

# 2020

# Annual Report

[www.bahamasdevelopmentbank.com](http://www.bahamasdevelopmentbank.com)



BAHAMAS  
DEVELOPMENT  
BANK



# Contents

Profile	3
Chairman’s Remarks	4
Meet the Board	6
Committees and Meetings	7
Organogram	9
Department Reports	10
Strategic Development and Initiatives	10
Credit Department	17
Governance, Risk, Compliance & Control	19
Legal Department	21
Information Technology	23
Asset Management	24
Credit Risk Operations	26
Credit Bureau	26
Human Resources	26
Financial Statements	32

# Profile

The Bahamas Development Bank (BDB) was established in 1974 under the Bahamas Development Bank Act, as a fully government-backed National Development Bank (NDB), to promote Bahamian ventures in industry, agriculture, tourism, manufacturing, and commercial development. It is mandated to promote economic development and prosperity through the financing of and investment in economically viable projects that create employment, utilize local resources, improve the trade balance, introduce new technologies and skills in the agriculture, fisheries, manufacturing, services, tourism, and transportation sectors in The Bahamas. The BDB Act provides The Bank with broad powers, giving the institution the capacity a wide range of scope and opportunities.

## Our Motto:

Empowering Bahamians for ownership because we’re Bahamians too.

## Our Corporate Vision:

To be the Development Finance Institution of choice for Sustainable Development throughout The Bahamas.

## Our Corporate Mission:

To be the Government’s catalyst in facilitating and stimulating sustainable development through economic expansion and diversification throughout the Commonwealth of The Bahamas.

## Our Core Values:

- We foster trust and integrity with our customers and colleagues.
- We uphold accountability and transparency to our stakeholders.
- We deliver professional and excellent customer service.
- We provide innovative products and services.
- We are adaptable learners, we embrace change.

# Chairman's Remarks

2020 has been a year of unprecedented change for the global community. The Bahamas as a Small Island Developing State, already battered from Hurricane Dorian, is in a uniquely vulnerable position. The Coronavirus has irreversibly changed how business is conducted, heightening the importance of greater national resiliency and self-sustainability. BDB has sought to capitalize on existing opportunities to enhance our ability to support the Bahamian economy in withstanding the challenges of the past few years and to thrive in the wake of these unprecedented events.

Development-oriented finance presents a distinct opportunity to rebuild better with greater resilience. As the National Development Bank, BDB is positioned to act as the catalyst for economic growth through industrial diversification and expansion in a manner that carefully considers issues of financial inclusion, gender equity, youth opportunities, and sustainability.

Over the past 12 months, BDB has continued to build internal resilience through process refinement in tandem with investments in human and technical capacity. The Bank has undergone a rebranding exercise to reflect the dynamism of this institution. The vibrant hummingbird is a pollinator that has a tremendous impact on the productivity of its ecosystem, despite its small size. Similarly, BDB is a catalyst for opportunity and prosperity across our archipelago.

With the support of the Caribbean Development Bank and International Financial Consulting Limited, BDB concluded a Diagnostic Review and outlined our Strategic Plan for 2020-2024. This comprehensive and innovative plan explicitly places development impact on the same level as financial sustainability, as it should be for a National Development Bank. Bahamian economic growth requires technological innovation, new business models, and forward thinking. BDB is meeting this need through a radical expansion of new lending products and a greater focus on infrastructure and housing opportunities.

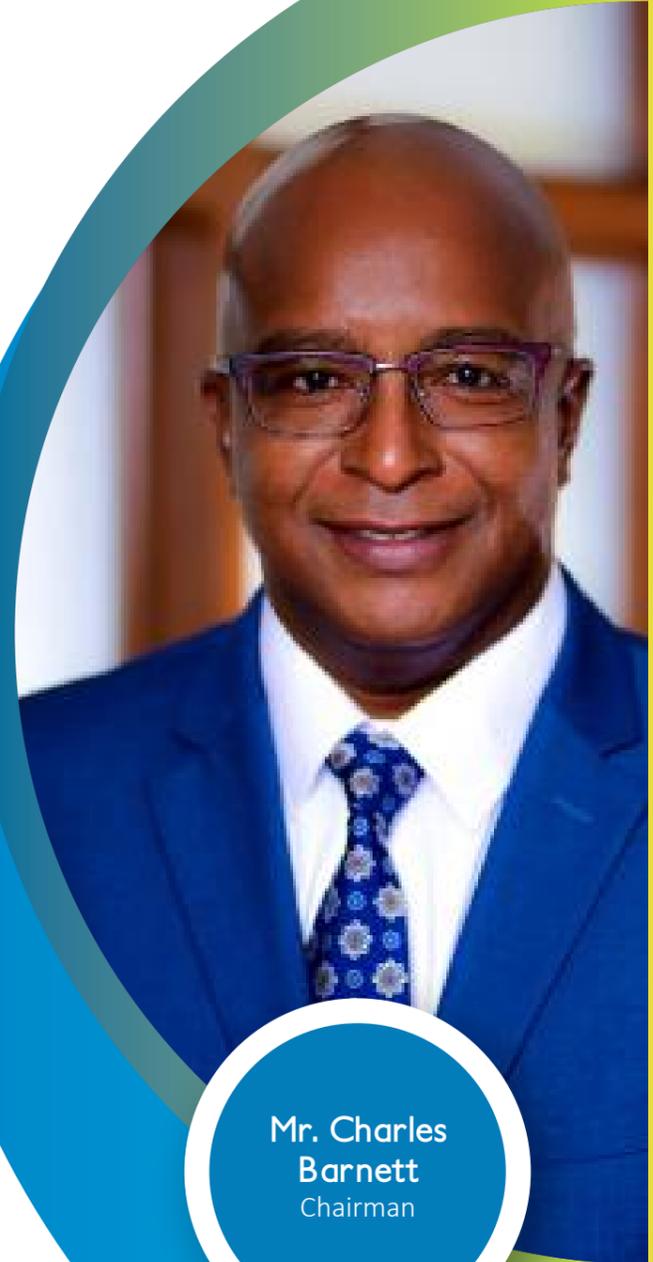
In 2020, BDB continued to work toward strengthening the agribusiness sector by improving access to financing, technical support, and agricultural research. In March, BDB facilitated a training program intended to ready farmers for capital injections for small ruminant production. The Bank also worked to create projects to scale up the production of broiler poultry and live well lobster exports.

Credit Operations focused on minimizing the impact of the dour economic environment on the Bank's loan portfolio,

working with customers to provide relief where possible through changes in lending and repayment terms. The Bank, together with its customers have assessed financing needs to ensure that targeted assistance was available to immediate and future needs. BDB has provided funding directly as well through the Business Continuity Program, which together exceeded \$4.5 million during the year.

The Bank was able to successfully transition to 100% virtual processes in two weeks due to information technology investments in new devices, virtual networks, and technological solutions that ensured effective loan processing during work from home periods. Despite challenges, Asset Recovery and Legal were also relatively successful, with over \$300k in assets recovered. BDB employees were encouraged to enhance their skills during the pandemic through virtual courses and peer-led training sessions.

BDB continues to evolve as needed to meet national needs for recovery and growth while striving to attain financial sustainability as it initiates new programs to enhance its development impact.



Mr. Charles  
Barnett  
Chairman

# Meet the Board

The Bank's Board of Directors is comprised of men and women with various backgrounds all providing guidance and insight to The Bank. The Members were appointed July 2020 and comprised of eight (8) individuals.



**Charles Barnett**  
Chairman



**Anastacia Hepburn**



**Kirvy Ferguson**  
Deputy Chairman



**Don Martin**



**Donna Jones**



**Lowell Burrows**



**Tevin Bannister**



**Dave Smith**

# Committees and Meetings

The Committees of The Board during 2020, were as follows:

Small Business Advisory and Credit Risk Management	Charles Barnett – Chair
Makes recommendations to the Board for loan approvals, credit risk policies, guarantees, private equity transactions, and any other project proposals that they would have reviewed as per Part III Section 12 of the BDB Act.	Anastacia Hepburn Andrew Albury Don Martin Donna Jones Lowell Burrows Tevin Bannister

