

BANK OF THE BAHAMAS LIMITED
Unaudited Condensed Consolidated Financial Statements
For the Period Ended March 31, 2020

BANK OF THE BAHAMAS LIMITED

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at March 31, 2020 with comparative figures as at June 30, 2019

(Expressed in Bahamian Dollars)

	March 31, 2020	June 30, 2019
ASSETS		
Cash and account with The Central Bank	\$ 114,313,335	\$ 69,524,170
Cash equivalents - Treasury Bills	104,603,248	49,917,360
Due from banks	56,894,329	61,686,033
Investment securities, net	50,406,046	100,809,968
Loans and advances to customers, net	376,261,700	344,181,094
Investment property	6,463,000	6,463,000
Other assets	12,094,679	10,682,478
Property and equipment, net	7,281,003	4,768,982
Right-of-use assets	4,135,294	-
Computer software, net	2,259,582	2,453,615
Notes receivable, net	167,626,500	167,626,500
TOTAL	\$ 902,338,716	\$ 818,113,200
LIABILITIES		
Deposits from customers and banks	\$ 690,768,132	\$ 615,852,515
Other liabilities	37,848,868	35,265,030
Lease liabilities	4,634,179	-
Deferred loan fees	5,997,794	5,480,315
Total liabilities	739,248,973	656,597,860
EQUITY		
Share capital	42,610,505	42,610,505
Share premium	81,950,384	81,950,384
Treasury shares	(1,318,224)	(1,318,224)
Reserves	2,240,914	2,512,459
Special retained earnings	172,122,932	172,122,932
Accumulated deficit	(134,516,768)	(136,362,716)
Total equity	163,089,743	161,515,340
TOTAL	\$ 902,338,716	\$ 818,113,200

BANK OF THE BAHAMAS LIMITED

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended March 31, 2020
with comparatives for the nine months ended March 31, 2019
(Expressed in Bahamian Dollars)

	Three Months		Nine Months	
	2020	2019	2020	2019
Interest and similar income	\$ 9,995,282	\$ 8,550,765	\$ 29,110,796	\$ 26,385,746
Interest and similar expense	(1,659,738)	(1,925,245)	(5,266,340)	(6,206,966)
Net interest income	<u>8,335,544</u>	<u>6,625,520</u>	<u>23,844,456</u>	<u>20,178,780</u>
Fees and commission income	1,894,979	2,265,672	6,140,252	6,210,688
Fees and commission expense	(99,071)	(84,022)	(276,471)	(299,530)
Net fees and commission income	<u>1,795,908</u>	<u>2,181,650</u>	<u>5,863,781</u>	<u>5,911,158</u>
Other operating income	1,148,108	1,242,554	3,737,043	3,437,821
Total operating income	11,279,560	10,049,724	33,445,280	29,527,759
Credit (loss)/recovery expense, net	(2,659,686)	1,321,650	(7,737,453)	(789,607)
Net operating income	<u>8,619,874</u>	<u>11,371,374</u>	<u>25,707,827</u>	<u>28,738,152</u>
Operating expenses	(8,539,171)	(15,410,517)	(23,403,930)	(28,947,756)
Net income/(loss)	<u>80,703</u>	<u>(4,039,143)</u>	<u>2,303,897</u>	<u>(209,604)</u>
Other comprehensive income				
Movement in fair value: equity investments at FVOCI	(497,701)	382,180	(271,545)	105,187
Total comprehensive income/(loss) for the period	<u>\$ (416,998)</u>	<u>\$ (3,656,963)</u>	<u>\$ 2,032,352</u>	<u>\$ (104,417)</u>
EARNINGS PER SHARE CALCULATION:				
NET INCOME/(LOSS)	\$ 80,703	\$ (4,039,143)	\$ 2,303,897	\$ (209,604)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES	42,959,494	42,959,494	42,959,494	42,959,494
EARNINGS/(LOSS) PER SHARE	<u>\$ 0.00</u>	<u>\$ (0.09)</u>	<u>\$ 0.05</u>	<u>\$ (0.00)</u>

