138		3,257,566
Credit services fees and commission		666,263		1,022,638
Other fees and commission		415,897		453,575
Total fees and commission income	$	7,881,799	$	8,259,523

20. Other operating income

		2020		2019
Foreign exchange	$	2,407,041	$	2,400,135
Other		2,016,429		2,224,384
Total other operating income	$	4,423,470	$	4,624,519

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21. Operating expenses and Provision for impairment losses

		2020		2019
Staff costs (Note 25)	$	17,179,925	$	15,743,511
Licenses and other fees		5,016,185		4,376,251
Occupancy (Note 23)		3,400,033		3,306,995
Information technology		3,332,223		2,526,428
Other administrative expenses (Note 22)		2,090,510		8,375,286
Advertising, marketing and donations		452,507		400,921
Telecommunication and postage		419,573		348,601
Travel and entertainment		167,201		216,278
Operating expenses	$	32,058,157	$	35,294,271
Depreciation of property and equipment (Note 10)	$	492,773	$	391,520
Amortisation of software (Note 11)		356,235		311,794
Depreciation and amortisation		849,008		703,314
Total operating expenses	$	32,907,165	$	35,997,585

Provision for impairment losses are as follows:

		2020		2019
Note receivable (Notes 12, 24)	$	4,823,089	$	-
Investment securities (Notes 6, 24)		1,459,948		-
Money market placements (Note 5)		33,088		-
Total provision for impairment losses	$	6,316,125	$	-

As at June 30, 2020, the Bank recorded provision for impairment losses as the ECL estimates and assumptions were directly affected by the COVID-19 pandemic. Management used its judgement in the assessment of significant increase in risk and migration of balances to progressive stages as the result of the pandemic, sovereign and corporate exposures deteriorated from Stage 1 to Stage 2 at higher PD (Note 30).

22. Contingencies

To meet the financial needs of customers, the Bank enters into various irrevocable commitments and contingent liabilities. These consist of financial guarantees, letters of credit and other undrawn commitments to lend. Letters of credit and guarantees (including standby letters of credit) commit the Bank to make payments on behalf of customers in the event of a specific act.

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22. Contingencies *(continued)*

Legal claims

Litigation is a common occurrence in the banking industry due to the nature of the business undertaken. As a result of the litigation risk inherent in its operations, 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 makes adjustments to account for any adverse effects which the claims may have on its financial standing and/or discloses amounts in accordance with its accounting policies.

As at year 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. In prior year, 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 for which the Bank recorded provision as at June 30, 2019. 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. During the year, the Bank was successful in having the judgement in default of defense set aside. As at June 30, 2020, the Bank maintained the related provision recorded since prior year while the ruling on the plaintiff's appeal is pending. Management considers that adequate provision has been made in these consolidated financial statements, included in other administrative expenses (Note 21) and accounts payable (Note 14), for any loss that might ultimately be determined.

23. Commitments

The approximate minimum rental commitments (exclusive of the effect of escalation clauses relating to taxes, maintenance, etc.) under operating leases for the years ended June 30, 2020 and 2019 are as follows:

		2020		2019
No later than 1 year	$	473,467	$	566,398
Later than 1 year and no later than 5 years		648,006		335,366
Total	$	1,121,473	$	901,764

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

The Bank has a commitment for future capital expenditure of $2,142,694 (2019: $5,351,405).

The Bank has letters of credit and guarantees outstanding of $3,475,019 (2019: $3,439,122).

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24. Transactions and balances with related parties

All loans to related parties are extended in the regular course of business; allowance for impairment loss against any of these balances as at June 30, 2020 amounted to $7,942,329 (2019: $133,396).