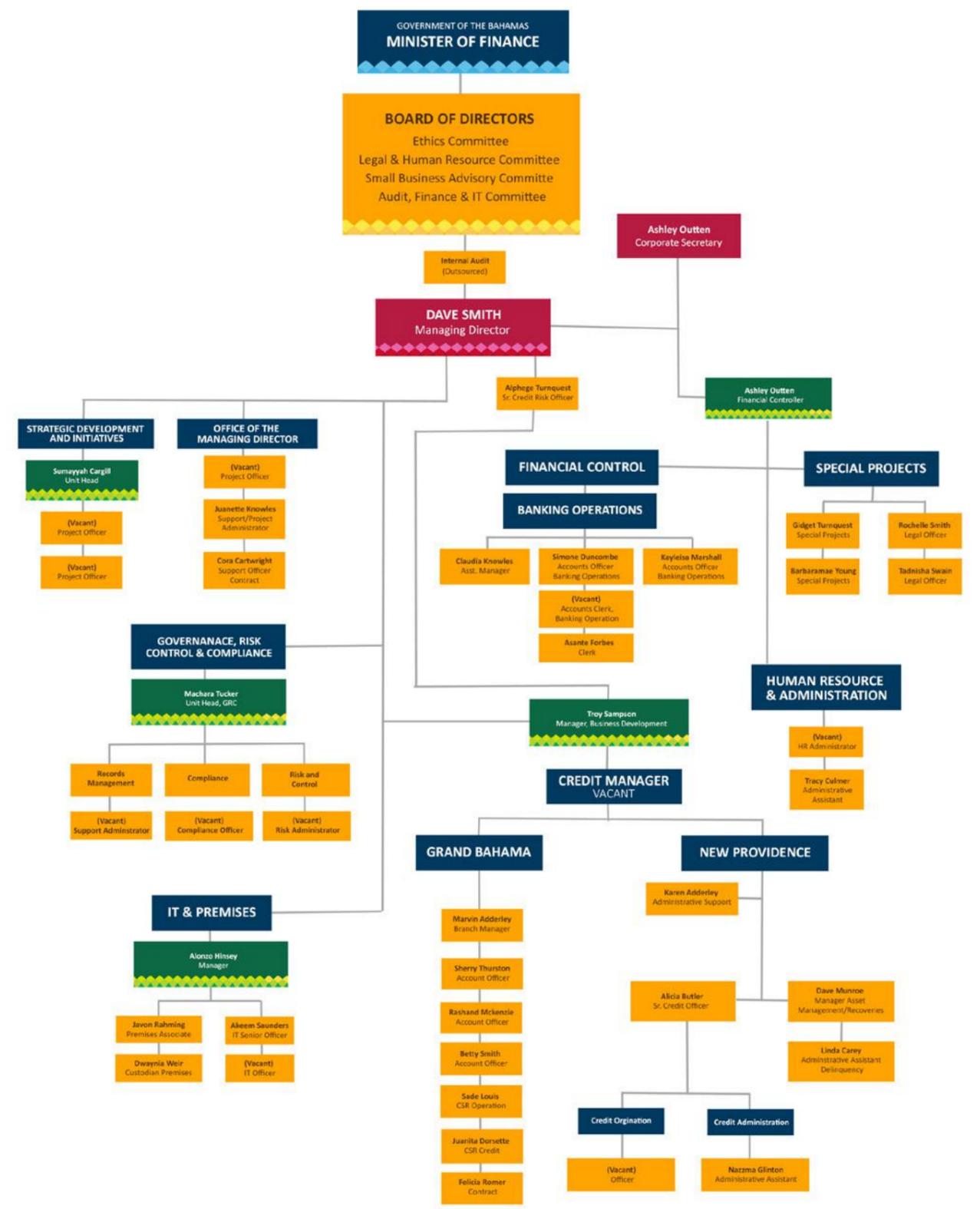
Finance, Audit, Enterprise Risk and IT	Kirvy Ferguson – Chair
<p>Advises the Board of Directors on the soundness of the financial management of BDB by overseeing BDB's standards of integrity and conduct, internal control systems, financial control, and audit processes, including internal audits, the annual financial audit, and any periodic special examination.</p> <p>Advises the Board as a matter of good governance and risk management on how The Bank should anticipate the unexpected and plan to preserve the continuity of business which minimizes disruption of service in situations of calamity or crises.</p> <p>Makes recommendations related to investments and ensures that the Bank's Plan is in compliance with its mandate.</p> <p>Ensures that BDB's key risks are identified and appropriately managed by recommending risk management policies to the Board regarding such key risks as financial, credit, market, strategic investment, and operational.</p>	Anastacia Hepburn Donna Jones Lowell Burrows

Human Resources, Legal and Ethics	Charles Farquharson – Chair HR
<p>Advises the Board of Directors on matters involving legislation affecting the Bank directly or the market where it operates.</p> <p>Ensures that standard form contracts between the Bank and others are consistent with the Act and reflect the best interest of the Bank.</p> <p>Oversees and advises the Board of Directors on corporate policies and strategies related to human resources, including policies governing recruitment, retention, training, compensation, pension plans, and performance management.</p> <p>Advises the Board of Directors on matters involving ethical behavior and legislation affecting the Bank directly or the market where it operates.</p>	Anastacia Hepburn – Chair Andrew Albury Charles Barnett Donna Jones Lowell Burrows

Pension Committee	Kirvy Ferguson – Chair
The Pension Committee makes decisions on questions of policy, principles, and the interpretation relative to the Pension Plan.	Donna Jones Don Martin
The Responsibilities and Functions the Pension Committee include: Guiding the administration of the Plan; Considering revisions of and suggesting amendments to the Plan to The Bank to meet The Bank's policy changes affecting Employee Benefits; Determination of eligibility of participation in the plan and arbitration of differences in interpreting the Plan Rules; Considering and recommending to The Bank questions of policy and principle with respect to funding and investment of funds relative to the Plan; Reviewing and recommending to The Bank and monitoring programs for investment of funds including guidelines and principles to govern future funding; and Ensuring periodic reports on investment performance, liquidity, and overall financial position are reviewed and acted upon where necessary.	

Business Transformation Committee	Tevin Bannister – Chair
Assesses strategic options and projects to diversify The bank's loan portfolio	Andrew Albury Charles Farquharson Donna Jones Lowell Burrows
Assesses innovative industry and technological trends that will drive The bank's portfolio transformation	
Engages with industry professionals to augment decision making processes as it regards to strategic investment decisions to finance innovation in the colored economies (Orange, Green, and Blue)	
Reporting to the board on any committee discussions, recommendations, and conclusion	

# Organogram



# Department Reports

## Strategic Development and Initiatives

### Overview

The Strategic Development and Initiatives Unit (SDI) ensures that The Bank maintains alignment with its Strategic Objectives. The major elements of BDB's new direction are a strengthened commitment to the United Nations Sustainable Development Goals, The Bahamas' National Development Plan, and BDB's 2020 – 2024 Strategic Plan. Much of this work is organized into themes revolving around the Blue, Green, and Orange Economies.

Research and Development, along with stakeholder engagement are key functions of SDI. By building relationships with The Bank's main stakeholders, i.e. financiers, decision-makers, and of course, the Bahamian people, SDI is positioned to address well-defined market problems through interventions that combine creative, concessionary financing with technical assistance. Internally, SDI collaborates with other departments of The Bank to investigate different approaches to maximize BDB's development returns while improving access to finance among youth, female entrepreneurs, and other underserved groups. To support these activities SDI is tasked with seeking out sources of funding for onward financing, and capacity development.

### Completion of The Diagnostic Review and Strategic Plan of 2020 – 2024

The activities of the Diagnostic Review and Strategic Plan Consultancy were concluded in July 2020 with a Stakeholder Meeting held on July 3rd, 2020. A broad section of the public and private sector attended with remarks from Peter Blackman, Private Sector Representative of the Caribbean Development Bank, The Financial Secretary, BDB Chairman, and BDB Managing Director. Participants in the meeting included numerous public and private stakeholders. Both the Strategic Plan and the event highlighted the opportunity for broader use of the powers under the BDB Act to create a powerful mechanism for national development including alternative models to Foreign Led Direct Investment. BDB's ability to raise capital, channel international financing and localize global projects were highlighted.

### Funding Exploration

BDB's improved fiscal position has increased The Bank's ability to borrow at lower rates from other development banks compared to what we are currently receiving as a country on the international debt markets. These funds can then be put to work to the benefit of Bahamians, on tangible, income-bearing investments, in businesses, infrastructure, and housing, in alignment with international and national development objectives such as the Sustainable Development Goals and the National Development Plan. To support the execution of the Strategic Plan, BDB held exploratory discussions with the Caribbean Development Bank (CDB) regarding recapitalization. The CDB advised that with the support of The Minister of Finance, financing would be possible.

In December 2020, The Bank attended meetings hosted by The Ministry of Environment and Housing and the Caribbean Community Climate Change Center (5Cs) to determine which entity would be appropriate to serve as the National Direct Access (NDA) Agency of the Green Climate Fund (GCF) for The Bahamas. A preliminary systems assessment was completed and The Bahamas Development Bank was selected.

### Community Poultry Project

In partnership with private sector experts, The Bahamas Development Bank developed the Community Poultry Project to establish a mechanism to support small-scale broiler production across the country. This project proposes to develop a Central

Poultry Unit (CPU) and to provide lending for seven smaller capacity (about 3,000) turnkey grow houses as part of a pilot poultry development project on New Providence. The CPU will be manned by highly trained staff in live production and animal nutrition that offer training, coordinate input logistics for the grow houses, provide technical support, oversee the processing, marketing, and selling of the birds while also enforcing health and safety standards. It will also sell chicks to growers outside of BDB grow house lending programs (nonaffiliated) and offer processing as a service to growers who may have a small number of birds. The project will ultimately allow smaller growers across the country to benefit from economies of scale by coordinating the aspects of poultry in such a manner that costs are reduced for all growers. Once established, it will extend sales of consistent feed, chicks, and technical assistance to growers in the Family Islands. The Bank will, therefore, more easily be able to lend to smaller poultry growers as the CPU can provide the support infrastructure that ensures good outcomes.