BANK OF THE BAHAMAS LIMITED

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended March 31, 2020

with comparatives for the nine months ended March 31, 2019

(Expressed in Bahamian Dollars)

	Share Capital	Share Premium	Treasury Shares	Reserves	Special Retained Earnings	Accumulated Deficit	Total
Balance at June 30, 2018	\$ 57,860,505	\$ 81,950,384	\$ (1,318,224)	\$ 6,133,678	\$ 172,122,932	\$ (138,900,256)	\$ 177,849,019
IFRS 9 Adjustments	-	-	-	(4,000,000)	-	(659,234)	(4,659,234)
<i>Total comprehensive income:</i>							-
Net loss for the period	-	-	-	-	-	(209,604)	(209,604)
<i>Other comprehensive income:</i>							
Movement in fair value: equity investments at FVOCI	-	-	-	105,187	-	-	105,187
<i>Transactions with owners of the Bank:</i>							
Redemption of preference shares	(15,250,000)	-	-	-	-	-	(15,250,000)
Dividends on preference shares	-	-	-	-	-	(3,176,938)	(3,176,938)
Balance at March 31, 2019	\$ 42,610,505	\$ 81,950,384	\$ (1,318,224)	\$ 2,238,865	\$ 172,122,932	\$ (142,946,032)	\$ 154,658,430
Balance at June 30, 2019	\$ 42,610,505	\$ 81,950,384	\$ (1,318,224)	\$ 2,512,459	\$ 172,122,932	\$ (136,362,716)	\$ 161,515,340
IFRS 16 Adjustments	-	-	-	-	-	(457,949)	(457,949)
<i>Total comprehensive income:</i>							-
Net income for the year	-	-	-	-	-	2,303,897	2,303,897
<i>Other comprehensive income:</i>							
Movement in fair value: equity investments at FVOCI	-	-	-	(271,545)	-	-	(271,545)
Balance at March 31, 2020	\$ 42,610,505	\$ 81,950,384	\$ (1,318,224)	\$ 2,240,914	\$ 172,122,932	\$ (134,516,768)	\$ 163,089,743

BANK OF THE BAHAMAS LIMITED

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine months ended March 31, 2020
with comparatives for the nine months ended March 31, 2019
(Expressed in Bahamian Dollars)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income/(loss)	\$ 2,303,897	\$ (209,604)
Adjustments for:		
Depreciation and amortization	567,665	422,798
Net provision for loan losses	7,737,453	789,607
	<u>10,609,015</u>	<u>1,002,801</u>
Change in operating assets and liabilities	66,023	16,270,243
(Increase)/decrease in loans and advances to customers, net	(39,818,059)	20,310,056
Increase/(decrease) in deposits from customers and banks	74,915,617	(10,274,268)
Non-cash change in right-of-use assets and lease liabilities	40,936	-
Net cash provided by operating activities	<u>45,813,532</u>	<u>27,308,832</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	(2,855,514)	(2,663,441)
Acquisition of computer software	(30,139)	(22,517)
Purchase of investment securities	(6,204,300)	(38,503,800)
Proceeds from maturity of investment securities	56,289,400	10,547,400
Net cash provided by/(used in) investing activities	<u>47,199,447</u>	<u>(30,642,358)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Redemption of preference shares	-	(15,250,000)
Dividends on preference shares	-	(1,546,250)
Net cash used in financing activities	<u>-</u>	<u>(16,796,250)</u>
Net increase/(decrease) in cash and cash equivalents	93,012,979	(20,129,776)
Cash and cash equivalents, beginning of year	157,479,873	198,201,124
Cash and cash equivalents, end of year	<u>\$ 250,492,852</u>	<u>\$ 178,071,348</u>
SUPPLEMENTAL INFORMATION:		
Interest received	\$ 29,275,050	\$ 37,205,856
Interest paid	5,865,508	6,186,253
Dividends paid	-	1,546,250