	Government	Other Government Entities	Key Management	Total 2020	Total 2019
Assets					
Deposits with the Central Bank (Note 5)	$ -	$ 92,466,235	$ -	$ 92,466,235	$ 56,085,520
Treasury bills (Note 5)	44,935,963	-	-	44,935,963	49,917,360
Investment securities, net (Note 6)	46,470,940	-	-	46,470,940	98,074,820
Loans and advances to customers, net	35,936,221	6,265,834	2,510,914	44,712,969	14,373,943
Right-of-use assets	432,945	-	-	432,945	-
Note receivable, net (Note 12)	-	162,803,411	-	162,803,411	167,626,500
Other assets	553,216	3,950,923	-	4,504,139	4,042,969
Total	$ 128,329,285	$ 265,486,403	$ 2,510,914	$ 396,326,602	$ 390,121,112
Liabilities					
Deposits from customers and banks	$ 75,492,655	$ 116,986,739	$ 1,448,481	$ 193,927,875	$ 224,050,939
Other liabilities	7,218,537	-	-	7,218,537	13,776,612
Lease liabilities	529,628	-	-	529,628	-
Deferred loan fees	60,927	-	-	60,927	20,268
Total	$ 83,301,747	$ 116,986,739	$ 1,448,481	$ 201,736,967	$ 237,847,819
Revenues					
Interest Income	$ 4,469,501	$ 6,036,127	$ 113,408	$ 10,619,036	$ 9,805,352
Fees and commission income	846,766	23,521	-	870,287	1,360,897
Total	$ 5,316,267	$ 6,059,648	$ 113,408	$ 11,489,323	$ 11,166,249
Expenses and Impairment losses					
Interest Expense	$ 518,352	$ 1,978,599	$ 17,933	$ 2,514,884	$ 3,361,996
Directors fees	-	-	123,194	123,194	131,750
Provision for impairment losses	1,459,948	4,823,089	-	6,283,037	-
Credit loss expense	1,350,126	75,770	-	1,425,896	133,396
Other operating expenses	2,118,141	3,193,615	-	5,311,756	4,975,000
Short-term employee benefits	-	-	2,609,235	2,609,235	2,102,180
Pension expense	-	-	134,236	134,236	84,186
Termination benefits	-	-	-	-	90,680
Total	$ 5,446,567	$ 10,071,073	$ 2,884,598	$ 18,402,238	$ 10,879,188

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25. Employee benefits

The Bank has a defined contribution plan (the "Plan") in which eligible employees (those having attained 18 years of age and employed on a full-time basis for a continuous period of twelve months) contribute a minimum of 3.50% of their annual salaries and the Bank contributes 6.50%. Employees become fully vested after 5 years of plan membership. The plan assets are managed by an independent third-party investment manager. Contributions for the year ended June 30, 2020 totaled $700,568 (2019: $569,191) recorded as staff costs (Note 21).

In the prior year, the Plan revised its investment strategy and fully employed a low risk and conservative bond fund.

As at June 30, 2020, the Plan has deposits totaling $421 (2019: $104,852) with the Bank.

The assets of the Plan are managed by Trustees that are independent of the Bank.

26. Assets under administration

The Bank has assets under administration for clients in the Bank's fiduciary capacity as follows:

		2020		2019
Government guaranteed student education loans	$	-	$	56,899,718
Government guaranteed hurricane relief loans	$	15,413,355	$	24,177,971
Trust assets	$	-	$	102,912,472

The Bank recognised fees totaling $23,521 (2019: $162,442) for the administration of the Government Guaranteed Student Loans program and $543,686 (2019: $844,248) for the administration of the Government Guaranteed Hurricane Relief Loans program.

The Bank's strategic plan included the sale of its trust operations, Bank of the Bahamas Trust Ltd. (the "Trust"), 100% owned subsidiary. On May 21, 2019, the Bank's Board of Directors approved the sale of the Trust portfolio of assets under administration ("Trust's assets") to Leno Corporate Services Limited ("Leno"). On July 31, 2019, the Bank signed the agreement for the sale of its Trust assets to Leno for the amount of $561,717, which was subsequently adjusted to $541,717. Following regulatory approvals, the sale closed on October 31, 2020. This transaction met the IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* definition of discontinued operations as the Trust is a component of the Bank that has been disposed of and represents a separate major line of business. As a result of the sale, the Bank recorded $541,717 as other operating income and included in the Consolidated Statement of Comprehensive Income for the year ended June 30, 2020 is the Net Loss for the year from Continuing Operations amounting to $7,815,958 and the Net Gain for the year from Discontinued Operations amounting to $512,752.

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26. Assets under administration *(continued)*

Results of discontinued operations:

		2020		2019
Trust revenue, net	$	2,725	$	137,124
Operating expenses		(31,690)		(112,320)
Results from operating activities		(28,965)		24,804
Gain on sale of Trust assets		541,717		-
Gain from discontinued operations	$	512,752	$	24,804

Cashflows from discontinued operations:

		2020		2019
Net cash used in operating activities	$	-	$	69,554
Net cash from investing activities		541,717		-
Net cash flows for the year	$	541,717	$	69,554

Discontinued operations' financial position:

		2020		2019
Total assets	$	2,940,242	$	2,967,606
Total liabilities		491		1,507
Total equity		2,939,751		2,966,099

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27. Dividends and earnings per share

Dividends to the Bank's shareholders are recognised as a liability in the period in which they are declared by the Board of Directors and approved by the Bank's Regulator. In December 2018, outstanding dividends on preference shares of $1,546,250 were declared and paid, while the remaining outstanding dividends on preference shares of $1,634,802 were declared as at March 31, 2019 and fully paid in May 2019. The Bank paid no dividends to common shareholders during the reporting years.