Compared to the industrial farming model, the program emphasizes small-scale food producers, increases the productivity of small farmers, expands direct market access, utilizes smaller land plots, and distributes the benefits of the industry. Given the capital requirements for a poultry startup, without this support, it is unlikely that small broiler producers would be competitive in the market. The choice for the country is whether to continue the pattern of centralized large producers who have high failure rates due to market forces, poor planning, and/or hurricanes or to build a resilient, distributed poultry industry that supports Bahamian farmers on multiple islands. Food security will also be improved through a greater distribution of poultry production in the event that there is market disruption not only within the country but also between islands. In February 2020, The Bank held a virtual town hall with over 80 participants to discuss the program. Subsequently, over 30 persons signed up to participate in the program.

### Small Ruminant Revitalization Project

The Small Ruminant Revitalization Program (SRRP) is a collaboration between The Bahamas Development Bank, The Ministry of Agriculture and Marine Resources (MAMR), and the Caribbean Agricultural Research & Development Institute (CARDI). SRRP is intended to increase the flock of sheep and goats throughout The Bahamas. The objective of the program is to create at least 10 new small ruminant farms on each island.

In March of 2020, The Bank held a workshop that introduced participants to the basic principles of small ruminant production including climate-smart small ruminant housing, herd health management, and tools and equipment necessary for small ruminant production as well as the available options for feeding small ruminants for optimal production and breeding. Dr. Michelle Singh was the primary presenter for the workshop.



## Apiary Program

The Apiary Program is a joint effort between the Ministry of Grand Bahama, the Inter-American Institute for Cooperation of Agriculture (IICA), and The Bahamas Development Bank. The program which began in 2017, offered training and ultimately financing to young people, resulting in the establishment of several businesses that produce honey and other bee-related products on Grand Bahama. Tragically, Hurricane Dorian inflicted devastating losses on the young beekeepers, just as they were preparing to expand their operations into the export market. Many beekeepers lost all of their hives, inventory, and equipment, forcing them to restart their businesses entirely. Fortunately, the project received a boost of support from the international community in January of 2020 in the form of a donation from Mann Lake Ltd., a bee supplies distributor in Hackensack, Minnesota. The company generously donated hive supplies to the young beekeepers. Over 2020, further donations included \$20,000 from the Office of The Prime Minister in Grand Bahama and \$10,000 from the 1% fund. These funds will support equipment purchases for the cooperative.

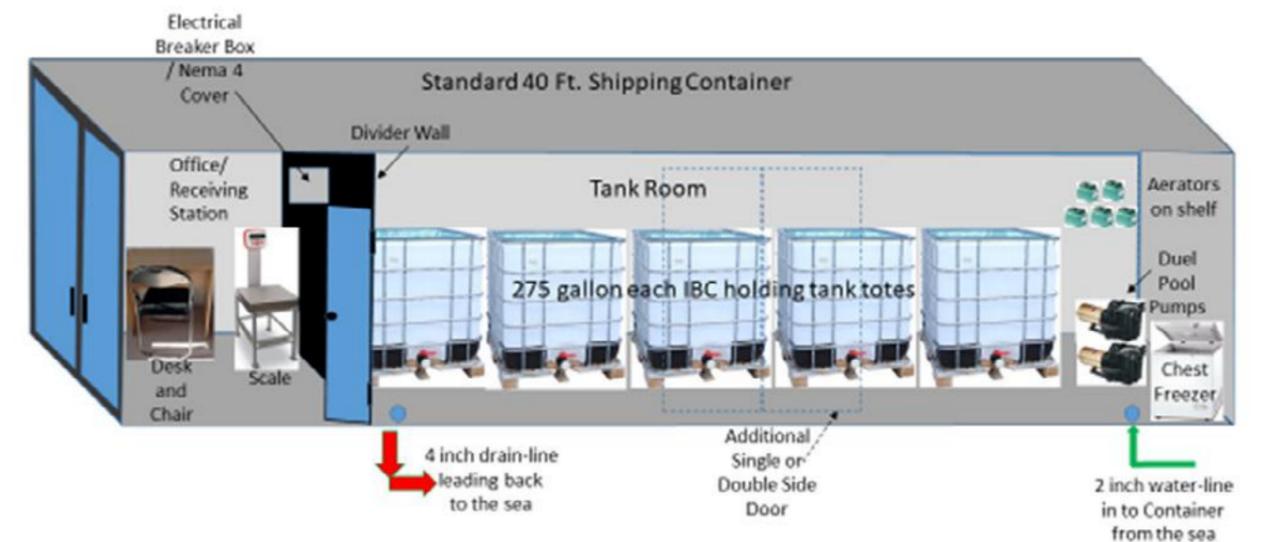


Figure 2 Grand Bahama Beekeepers Cooperative receives supply donation facilitated by IICA following Hurricane Dorian

## Live Well Fisheries Project

The live well program was developed in conjunction with Jon Chaiton of Tropic Seafood to increase the proportion of live lobster shipped from The Bahamas; ultimately, increasing the value of the resource, improving fisher incomes, and supporting sustainability.

## Complete Containerized Live-Buying Station Concept



Design by:  
Jon Chaiton  
02/25/2020

The system consists of:

- Fisher persons with vessels equipped to capture live lobster and trained in live collection techniques.
- An island-based live buying station that purchases the live lobster for onward selling to live exporter.
- Live Buying exporter that is capable of packaging and shipping the live product. Tropic Seafood currently has one of the highest success rates in North America and is eager to increase sales of this product.

This system will bring about greater financial returns to a) the fishermen, b) the live shipment facilities and c) The Bahamian Government (from export taxes). Increased live lobster capture would allow for new product forms such as whole cooked, whole green (raw), and value-added lobster products. Both whole cooked and whole green lobsters require live whole lobster as the raw material source. These products cannot be packed and shipped if the product is tailed or if it is not landed as a live product. The diversification of the industry would create new opportunities for employment and business for Bahamians.

Live lobster utilization also discourages the capture of undersized lobster. In contrast, the lobster tail meat market supports a black market for undersized tails and meat. Development of the live lobster industry would result in less pressure on the lobster populations. Fishermen would be able to realize greater returns for fewer animals. Additionally, there would be waste reduction through 100% utilization of the animal as opposed to discarding 2/3 as is the existing practice.

## Marketing

Following the rigorous design work and extensive consultation, the exercise to rebrand the Bank was formally launched in July 2020. The new brand is consistent with the values espoused by the institution and its staff. The hummingbird reflects the dynamic and energetic nature of BDB. The colors express the vibrant optimistic tone that The Bank puts forward. The hummingbird is a small but beautiful bird that plays a critical role in its ecosystem through cross-pollination. Like this industrious bird, BDB is spreading opportunity and prosperity across our archipelago. The details of the new brand are encapsulated in the brand book developed by Royann Dean Consulting.



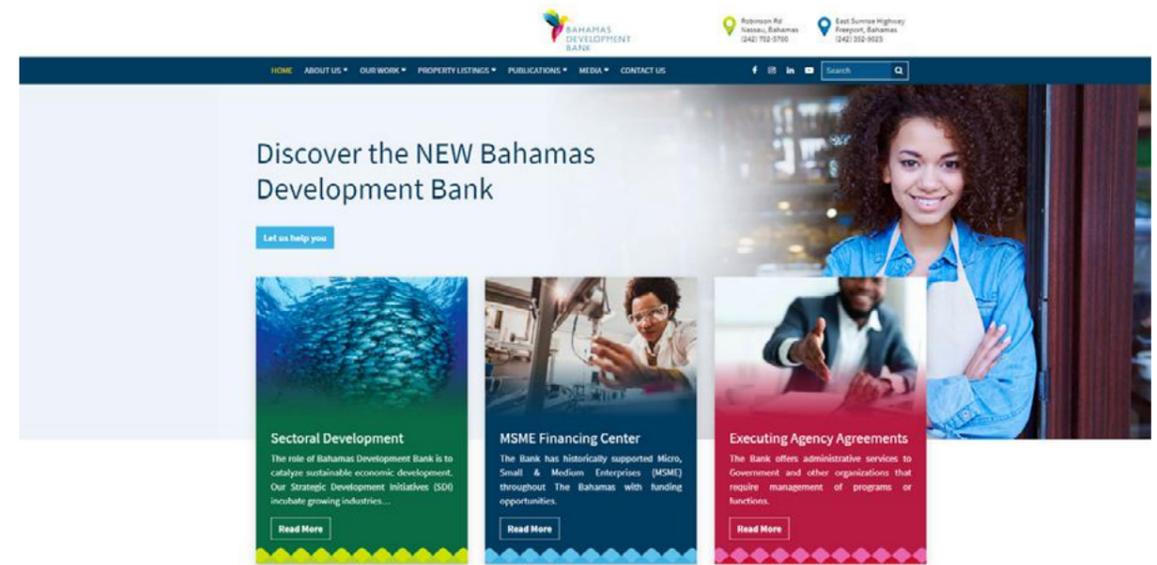
The new brand comes complete with a set of graphical elements and font requirements that contribute to a clean, modern look and feel. These simple borders mimic the deconstructed look of the hummingbird's feathers.