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

For the period ended March 31, 2020
(Expressed in Bahamian Dollars)

1. General Information

Bank of The Bahamas Limited (the “Bank”), is incorporated under the laws of The Commonwealth of The Bahamas, and is licensed by The Central Bank of the Bahamas to conduct banking business in The Bahamas under the provisions of the Banks and Trust Companies Regulations Act 2000. The Bank is also licensed as an authorized dealer pursuant to the Exchange Control Regulations Act and is the holder of a broker dealer license from the Securities Commission.

The Bank’s shares are publicly traded and listed on The Bahamas International Securities Exchange. As at March 31, 2020, The Government of The Commonwealth of The Bahamas (the “Government”) and The National Insurance Board (“NIB”) owned approximately 82.6% of the issued common shares. The remaining common shares are owned by approximately 3,000 Bahamian shareholders.

The Bank’s head office is located at Claughton House, corner of Shirley Street and Charlotte Street, Nassau, Bahamas. The registered office is located at Sassoon House, corner of Shirley Street and Victoria Avenue, Nassau, Bahamas.

As at March 31, 2020, the Bank has twelve branches: four in New Providence, one in Grand Bahama, two in Andros, one in San Salvador, one in Inagua, one in Cat Island, one in Eleuthera and one in Bimini.

2. Significant Accounting Policies

The significant accounting policies and methods of computation followed in the preparation of these interim consolidated financial statements are the same as those followed in the preparation of the annual consolidated financial statements of the Bank for the year ended June 30, 2019, with the exception of those impacted by new and amended standards as discussed below. These consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting.

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

For the period ended March 31, 2020
(Expressed in Bahamian Dollars)

2. Significant Accounting Policies *(continued)*

The annual consolidated financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”). The preparation of the consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank’s accounting policies.

Significant Changes in Accounting Policies

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

The Bank adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of July 1, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of the initial application, amounting to \$0.5 million, being charged to opening retained earnings.

3. Dividends

Dividends to the Bank’s shareholders are recognized as a liability in the period in which they are declared by the Board of Directors and approved by the Bank’s Regulator. The Bank paid no dividends to the shareholders during the period.

BANK OF THE BAHAMAS LIMITED
Selected Explanatory Notes to the Unaudited Condensed Consolidated Financial
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For the period ended March 31, 2020
(Expressed in Bahamian Dollars)

4. Cash and Cash Equivalents

	March 31, 2020	June 30, 2019
Cash	\$ 19,349,676	\$ 13,438,650
Deposits with the Central Bank- non-interest bearing	94,963,659	56,085,520
Cash and account with the Central Bank	<u>114,313,335</u>	<u>69,524,170</u>
Cash equivalents - Treasury Bills	104,603,248	49,917,360
Due from Banks	<u>56,894,329</u>	<u>61,686,033</u>
Cash and due from Banks	275,810,912	181,127,563
Less: Mandatory reserve deposits with the Central Bank	<u>25,318,060</u>	<u>23,647,690</u>
Total cash and cash equivalents	<u>\$ 250,492,852</u>	<u>\$ 157,479,873</u>

As at March 31, 2020 the Bank's statutory reserve deposits with The Central Bank of The Bahamas were above Central Bank's regulatory requirement.