		2020		2019
Net (loss)/income attributable to equity shareholders	$	(7,303,206)	$	2,910,259
Preference share dividends		-		(3,181,052)
Net loss attributable to ordinary shareholders	$	(7,303,206)	$	(270,793)
Weighted average number of ordinary shares outstanding		42,959,494		42,959,494
Basic loss per ordinary share	$	(0.17)	$	(0.01)

28. Fair value of financial assets and liabilities

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The best evidence of fair value is quoted price in an active market.

IFRS 13 requires that the classification of financial instruments at fair value be determined by reference to the source of inputs used to derive the fair value. This classification uses the following three-level hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. This level includes listed equity securities and debt instruments on exchanges.
- Level 2 – Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3 – Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

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28. Fair value of financial assets and liabilities *(continued)*

As of June 30, 2020, the Bank held equity securities as FVOCI totaling $3,044,359 (2019: $2,735,148) classified as Level 1 investment. No transfers were made during the year for any investments between the hierarchies. Investment property has been classified as Level 3 (Note 8).

The following methods and assumptions have been used in determining fair value. There is still uncertainty over how the COVID-19 pandemic will impact the fair value of the Bank's assets and liabilities. Based on the information now available, management believes that assets and liabilities appropriately reflect fair value.

Cash and cash equivalents, other assets and other liabilities

Due to their short-term maturity, the carrying values of these financial instruments approximate their fair values.

Investment securities

The estimated fair values of the Bank's investments are determined based on quoted market prices, when available. If quoted market prices are not available, management's best estimate of the fair value is based on significant market observable inputs disclosed in Note 6.

Loan and advances to customers

Loans and advances to customers bear interest at floating rates tied to the Bahamian dollar prime rate and are therefore subject to re-pricing within a short period of time. As such, fair values are assumed to be equal to their carrying values and are disclosed in Note 7.

Deposits from customers

The estimated fair values of deposits from customers were determined by valuing the deposits based on current market interest rates relative to the Bank's interest rates. The fair values of deposit from customers approximate their carrying values.

Investment property

The fair value of investment property was determined by external, independent property valuers, having appropriate recognized professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair values of the Bank's investment property portfolio every three years.

The fair value measurements for all of the investment properties have been categorized as Level 3 fair value measurements. The valuation model used is the Sales Comparison Approach to estimate the Market Value of the subject site. The model considered three comparable transactions which were adjusted for the sales price for differences in location and size.

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29. Regulatory capital

The Central Bank requires that the Bank maintains a ratio of total regulatory capital to risk-weighted assets at a minimum of 18%. The Bank's regulatory capital ratio for 2020 was 38.2% (2019: 42.4%). Regulatory capital consists of Tier 1 and Tier 2 capital. Total Tier 1 capital comprises of Common Equity Tier 1 ("CET 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%).

Capital regulatory requirements for subsidiary companies are managed through the Bank. The Bank's strategy is unchanged from 2019. The Bank maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Bank's capital is monitored using, among other measures, the rules and ratios established by The Central Bank. As at June 30, 2020, the Bank was compliant with all of the externally imposed capital ratio requirements.

Capital risk management

The primary objectives of the Bank's capital management are to comply with externally imposed capital requirements, maintain strong capital ratios to support its business and to maximize shareholders' value.

The Bank typically manages its capital structure and adjusts it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities.

The capital structure is designed to provide optimal risk absorption consistent with the risk profile of the Bank's consolidated statement of financial position. The capital mix is intended to maximize the return for shareholders. The Bank utilizes equity issuances to achieve an ideal capital structure.

At June 30, 2020 and 2019, the capital structure of the Bank consists of equity held by common shareholders, including issued capital, share premium, special retained earnings and accumulated deficit. Ongoing capital management includes the payment of dividends, common share issuances, maintenance of reserves and special retained earnings.

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30. Risk management

There are a number of risks inherent in banking that the Bank manages on an ongoing basis. Among these risks, the more significant are credit, operational, currency, liquidity, capital and interest rate risks.