Staff celebrated the relaunch of The Bank with great enthusiasm with a day marked by speeches, the rollout of new promotional items, the new website, and a series of advertisements that emphasized the new focus on creativity sustainability, and innovation. The promotion surrounding BDB's relaunch highlighted The Bank's commitment to the colored economies and international frameworks for development.



The new website features additional features- the built-in applications forms for loans and employment reduced the need for face-to-face contact which was further supported on the back end through other digital systems. Going forward, the website will be a critical asset for disseminating information on The Bank's performance, impact, and ongoing operations.



The Bank also shot a series of testimonials with clients that showcased both the history of The Bank and the future orientation of the institution. These videos will be launched in 2021 as part of BDB's ongoing marketing efforts.

**Meet the New BDB**

**To our valued partners**

For 40 years, The Bahamas Development Bank has worked to fulfill our mandate to promote industrial, agricultural and commercial development by investing in Bahamians. Along the way, we have encountered challenges. To address these issues, over the last 23 months, we have improved systems, processes and workplace training. Our new brand and future location at Key West and Robinson Road reflect our renewed commitment to agility, innovation and creativity, to better serve you, today and tomorrow. We are your Development Bank.

  
**Dave S. Smith**  
 Managing Director

## Business Outlook – Lisa Harding

The Bank expanded its relationship with the Caribbean Development Bank and the Bahamas Business Outlook by sponsoring the appearance of Lisa Harding, pictured. From left to right are: Troy Sampson, Joan Albury, Lisa Harding, Ashley Outten, Dave Smith, Stefanie Edgecombe. Harding spoke on the importance of the Orange Economy for the Caribbean and The Bahamas. She emphasized that the Orange Economy has numerous subsectors within the creative industries, with unique opportunities for economic empowerment and development.



Figure 3 From left to right are: Troy Sampson, Joan Albury, Lisa Harding, Ashley Outten, Dave Smith, Stefanie Edgecombe.

2020 laid significant groundwork for SDI and it is anticipated that 2021 will be an active year for BDB and the unit. SDI will support the realization of BDB's financing goals through the planning, execution, and monitoring of projects and programs aligned to the SDGs, NDP, and objectives. The Unit pays special consideration to the Family Islands; the unique culture, natural resources, and location of our Family Islands offer an avenue for rapid national advancement. New lending programs are scheduled to include the Digital Transformation Loan Program that will support businesses in improving their capacity to adapt to the post COVID environment, the Green Energy program that will offer business financing for green transport, energy-efficient heating, cooling, and refrigeration as well as renewable energy and the tourism diversification program which will provide financing for conventional and unconventional housing as well as the digitalization of experiences. We also look forward to the implementation of specialized financing desks in Trade and Agriculture that will create tailored credit and financing structures for these spaces.

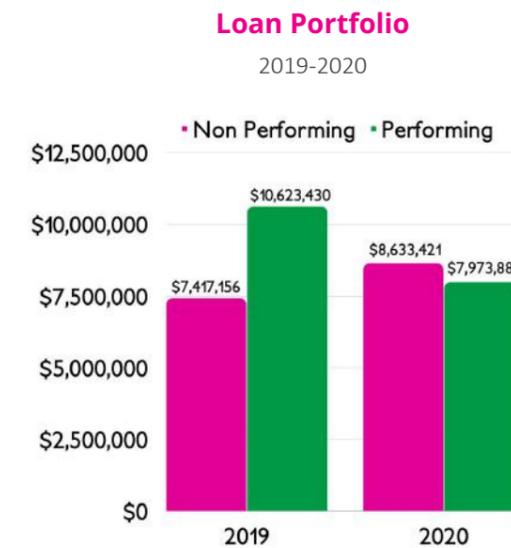
In 2021, SDI will also be exploring opportunities to invest in infrastructure and affordable housing with our partners. Infrastructure such as ports, markets, roads, and bridges are vital for real growth in many of the Family Islands and we look forward to partnering with communities across the country.

# Department Reports

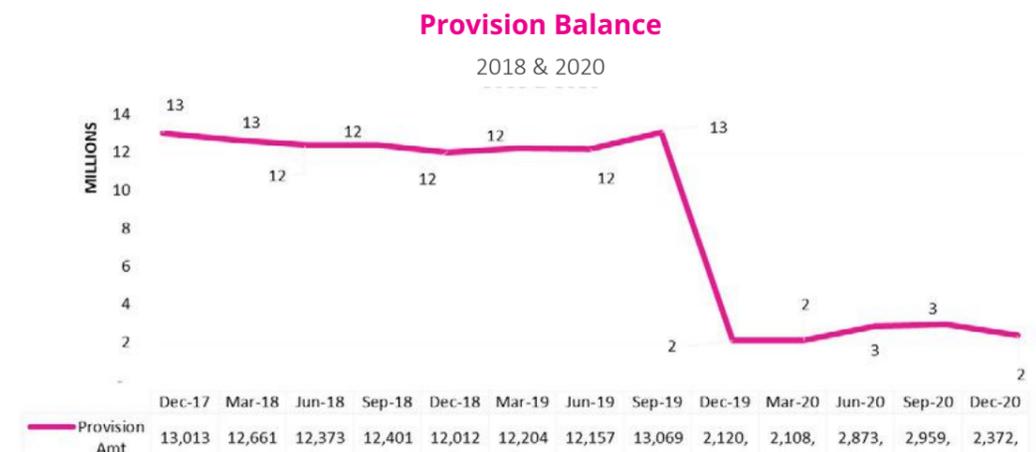
## Credit Department

### Portfolio Quality

In a continuing effort from 2019, Credit Operations has remained focused on managing the loan portfolio and reducing the level of Non-Performing Loans (NPLs). BDB's loan portfolio growth and sustainability can only have a great and positive impact on the NPL if islands that have the potential to impact the economy through natural resources and possible innovative ideas are sufficiently tapped into.



The Bank's provision increased slightly in 2020 from the previous year as a consequence of the slight decline in portfolio quality.



### Loan disbursements in 2020

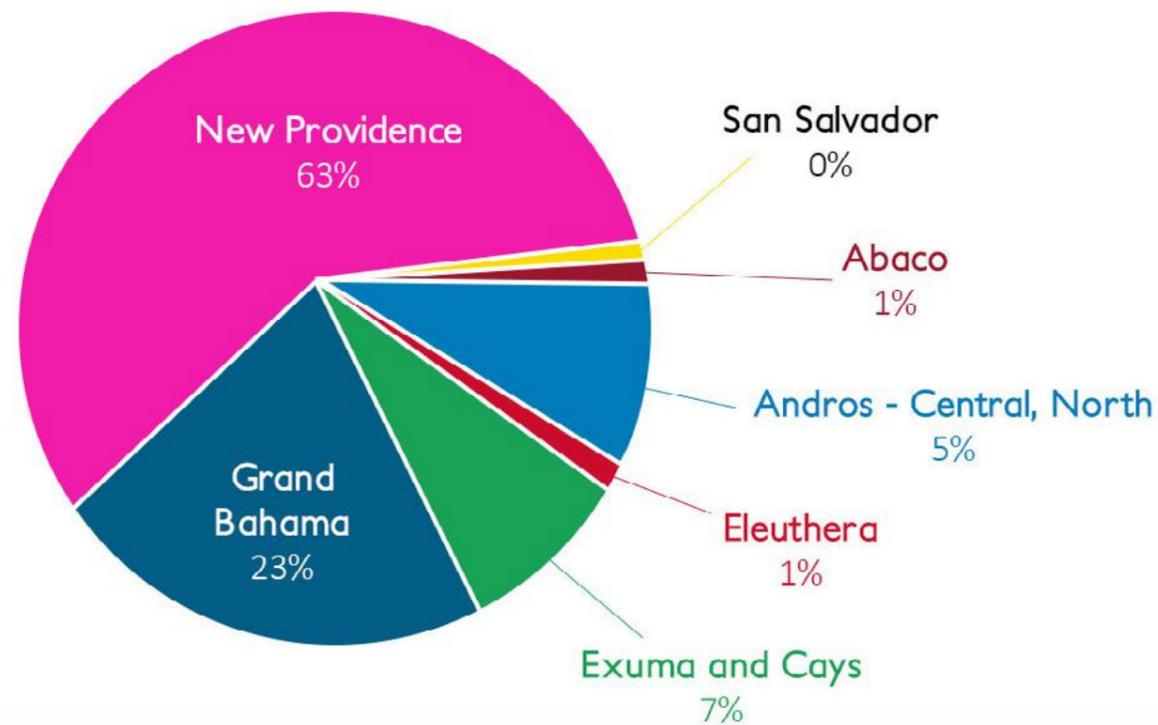
The COVID-19 pandemic resulted in a contraction of the economy that increased the need for concessional, counter-cyclical lending. Such lending is typically undertaken with the support of the government. BDB approved and disbursed three loans with a total value of \$1,252,405. BDB approved 43 loans under the Business Continuity Program with a total value of \$4,111,985.11.