BANK OF THE BAHAMAS LIMITED
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For the period ended March 31, 2020
(Expressed in Bahamian Dollars)

5. Loans and advances to customers, net

	March 31, 2020	June 30, 2019
Mortgage residential loans	\$ 214,037,150	\$ 227,896,943
Mortgage commercial loans	12,353,878	13,377,196
Commercial loans	71,119,026	75,384,501
Consumer loans	101,510,266	75,320,834
Government	37,786,348	9,122,065
Credit cards	1,568,941	1,227,754
Business overdrafts	600,181	1,377,502
Personal overdrafts	165,489	504,990
	439,141,279	404,211,785
Less: Provision for loan losses		
Provision at beginning of year	\$ 61,505,934	\$ 65,649,984
IFRS 9 Adjustment	-	1,091,667
Amount written-off	(4,293,057)	(6,959,004)
Net provision charged to expense	7,737,453	1,723,287
Provision at end of period	64,950,330	61,505,934
Accrued interest receivable	2,070,751	1,475,243
Loans and advances to customers, net	\$ 376,261,700	\$ 344,181,094
Provisions as a percentage of the net loan portfolio	17.26%	17.87%
Non-accrual loans as a percentage of the net loan portfolio	23.26%	25.37%

BANK OF THE BAHAMAS LIMITED

Selected Explanatory Notes to the Unaudited Condensed Consolidated Financial Statements

For the period ended March 31, 2020
(Expressed in Bahamian Dollars)

6. Notes Receivable and Special Retained Earnings

On August 31, 2017, Bahamas Resolve Limited (“Resolve”), a special purpose vehicle owned and controlled by the Government, purchased another portfolio of loans from the Bank at a price equivalent to the gross book value of those loans before provisions. This transaction consisted of three tranches and the results are as follows:

- Non-performing loans with a total net book value of approximately \$50.6 million was derecognized. Unsecured promissory note of \$167.7 million was received and \$117.1 million was recognized directly in equity as Special Retained Earnings.
- The Bank has transferred all of its rights and obligations relating to the non-performing loans to Resolve without recourse and will have no rights to future cash flows from the non-performing loans.
- The Bank received an irrevocable Letter of Support from the Government.
- The promissory note bears fixed interest at 3.5%, payable semi-annually on February 28 and August 31, commencing in August 2018. The Bank received the semi-annual interest payments of \$2.9 million, \$2.0 million and \$0.9 million in September 2019, February 2020 and April 2020, respectively. Accrued interest receivable as at March 31, 2020 amounted to \$1,423,875 (June 30, 2019: \$1,956,500).
- Provision for impairment losses amounted to \$73,500 as at March 31, 2020 and June 30, 2019.

7. Regulatory Capital

Regulatory capital consists of Tier 1 and Tier 2 capital. Total Tier 1 capital comprises of Common Equity Tier 1. CET1 ratio must be at least 9.6% of the total Risk Weighted Assets. The Bank is in compliance with this capital requirement at 40.4% as at March 31, 2020 (June 30, 2019: 41.8%).

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

For the period ended March 31, 2020
(Expressed in Bahamian Dollars)

8. Commitments and Contingencies

Commitments

The commitment for loans and advances at March 31, 2020 was \$4,999,516 (June 30, 2019: \$4,598,154).

Contingencies and Provision

The Bank operates in a regulatory and legal environment that, by nature, has a heightened element of litigation risk inherent in its operations. As a result, the Bank is involved in various litigation proceedings in the ordinary course of its business. The Bank has internal and external legal counsel, and formal controls and policies for managing legal claims. With the benefit of professional legal advice, the Bank provides and/or discloses amounts in accordance with its accounting policies.

As at the period end, the Bank had several ongoing legal claims. Various legal proceedings are pending that challenge certain actions of the Bank. Most of these proceedings are loan-related and are reactions to steps taken by the Bank to collect delinquent loans and enforce its rights against collateral securing such loans. Management considers that adequate provision has been made in these financial statements for any loss that might ultimately be determined.

9. Discontinued Operations

In November 2019, the Bank publicly announced that it sold its trust business to a local company and the Bank recorded \$541,716 as other operating income. Included in the Bank's consolidated statement of comprehensive income for the period ended March 31, 2020 is the Net Income for the year from Continuing Operations amounting to \$2,332,862 and Net Loss for the year from Discontinued Operations amounting to \$28,965.