Credit risk

Credit risk arises from the failure of a counterparty to perform according to the terms of the contract. From this perspective, the Bank's significant exposure to credit risk is primarily concentrated in cash and due from banks, investments, notes receivable and loans. Cash, due from banks and investments are predominantly in Bahamian and United States dollars and have been placed with high quality institutions. The Bank maintains deposits in foreign currencies with top rated correspondent banks in the United States, Canada and the United Kingdom.

The Bank evaluates the concentration of risk with respect to the note receivable as low, as the interest and principal sum is payable by Bahamas Resolve Limited ("Resolve"), which is a company wholly owned and controlled by the Government. Accordingly, the Bank evaluates the concentration of risk with respect to the Government loan as low, as the interest and principal sum are payable by the Government. An impairment analysis is performed at each reporting date by assessing the Government's ability to make the interest payments due on the Note, given that the Government has undertaken to support Resolve, as more fully described in Note 12.

Credit risk arising from loans is mitigated through the employment of a credit risk management regime that sets limits for sector concentration, as well as single and related party exposure. The Board of Directors approves credit granting limits. In addition, the credit policies provide for credit facilities to be reviewed regularly by the Bank's credit risk management department, internal audit department and annual review by credit officers. Most of the Bank's loans are collateralized and guaranteed, thus providing further mitigation of credit risk.

The Bank assesses credit exposure on loans by utilizing risk ratings. The ratings are categorized into a variety of segments such as minimal risk, moderate risk, high risk and non-performing. The purpose of credit rating is to provide a simple, but effective and ongoing system of credit risk gradation by which relative credit worthiness of borrowers may be identified and accordingly the level of credit enhancements, degree of monitoring, frequency of reviews, level of provisioning, and pricing can be determined. The credit rating would reflect both the likelihood of default and the potential extent of loss given default.

The credit worthiness of most borrowers is not constant over time. For this reason, changes in ratings must reflect changes in the relative strength of the borrowers and in their obligations. Appropriate credit ratings must be assigned to every borrowing relationship. A rating must be assigned at the time of credit extension and reviewed and updated in each periodic review or if the situation warrants a change at any other time.

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30. Risk management *(continued)*

Credit risk *(continued)*

A rating change highlights a change in the credit worthiness or corrects a previous rating that did not fully reflect the quality of the credit. Because of their very nature, changes are to be expected more frequently among credits with lower ratings than among credits of higher ratings. Typically loans within the retail credit portfolio which are performing are not assessed for changes in ratings, unless the customer approaches the Bank for additional credit.

The assigning of a risk rating calls for professional judgment and can involve subjective elements. When a credit rating is assigned, all relevant information concerning the risk profile of the borrower is considered, including but not limited to, industry trends, economic climate, business environment and earnings track record. Consideration is given to much less quantifiable items such as opinion of management, perception of trustworthiness and character, hidden reserves and other factors.

The Bank conducts an impairment assessment on each of its loans. The main considerations for the loan impairment assessment include whether any payments of principal or interest are overdue or there are any known difficulties in the cash flows of counterparties, credit rating downgrades, or infringement of the original terms of the contract. The Bank addresses impairment on an individual and portfolio basis. In managing credit risk, the Bank takes a holistic approach in assessing its impact and implications from a regulatory standpoint and potential consequences for liquidity and its capital.

Concentration of risks and financial assets with credit risk exposure are as follows:

In ($000s)		2020		2019
Cash, cash equivalents and due from banks (Note 5)				
Neither past due nor impaired	$	206,112	$	181,128
Investment securities (Note 6)				
Neither past due nor impaired	$	51,002	$	100,836
Loans and advances to customers (Note 7)				
Neither past due nor impaired	$	325,685	$	280,991
Past due but not impaired		26,129		35,889
Impaired		83,894		87,332
	$	435,708	$	404,212
Note receivable (Note 12)				
Neither past due nor impaired	$	167,700	$	167,700

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30. Risk management *(continued)*

Credit risk *(continued)*

Financial assets are past due when a counterparty has failed to make a payment when contractually due.

Expected Credit Loss Measurement

ECL is measured on either a 12-month (12M) or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of probability of default (PD), exposure at default (EAD), and loss given default (LGD), defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.
- EAD is based on the amounts the Bank expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). For example, for a revolving commitment, the Bank includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.
- LGD represents the Bank's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The Lifetime PD is developed by applying a maturity profile to the current 12M PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis.