## Portfolio Pipeline

BDB's loan portfolio growth and sustainability can only have a great and positive impact on the NPL if islands that have the potential to impact the economy are sufficiently tapped into. As captured in the graph below, New Providence and Grand Bahama have had the largest impact on BDB's loan portfolio, however, the opportunity to expand and capitalize on new opportunities throughout the family of islands has yet to be fully explored. The favorable circumstance for us to identify and develop new relationships within the family of islands must now be the center of our focus.

The graph below illustrates the need to catalyze more economic development on the other Family Islands. The noted percentages are indications of the historic challenges BDB has faced with regards to limited resources for family islands focus. Whether it was issues of funding or other influences, the opportunity to enhance the BDBs portfolio lies in these underfunded areas.

### Island Distribution of Pipeline



# Department Reports

## Governance, Risk, Compliance & Control

### Compliance

The Compliance function at The Bahamas Development Bank is focused on the importance of good governance. This means that striving toward ensuring that processes, policies, and procedures focus on efficiency and adequate internal control. Over the past year, The Bank has made significant strides in seeking to rectify compliance-related legacy issues. The Bank has improved its Compliance Rate from 95% non-compliance to approximately 65% non-compliance as of 31 December 2020. In 2021, we hope to further improve this rate by an additional 15%. The Department has been providing regular updates to the Compliance Commission on the progress of the deficiencies identified from the last compliance audit.

### Internal Control

As of 31 December 2020, there were twenty-six (26) procedures, nine (9) guidance notes, and four (4) policies that were updated and approved by Management. Policies, procedures, and guidance notes are still being updated or created consistently to ensure that the processes of the Bank are sufficiently documented and adequate for The Bank to execute its mandate.

In 2020, the Bank sought the services of an External Assessor to conduct a review on the efficiency and effectiveness of the following business processes and their related internal controls:

1. Loan Processing;
2. Financial Reporting;
3. Corporate Governance Structure and functionality; and
4. Internal Audit's compliance with the International Professional Practices Framework (IPPF).

The review was completed in December 2020 and the final report was issued to the Board of Directors. Management is actively working toward resolving a number of the issues that were identified within the report.

In 2020, there were three (3) Internal Control Reviews completed.

1. Bank Reconciliations;
2. Know Your Employee; and
3. Fixed Asset Register

The Annual Control Plan for 2021 has been completed and approved by Management. There are twenty (20) components that have been scheduled for review within the year.

### Risk and Control Database

The Risk & Control Database is expected to be developed within the upcoming year to assist with the documentation and tracking of all internal and external related audit/review findings. This includes reports from but is not limited to the External Assessor Findings, Internal Control Reviews, Management Letter Points, and Compliance Commission Audit Findings. This database is expected to significantly improve management reporting and progress with respect to findings raised by Regulatory Bodies, External Auditors, and Internal Control. The database is also expected to assist with the risk management process of The Bank by providing a heat map of all findings based on their associated risk levels (i.e. high, medium, or low).

## Projects & Initiatives

The Governance, Risk, and Control team has been specifically focused on projects surrounding client files and the information therein. A comprehensive review of the following is being addressed on client files:

- Insurances
- Legal Documentation
- Collateral
- Compliance with the Financial Transactions Reporting Act, 2018. (i.e. KYC documents, etc.)

## Document Control

In 2019, The Bank took steps toward implementing a digital records management software that will make customer data more readily available to relevant staff. Phase I of the implementation was completed in September 2020. The Bank has also invested in the necessary hardware that will facilitate quality image capture of the documents being scanned. However, the scanning project has been progressing relatively slowly due to limited resources and the COVID-19 pandemic. The project is expected to be completed by June 2023 and The Bank intends to fully embrace the electronic environment to be able to ensure faster and better service for all of our customers.

## Enterprise Risk Management

Finally, in accordance with the Financial Transactions Reporting Act, 2018 The Bank began the process of implementing an Enterprise Risk Management System in 2019. Enterprise Risk Management is the methods and processes used by organizations to manage risks and seize opportunities related to the achievement of their objectives. The Bank has chosen to adopt the COSO Enterprise Risk Management Framework that was updated in 2017. The Enterprise Risk Management Policy was approved by the Board of Directors in November 2020. Ongoing training for staff will be held within the upcoming year to ensure that all persons are aware of their responsibilities within the risk management process.

# Department Reports

## Legal Department

### Litigation

In 2020, BDB continued its increased emphasis on litigation proceedings as a means of resolving long outstanding balances. As a result, The Bank has several matters before the courts. Unfortunately, the global pandemic impeded the pace at which cases have moved through proceedings due to court closures. Consequently, there are unresolved claims that are moving slowly through the court process as The Bank seeks to aggressively collect on bad debts and enforce its right against security pledged for various loans.

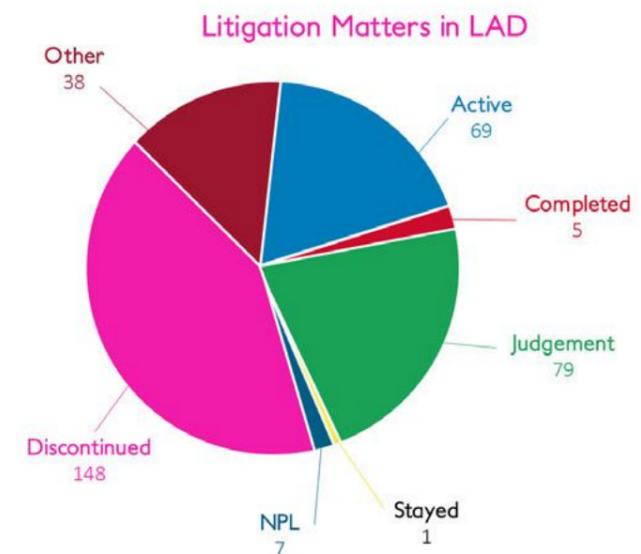
Notwithstanding, emphasis has been placed on the monitoring of active court cases to ensure that the law firms are attending to the matters in a reasonable time frame. The Legal Department continues to monitor judgments to ensure enforcement action is taken before judgments become statute-barred.

To assist with the monitoring and administration (i.e. mass mailing and standard document production) of legal matters, the department has made technological advances by instituting a comprehensive database that provides comprehensive reports on the following:

- Status of cases by law firm
- Budget vs actual cost to litigate a matter
- Notes on contact made with law firms and clients
- Bank's approved attorney listing and their corporate requirements (i.e. indemnity insurances, certificate of good standing, and business licenses) status.

The Legal Administration Database (LAD) has assisted The Bank in achieving efficiency, control, and enhancing Management's ability to make timely and informed decisions.

As of December 2020, there are 353 accounts in the Legal Administration Database ("LAD") with various classifications as illustrated in Graph 1 below.



## Legal Opinions

A part of the Legal Department's responsibility is to provide sound legal advice for The Bank. During 2020, five (5) opinions were prepared. Two (2) were provided in-house and three (3) by external counsel. Opinions were provided on the Credit Reporting Act 2018, a statute-barred matter, defective titles, transfer of title upon loan write-off, and suspected fraud.

## The Credit Reporting Act, 2018

Given the secrecy provisions of Section 33 of The Bahamas Development Bank Act, 1974 an opinion was obtained to determine The Bank's authority in providing data to the newly established Credit Bureau as the Act specifically states who can receive data from BDB. Based on the opinion received, BDB has revised its General Terms and Conditions and will have customers sign a consent form to allow for the exchange of information with the Credit Bureau as BDB is listed as a credit provider under the Credit Reporting Act, 2018.

## Projects & Initiatives

BDB's Legal Department has been working assiduously to clear several legacy issues. For 2020, two (2) projects, in particular, have been the focus. They are as follows:

- **Title Defects**- The Bank has been challenged with a number of title issues affecting the security pledged to secure loans. The Bank is working with internal and external counsel to clear the identified issues so that properties being advertised for sale have good and marketable titles and are clear of any or all liens or encumbrances.
- **Satisfaction of Mortgages** – Approximately three hundred (300) loans have been identified as satisfied by The Bank. The Department is presently preparing Satisfaction of Mortgages for accounts that have been paid off and The Bank remains in possession of the title. In the process of issuing the same, BDB is reviewing the status of the real property taxes.