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30. Risk management *(continued)*

Credit risk *(continued)*

Expected Credit Loss Measurement *(continued)*

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type. The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. These vary by product type.

The Bank uses a Point-in-Time ("PIT") analysis while having regard to historical loss data and forward looking macro-economic data.

Incorporation of forward-looking information

The Bank incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL. The Bank has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio. The Bank formulates three economic scenarios (base case, best case and worst case). Once an ECL calculation has been developed for each scenario, a weight is applied to each estimate based on the likelihood of occurrence to arrive at a final weighted ECL.

The weighting assigned to each economic scenario as at June 30, 2020 was as follows:

	Base scenario	Upside scenario	Downside scenario
Sovereign exposures (Investments and Note Receivable)	85.00%	8.00%	7.00%
Loans and advances to customers	85.00%	8.00%	7.00%

The weighting assigned to each economic scenario as at June 30, 2019 was as follows:

	Base scenario	Upside scenario	Downside scenario
Sovereign exposures (Investments and Notes Receivable)	80.00%	10.00%	10.00%
Loans and advances to customers	80.00%	9.78%	10.22%

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30. Risk management *(continued)*

Credit risk *(continued)*

Maximum Exposure to Credit Risk

For financial assets recognised on the consolidated statement of financial position, the exposure to credit risk equals their carrying amount. For standby letters of credit, the maximum exposure to credit risk is the maximum amount that the Bank would have to pay if the standby letters of credit are called upon. For mortgage commitments and revolving credit lines that are irrevocable over the life of the respective facilities, the maximum exposure to credit risk is the full amount of the committed facilities. The following table contains an analysis of the credit risk exposure of financial assets for which an ECL allowance is recognised. The gross carrying amount of the financial assets represents the Bank's maximum exposure to the credit risk of these assets.

	Stage 1	Stage 2	Stage 3	Total 2020	Total 2019
Loans and accrued interest receivable	$ 261,687,414	$ 91,402,325	$ 83,361,222	$ 436,450,961	$ 402,575,295
Business and personal overdrafts	288,204	63,180	347,604	698,988	1,883,979
Credit cards	611,179	767,164	184,868	1,563,211	1,227,754
	262,586,797	92,232,669	83,893,694	438,713,160	405,687,028
Note receivable	$ -	$ 167,700,000	$ -	$ 167,700,000	$ 167,700,000
Investment securities	$ -	$ 47,957,388	$ -	$ 47,957,388	$ 98,101,320

Transfers between Stages

At each reporting date, the Bank assesses whether the credit risk on its financial assets has increased significantly since initial recognition. The assessment of whether an asset is in Stage 1 or 2 considers the relative change in the probability of default occurring over the expected life of the instrument and is not assessed based on the change in the amount of the expected credit losses. This involves setting quantitative tests combined with additional indicators such as credit risk classification and other observable inputs.

Transfers between Stages 1 and 2 are based on the assessment of significant increases in credit risk relative to initial recognition. The impact of moving from 12-month expected credit losses to lifetime expected credit losses, or vice versa, varies by portfolio and is dependent on the expected remaining life at the date of the transfer. Stage transfers may result in significant fluctuations in the Bank's expected credit losses.

Movement in Impairment Allowances by Stage

The impairment allowance recognised in the period is impacted by a variety of factors, including but not limited to:

• Transfers between Stage 1 and 2 or 3 due to financial assets experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and lifetime ECL;

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30. Risk management *(continued)*

Credit risk *(continued)*

• Additional allowances for new financial assets recognised during the period, as well as releases for financial assets derecognised in the period;

• Impact on the measurement of ECL due to changes in PDs, EADs, and LGDs in the period, arising from regular refreshing of inputs to the model;

• Impacts on the measurement of ECL due to changes made to models and assumptions; and

• Financial assets derecognised during the period and write-offs of allowances related to the assets that were written off during the period.

The following table explains the changes in the impairment allowance by portfolio between the beginning and the end of the annual period due to these factors.

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total 2020	Total 2019
Investment securities at amortised cost:					
Gross carrying amount	$ -	$ 47,957,388	$ -	$ 47,957,388	$ 98,101,320
Loss allowance	-	(1,486,448)	-	(1,486,448)	(26,500)
Carrying amount	$ -	$ 46,470,940	$ -	$ 46,470,940	$ 98,074,820

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total 2020	Total 2019
Investment securities at amortised cost:					
Gross carrying amount as at July 1, 2019	98,101,320	-	-	98,101,320	62,475,000
Transfers:					
Transfer from Stage 1 to Stage 2	(41,811,920)	41,811,920	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-	-
Transfer from Stage 2 to Stage 1	-	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-	-
New financial assets originated or purchased	-	6,204,300	-	6,204,300	98,385,330
Financial assets fully derecognized during the period	(56,289,400)	-	-	(56,289,400)	(50,779,819)
Changes in principal and interest	-	(58,832)	-	(58,832)	(11,979,191)
Foreign exchange adjustment	-	-	-	-	-
Gross carrying amount as at June 30, 2020	$ -	$ 47,957,388	$ -	$ 47,957,388	$ 98,101,320

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30. Risk management *(continued)*

Credit risk *(continued)*

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total 2020	Total 2019
Investment securities at amortised cost:					
Loss Allowance as at July 1, 2019	26,500	-	-	26,500	26,500
Transfers:					
Transfer from Stage 1 to Stage 2	(22,466)	22,466	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-	-
Transfer from Stage 2 to Stage 1	-	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-	-
New financial assets originated or purchased	-	151,484	-	151,484	16,907
Financial assets fully derecognized during the period	(4,034)	-	-	(4,034)	(20,436)
Changes to inputs used in ECL calculation	-	1,312,498	-	1,312,498	3,529
Foreign exchange adjustment	-	-	-	-	-
Loss Allowance as at June 30, 2020	$ -	$ 1,486,448	$ -	$ 1,486,448	$ 26,500

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total 2020	Total 2019
Loans and advances to customers at amortised cost:					
Gross carrying amount	$ 262,586,797	$ 92,232,669	$ 83,893,694	$ 438,713,160	$ 405,687,028
Loss allowance	(9,056,335)	(6,862,485)	(52,343,892)	(68,262,712)	(61,505,934)
Carrying amount	$ 253,530,462	$ 85,370,184	$ 31,549,802	$ 370,450,448	$ 344,181,094

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Year ended June 30, 2020
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30. Risk management *(continued)*

Credit risk *(continued)*

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total 2020	Total 2019
Loans and advances to customers at amortised cost:					
Gross carrying amount as at July 1, 2019	260,040,190	58,315,266	87,331,572	405,687,028	417,139,072
Transfers:					
Transfer from Stage 1 to Stage 2	(33,609,400)	33,609,400	-	-	-
Transfer from Stage 1 to Stage 3	(5,727,638)	-	5,727,638	-	-
Transfer from Stage 2 to Stage 1	12,387,954	(12,387,954)	-	-	-
Transfer from Stage 2 to Stage 3	-	(4,124,544)	4,124,544	-	-
Transfer from Stage 3 to Stage 1	541,948	-	(541,948)	-	-
Transfer from Stage 3 to Stage 2	-	757,340	(757,340)	-	-
New financial assets originated or purchased	68,138,294	2,922,616	2,928,903	73,989,813	70,013,755
Financial assets fully derecognized during the period	(29,348,701)	(6,767,562)	(13,656,465)	(49,772,728)	(69,149,597)
Changes in principal and interest	(9,835,850)	19,908,107	(1,263,210)	8,809,047	(12,316,202)
Foreign exchange adjustment	-	-	-	-	-
Gross carrying amount as at June 30, 2020	$ 262,586,797	$ 92,232,669	$ 83,893,694	$ 438,713,160	$ 405,687,028

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total 2020	Total 2019
Loans and advances to customers at amortised cost:					
Loss Allowance as at July 1, 2019	4,441,950	3,842,090	53,221,894	61,505,934	66,741,651
Transfers:					
Transfer from Stage 1 to Stage 2	(2,593,631)	2,593,631	-	-	-
Transfer from Stage 1 to Stage 3	(613,644)	-	613,644	-	-
Transfer from Stage 2 to Stage 1	1,530,225	(1,530,225)	-	-	-
Transfer from Stage 2 to Stage 3	-	(837,734)	837,734	-	-
Transfer from Stage 3 to Stage 1	196,247	-	(196,247)	-	-
Transfer from Stage 3 to Stage 2	-	143,835	(143,835)	-	-
New financial assets originated or purchased	3,252,741	1,253,828	2,009,747	6,516,316	1,277,062
Financial assets fully derecognized during the period	(1,085,011)	(220,541)	(8,810,284)	(10,115,836)	(11,408,351)
Changes to inputs used in ECL calculation	3,927,458	1,617,601	4,811,239	10,356,298	4,895,572
Foreign exchange adjustment	-	-	-	-	-
Loss Allowance as at June 30, 2020	$ 9,056,335	$ 6,862,485	$ 52,343,892	$ 68,262,712	$ 61,505,934

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30. Risk management *(continued)*

Credit risk *(continued)*

ECL sensitivity analysis

Set out below are changes to the Bank's ECL as at June 30, 2020 and 2019 that would result from reasonably possible changes in these parameters from the actual assumptions used by the Bank as key ECL drivers.