# Department Reports

## Information Technology

The Bank accelerated planned technological advancement in response to COVID-19. BDB immediately implemented "work-from-home" protocols. This required the Information Technology Department to increase the scope of support, both internally and externally, to all of our end-users to ensure staff productivity outside of the office.

The IT Department deployed new mobile devices, Microsoft Surfaces & Laptops to all users, along with mobile phones to key personnel. In addition to increased hardware, all staff were connected to The Bank's network via a secure VPN (Virtual Private Network) allowing seamless connectivity in accessing shared department files and databases. BDB's emphasis on technology means that Bank staff can function just as if they were sitting at their desk from anywhere in the world.

Adherence to safety guidelines, including social distancing became a priority during 2020. Like many institutions, BDB implemented a no external meetings policy. This guidance coupled with an inability to travel required a digital solution. In response, IT recommended a virtual platform and rapidly offered paid subscriptions for key personnel to ensure that meetings with staff and customers could continue without interruption. The IT Department was also instrumental in implementing an electronic signature application that ensured The Bank was able to execute all the necessary customer documentation and staff-related matters. The impact of the transition to digital signatures was tested and felt nationwide, as this technology was vital in the rapid roll-out of Business Continuity Financing to businesses impacted by the pandemic

The IT Department, in conjunction with the Document Control Unit, was successful in implementing our new document management system. With this improvement, all files are in the process of being digitized to allow full access to files electronically.

The IT Department continues to research and evaluate the technical needs of the organization to ensure that The Bahamas Development Bank is in the position to meet the rigorous demands of our customers and our robust staff.

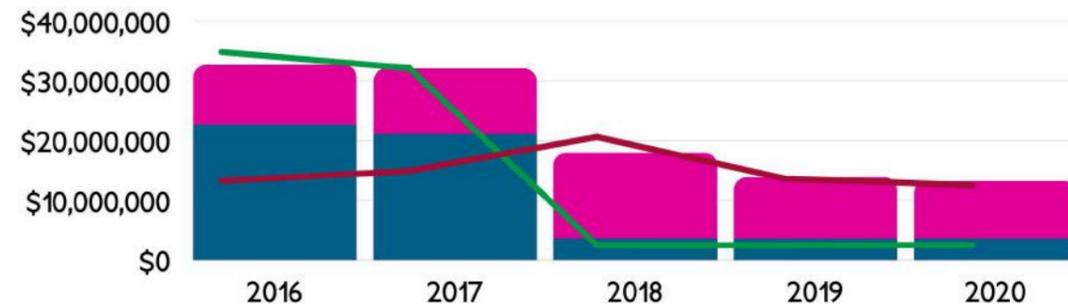


# Department Reports

## Asset Management

### Delinquency

As indicated in the figure below, The Bahamas Development Bank has historically been challenged with delinquency with the non-performing ratio exceeding 70% in 2016. As such, management began a concerted effort in 2019 to develop a structured and fiscally sound operational framework for reducing delinquency by addressing a litany of legacy issues.



Non Performing Loans & Accounts	504	484	450	36	2
Performing Loans & Accounts	169	171	170	131	106
Performing Loans	\$9,993,435	\$10,974,106	\$14,333,998.60	10,628,430	\$7,973,887
Non Performing Loans	\$22,731,184	\$21,122,041	\$3,662,532.78	\$7,417,156	\$8,633,421

These actions continued into 2020 and included:

- Managerial review and additional legal staff to assist with legacy issues.
- Focus on the development and implementation of procedures to reduce gaps and increase output.
- Review of the portfolio by the Delinquency Manager with a view to reducing the NAL rate while simultaneously liquidating assets where possible.
- Creation of a Delinquency Enforcement Unit to investigate outstanding matters
- Further Litigations
- The write-off of \$153,669 of Non-Performing accounts in accordance with the structured SOP.

These efforts were complicated by the COVID-19 pandemic which required specific strategies to limit the NPL rate. Accounts were aggressively assessed to determine eligibility for grace periods to prevent slippage into delinquency. This approach assisted in the progress towards the targeted reduction of the Non-Performing portfolio by December 2020.

Delinquency had the goal to reduce the NAL rate to 25% by end of December 2020. Although this target was not completely achieved, significant headway was made with the rate as of December 2020 standing at 34.4% with 52 accounts.

### Asset Liquidation

During the year 2020, liquidation came to a standstill as a result of uncertainty in the economy and a major reduction in the workforce due to the pandemic. The liquidation pipeline at the start of the year was at \$1.2M.

Other Income	Q 1	Q 2	Q 3	Q 4	Actual Total	Budgeted 2020
Loan Recovery	\$61,978	\$172,226	\$83,238	\$27,079	\$304,056	\$500,000

The Bahamas Development Bank will continue to liquidate assets being held as collateral and where the possible marketable title exists. In 2021 The Bank is projected to liquidate \$3M of assets by undertaking the following actions:

- Seek judgment via the court to liquidate assets where necessary
- Settlement of accounts
- Advertisement of account

### Notable Assets

#### Hotel Properties

The Bank portfolio currently contains eight Bone Fish Lodges valued in excess of \$3M. The noted lodges are in Andros, Abaco, Eleuthera, Cat Island, and Long Island respectively. The Bank also holds additional land valued in excess of \$4M.

# Department Reports

## Credit Risk Operations

At BDB, the responsibilities of Credit Risk include but are not limited to:

- Risk rating all loan accounts and ensuring that loans are classified in line with The Bank’s policy.
- Ensuring that credit reviews are performed and that all covenants are managed to reduce loss.
- Ensuring that The Bank’s provisions are properly administrated to accurately reflect The Bank’s loan values and minimize potential loss.
- Ensuring that The Bank’s Credit Policies and SOPs are being followed in order to reduce losses.

It is anticipated that Credit Risk will be expanded in 2021, and along with the standard responsibilities of a sound credit risk management system, the Credit Risk Department will be tasked with developing an internal risk rating matrix, formulating standard operating procedures (SOP) for processing credits, reviewing existing credits in accordance with the SOP, liaising with IT Department to provide and maintain required information to CRIF Bahamas, and reviewing guarantees of all loans to confirm whether they are held, stamped and recorded.

The COVID-19 pandemic and the ensuing restrictions imposed posed an exceptional challenge to the Credit Risk Operations of The Bank, which resulted in a focused effort to minimize portfolio slippage through risk management.

## Credit Bureau

Credit Risk is responsible for overseeing The Bank’s adoption of the Credit Bureau. In December 2019, CRIF Information Services Bahamas Ltd. (“CRIF Bahamas”) received the first Bahamian credit bureau license. In 2020, CRIF Bahamas began the process of gathering information from lending institutions mandated under the Credit Reporting Act, 2018 (“CRA”) to supply it with all details on existing borrowers, particularly their credit profiles and histories. BDB is a credit provider according to the CRA (Section 18(1)(f)) and has been providing information since mid-September 2020.

## Software

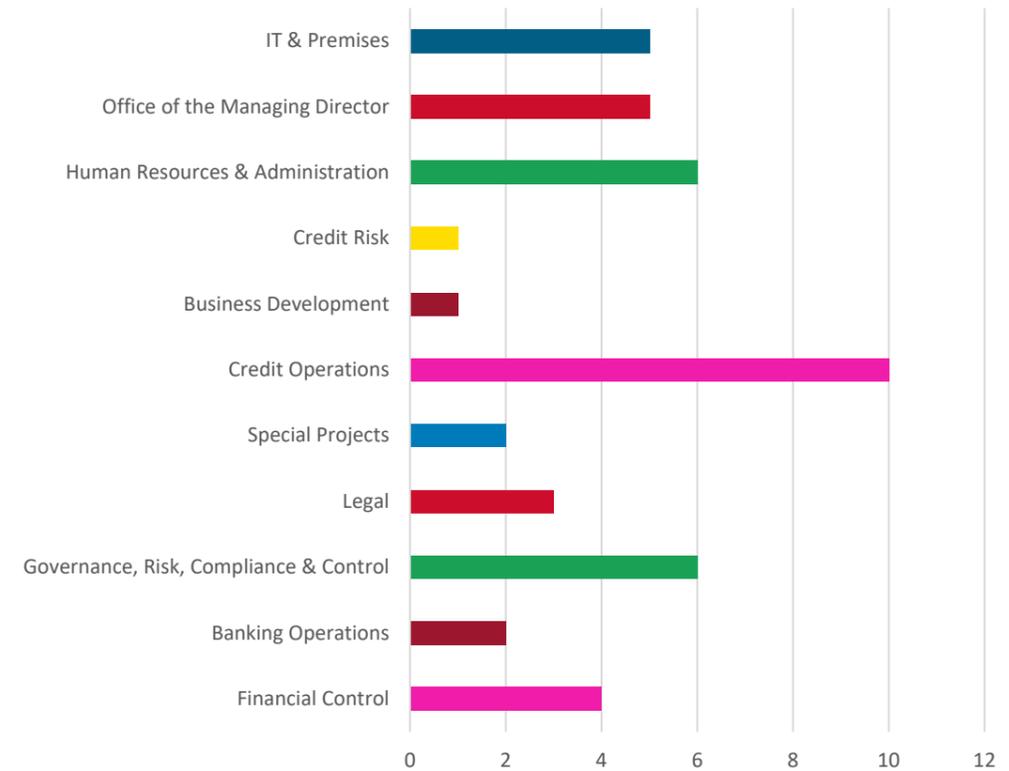
The Bank has several databases which are used to monitor and report on various projects. As it relates to credit risk activities, The Bank has Credit Administration Database (CAD) to input information as files are reviewed and customers are risk-rated. CAD allows for the reporting on the progress made as it relates to file reviews and risk-rating of the accounts. There is also the Projects and Initiatives (P&I) database which is used to benchmark milestones related to the Credit Bureau, file reviews, and Credit Risk Implementation.

## Human Resources

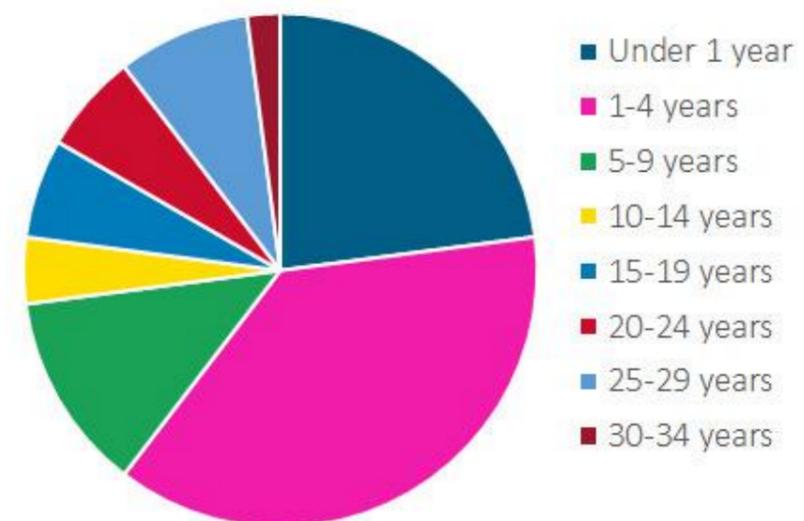
Like many other Human Resource departments around the world, 2020 proved to be a year that required an intense commitment to staff and their wellbeing. Here at The Bahamas Development Bank, the Human Resource Department consistently sought best practices and professional advice in line with the Competent Authority’s regulations to ensure the safety of BDB staff. At the onset of the pandemic and throughout the year, HR managed work from home rotations, implemented Safety-At-Work protocols, provided periodic complementary Covid-19 testing, and ensured timely sanitization of workspaces.

## Staff Demographics

The Bahamas Development Bank had a staff complement of 48 in 2020. The distribution across departments is as indicated in the figure below:

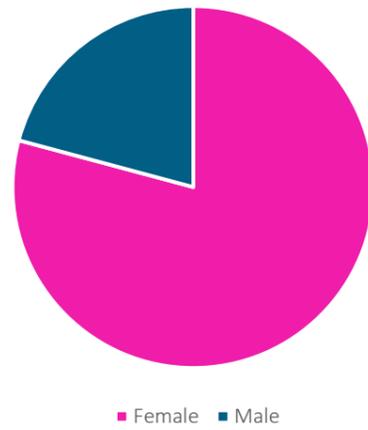


The Bank continues to add new capacity with the addition of 12 persons, as shown in the chart outlining tenure at the bank

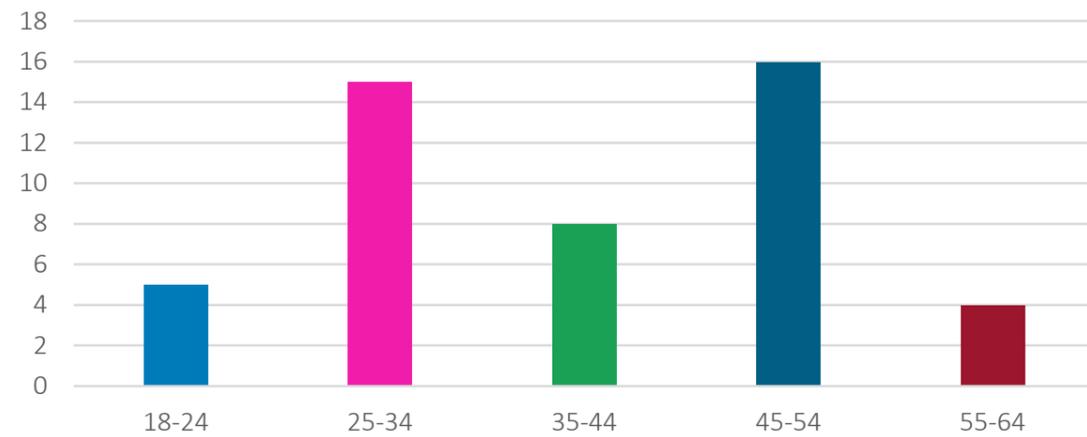


Ages, gender, and education level are indicated below.

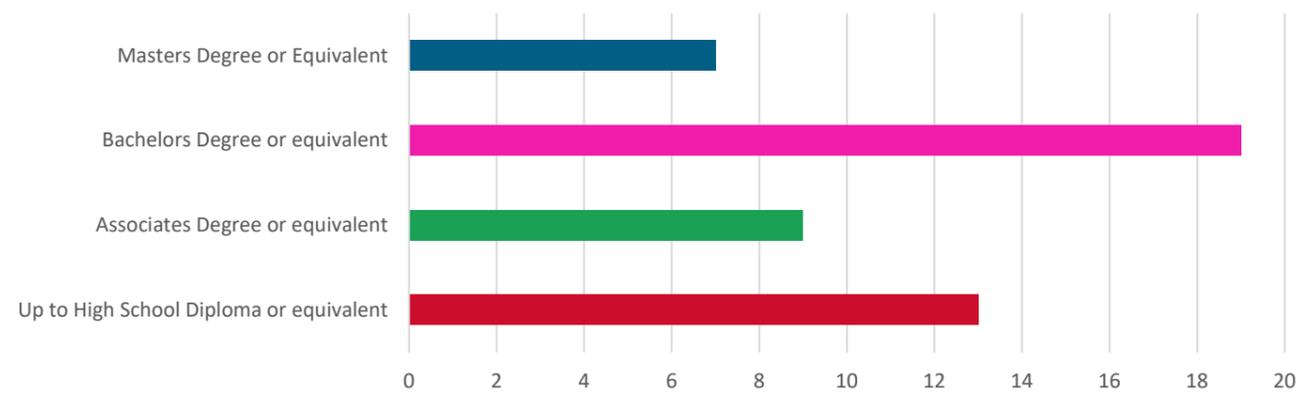
### Which gender do you identify as?



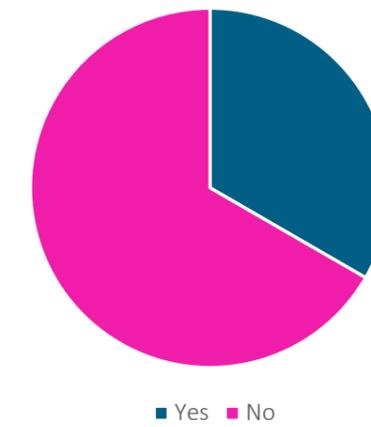
### How old are you?