	2020 ECL Impact of		
	Change in	Increase in	Decrease in
Collateral haircut	threshold	ECL allowance	ECL allowance
Loans and advances to customers	(+/- 5)%	3,697,156	3,445,750

	2019 ECL Impact of		
	Change in	Increase in	Decrease in
Collateral haircut	threshold	ECL allowance	ECL allowance
Loans and advances to customers	(+/- 5)%	3,731,660	3,524,943

COVID-19 impact

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, 2020. Subsequent changes to these forecast and related estimates will be reflected in the provision for loan losses in future periods. The base scenario reflects a sharp decline in economic activity during the last quarter followed by a partial recovery subsequent to the Bank's fiscal year end.

The following provides additional detail about the Bank's forecasts for certain key macroeconomic variables used in the ECL calculation:
- Unemployment rate is at its highest as at June 30, 2020;
- Gross Domestic Product (GDP) hit historical low during the last quarter;
- Moody's downgraded the Bahamas' credit rating to below investment grade;
- Credit portfolio related to the Tourism sector had the most immediate impact of the pandemic.

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, the Bank temporarily extended the credit terms by up to 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.

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30. Risk management *(continued)*

Foreign exchange risk

The Bank holds assets and liabilities denominated in currencies other than Bahamian dollars, the measurement currency of the Bank. Consequently, the Bank is exposed to foreign exchange risk since the values of the assets and liabilities denominated in other currencies will fluctuate due to changes in exchange rates. The Bank manages these positions by matching assets with liabilities wherever possible. The table below summarizes the Bank's exposure to foreign currency exchange risk at June 30, 2020 and 2019. Included in the table are the Bank's financial instruments at carrying amounts, categorized by currency.

Concentrations of currency risk

					2020						
In ($000s)		**B$**		**US$**		**CAD$**		**GBP£**		**Other**	**Total**
Assets											
Cash, cash equivalents and Central Bank balances	$	147,907	$	56,859	$	261	$	1	$	1,051	$ 206,079
Financial assets - FVOCI		-		3,044		-		-		-	3,044
Financial assets - held to collect		46,471		-		-		-		-	46,471
Loans and advances, net		361,555		8,895		-		-		-	370,450
Note receivable		162,803		-		-		-		-	162,803
Total financial assets	$	718,736	$	68,798	$	261	$	1	$	1,051	$ 788,847
Liabilities											
Deposits from customers and banks	$	607,908	$	24,481	$	50	$	19	$	367	$ 632,825
Cheques and other items in transit		2,360		1,102		115		83		2	3,662
Lease liabilities		4,074		-		-		-		-	4,074
Total financial liabilities	$	614,342	$	25,583	$	165	$	102	$	369	$ 640,561
Net financial position	**$**	**104,394**	**$**	**43,215**	**$**	**96**	**$**	**(101)**	**$**	**682**	**$ 148,286**

					2019						
In ($000s)		**B$**		**US$**		**CAD$**		**GBP£**		**Other**	**Total**
Total financial assets	$	717,270	$	74,877	$	310	$	1	$	1,288	$ 793,746
Total financial liabilities		593,994		28,021		323		107		374	622,819
Net financial position	**$**	**123,276**	**$**	**46,856**	**$**	**(13)**	**$**	**(106)**	**$**	**914**	**$ 170,927**

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30. Risk management *(continued)*

Operational risk

Operational risk relates to the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. It is mitigated by documented policies and procedures, staff training and a risk-based internal audit regime.

Interest rate risk

Interest rate risk is the potential for a negative impact on the consolidated statement of financial position and/or consolidated statement of comprehensive income or loss arising from adverse changes in the value of financial instruments as a result of changes in interest rates.

Interest rate sensitivity or interest rate risk results from differences in the maturities or re-pricing dates of assets and liabilities. Interest rate risk exposures or "gaps" may produce favorable or unfavorable effects on interest margins depending on the nature of the gap and the direction of interest rate movement and/or the expected volatility of those interest rates. Interest rate gaps are carefully monitored, and scenario tests are performed to determine the potential impact of various gap exposures. When assets have a shorter average maturity than liabilities, an increase in interest rates would have a positive impact on net interest margins, and conversely, if more liabilities than assets mature or are repriced in a particular time interval then a negative impact on net interest margin would result. The consolidated gap position shows more assets than liabilities repriced in periods greater than one year. This is a typical position for a financial institution with a large personal customer base.

The Bank analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration changes in interest rates. Based on these scenarios, the Bank calculates the impact on profit and loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. Based on the simulations performed, the impact on net income and consequently shareholders' equity of a 100-basis point shift would be a maximum increase or decrease of $1.5 million (2019: $1.7 million).

Liquidity risk

Liquidity risk is the potential for loss if the Bank is unable to meet financial commitments in a timely manner at reasonable prices as they fall due. Financial commitments include liabilities to depositors and suppliers, and lending, pledging and investment commitments. Managing liquidity and funding risk is essential to maintaining both depositor confidence and stability in earnings.

The Bank maintains a portion of its deposits in cash and other liquid assets to mitigate this risk. On a daily basis, the Bank monitors its cash and other liquid assets to check that they sufficiently meet the Bank's requirements. In addition, the Bank performs regular gap analyses showing the maturity exposure arising from the different maturity of assets and liabilities. As is the case throughout the sector, those gap analyses show that the Bank is liability-sensitive in the short term. Regular scenario tests are performed to determine the extent to which the Bank can withstand unforeseen withdrawals and the cost associated with meeting such demands should they arise.

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30. Risk management *(continued)*

Liquidity risk *(continued)*

There is still uncertainty over how the COVID-19 pandemic will impact the Bank's liquidity position. However, based on the Bank's liquidity position as at the date of authorization of these consolidated financial statements, management believes that the Bank has sufficient funding to meet its financial obligations.

The following tables summarize the carrying amount of consolidated financial assets and liabilities of the Bank into relevant maturity groupings based on the remaining period at the consolidated statement of financial position date to the contractual maturity date. The actual maturity dates could be significantly different from the amounts in the table.

2020									
In ($000s)		Within 3 months		3-12 months		1-5 years		Over 5 years		Total
Cash and cash equivalents	$	206,079	$	-	$	-	$	-	$	206,079
Investment securities, net		725		7,796		17,804		23,190		49,515
Loans and advances to customers, net		18,690		10,165		48,032		293,563		370,450
Note receivable, net		-		-		162,803		-		162,803
Total financial assets	$	225,494	$	17,961	$	228,639	$	316,753	$	788,847

In ($000s)		Within 3 months		3-12 months		1-5 years		Over 5 years		Total
Deposits from customers and banks	$	484,916	$	93,168	$	44,637	$	10,104	$	632,825
Cheques and other items in transit		3,662		-		-		-		3,662
Lease liabilities		356		1,019		2,597		102		4,074
Total financial liabilities	$	488,934	$	94,187	$	47,234	$	10,206	$	640,561
Net position	$	(263,440)	$	(76,226)	$	181,405	$	306,547	$	148,286

2019										
In ($000s)		Within 3 months		3-12 months		1-5 years		Over 5 years		Total
Total financial assets	$	222,146	$	41,151	$	235,712	$	294,737	$	793,746
Total financial liabilities		450,298		117,241		32,713		22,567		622,819
Net position	$	(228,152)	$	(76,090)	$	202,999	$	272,170	$	170,927

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31. Subsidiaries

Subsidiaries of the Bank as at June 30, 2020 are as follows:

Name	Place of Incorporation	Shareholding	Nature of business
Multi-Card Services Ltd.	Commonwealth of The Bahamas	100%	Card processing and services
West Bay Property Holdings Ltd.	Commonwealth of The Bahamas	100%	Investment Property
BAHTCO Holdings Ltd.	Commonwealth of The Bahamas	100%	Nominee Holding Company
BOB Property Holdings	Commonwealth of The Bahamas	100%	Property Holding

On April 14, 2020, the Bank's Board of Directors approved the dissolution and winding up of the Trust (Note 26) and BAHTCO. Subsequent to June 30, 2020, the Bank filed for the dissolution of these subsidiaries.

NOTES

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Carmichael Road Branch staff photos courtesy of Open Current

Bank of The Bahamas
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