### What is your level of education?

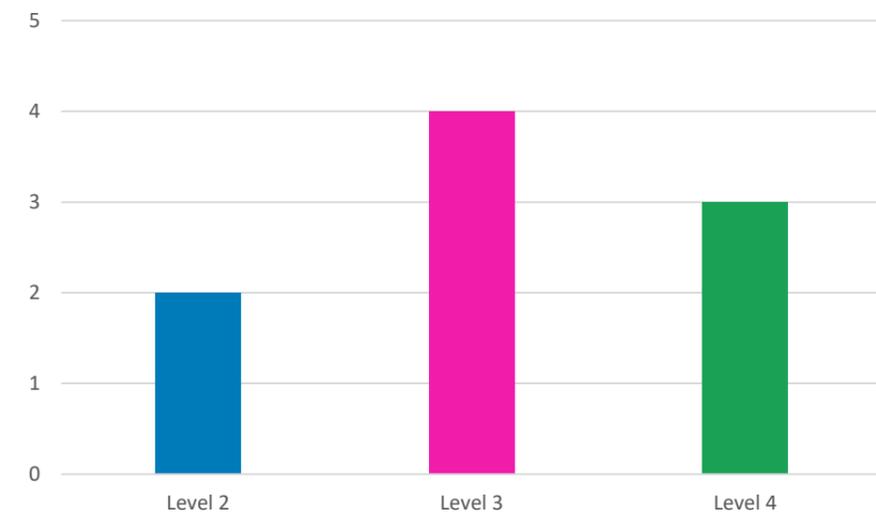


### Do you have a professional certification(s)?

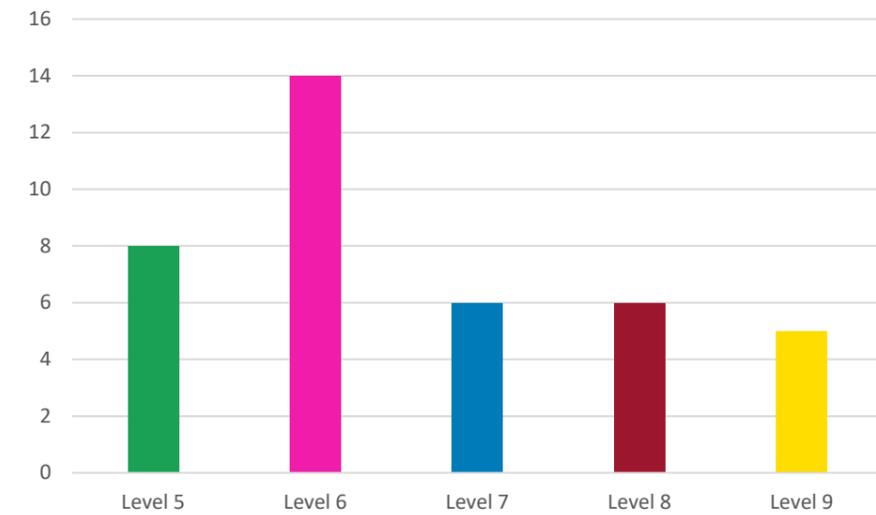


Of the staff, 18.75% are at the management level i.e. at a job level of 4 and higher

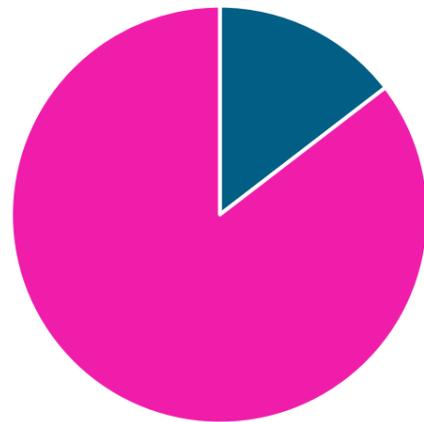
### Management Staff Levels



### Staff Levels



Which office are you in?



■ Grand Bahama ■ New Providence

## Staff Recognition

To maintain staff morale and redirect staff’s focus from the devastation of the pandemic, HR also worked diligently to maintain balance with “business as usual”. The Bank continued the implementation of the balanced scorecard approach to ensure that quarterly performance reviews took place in an orderly manner. Staff Award processes continued for each quarter and culminated with the announcement of the Employee of the Year. For each award staff had opportunities to make secure votes via recommendation forms. At the end of the nomination period, the Selection Committee reviewed the candidates and suggested the winners to the Executive Committee for final approval. These announcements and their associated prizes kept an air of excitement among staff, even while working from home. The selected winners Simone Duncombe, Employee of The Year, and Ashley Outten, Manager of the Year were among the highest performers of the year.



Figure 1 Simone Duncombe- Employee of The Year



Akeem Saunders

The Bank also introduced a new award for staff that best reflects the values espoused by The Bank. The first Hummingbird award winner was Akeem Saunders, Senior IT officer, who went above and beyond in preparing The Bank for the transition to Robinson Road and Key West Street.

## Staff Training

Furthermore, the Human Resources Department remained committed to staff improvement. Employees were welcomed and encouraged to identify courses that would improve their productivity in their job roles at the bank’s expense. This resulted in a surge of professional development by the end of the year, various training areas included Microsoft Office, Communication Skills, and a host of financial courses offered by Udemy and Coursera. Individual staff were encouraged to take specialized training to improve skill gaps including project management, accounting, and legal. Additionally, at the organizational level, mass training sessions were held in Anti Money Laundering, Confidentiality, Enterprise Risk Management, Leadership, the Sand Dollar Initiative, Emotional Intelligence Training, Database Training, and several other workshops.

Throughout the year, we maintained accessibility and transparency with our staff despite working remotely. HR conducted several surveys regarding operations and other issues heavily affecting staff such as the introduction of uniforms. Based on staff inquiries, a decision was made to pursue legal opinion about using pensions as collateral for staff loans to ensure staff’s access to finance. There was also a concerted effort to maintain compliance with the Data Protection Act and ensure the protection of staff’s personal information in future operations.

## Staff Exits and Hires

There were also a number of retirements from The Bank by staff who had offered decades of service. Included among them was Marsha Moncur who retired after over 30 years of service and Lenora Bethel who exited The Bank after over 20 years of service.

Ultimately, the Human Resource Department successfully carried out its functions throughout 2020 despite many global and local challenges. In keeping with our mandate to preserve job satisfaction and ensure staff retention we managed to continue to serve as the binding force uplifting the morale of BDB with safe, authentic events such as our annual Thanksgiving Dinner, toast of the nation and Christmas Party. Moving forward, we will remain committed to making the staff of the Bahamas Development Bank our focus.

**BAHAMAS DEVELOPMENT BANK**

**FINANCIAL STATEMENTS**

**31 DECEMBER 2020**

## **BAHAMAS DEVELOPMENT BANK**

<b><u>Contents</u></b>	<b><u>Page</u></b>
Report of the Auditors	1-2
Appendix to the Auditors' Report	3
Statement of Financial Position	4
Statement of Profit or Loss	5
Statement of Changes in Equity	6
Statement of Cash Flows	7
Notes to the Financial Statements	8 - 50

## **REPORT OF THE AUDITORS TO THE BOARD OF BAHAMAS DEVELOPMENT BANK**

### **Opinion**

We have audited the accompanying financial statements of Bahamas Development Bank (the "Bank"), which comprise the statement of financial position as at 31 December 2020, the statement of profit or loss, statement of changes in equity and statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Bahamas Development Bank as at 31 December 2020 and its financial performance and its 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 (ISA). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in The Bahamas, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Emphasis of Matter**

We draw attention to Note 29 regarding the continued operations of the Bank. The Bank's total liabilities exceeded total assets by \$13,629,149 (2019: \$12,431,166) and has an accumulated deficit of \$68,683,662 (2019: \$67,485,679) as at 31 December 2020. However, the Directors are satisfied that the Bank is currently a going concern and that the preparation of these accounts on that basis is appropriate since the Bank has been receiving financing from the Government of The Bahamas. The Bank will continue to rely on the Government's support in the foreseeable future.

### **Other Information**

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

**Other Information (cont)**

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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 conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

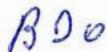
In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease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

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

**Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

A further description of the auditors' responsibilities for the audit of the financial statements is located in an Appendix to this report. This description forms part of our auditors' report.



**Chartered Accountants  
Nassau Bahamas  
22 June 2022**

## APPENDIX TO THE AUDITORS' REPORT

### **Detailed Description of Our Responsibilities**

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 risk of material misstatement of the 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

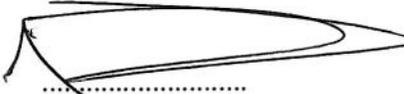
**BAHAMAS DEVELOPMENT BANK**  
**STATEMENT OF FINANCIAL POSITION**

**AS AT 31 DECEMBER 2020**  
**(Expressed in Bahamian Dollars)**

	<u>Notes</u>	<u>2020</u> \$	<u>2019</u> \$
<b>ASSETS</b>			
Cash	5	3,144,995	4,468,874
Sinking fund	5	10,963,861	12,324,582
Loans receivable	6	15,212,786	16,703,101
Due from The Government	13	709,471	--
Other assets	7	580,330	574,798
Fixed assets, net	8	2,629,603	1,924,032
Right-of-use asset	24	<u>77,029</u>	<u>115,545</u>
<b>TOTAL ASSETS</b>		<u>\$33,318,075</u>	<u>\$36,110,932</u>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
Customer deposits	9	1,385,171	3,041,641
Accounts payable and accrued expenses	10	601,839	450,996
Bonds payable	11	4,000,000	41,000,000
Loans payable	12	40,167,484	3,539,037
Lease liability	24	80,187	117,659
Interest payable		712,543	384,087
Due to The Government	13	<u>--</u>	<u>8,678</u>
<b>Total liabilities</b>		<u>46,947,224</u>	<u>48,542,098</u>
<b>EQUITY</b>			
Share capital	14	28,960,256	28,960,256
Contributed surplus	14	25,821,129	25,821,129
Reserve fund	15	273,128	273,128
Accumulated deficit		<u>(68,683,662)</u>	<u>(67,485,679)</u>
<b>Total Equity</b>		<u>(13,629,149)</u>	<u>(12,431,166)</u>
<b>TOTAL LIABILITIES AND EQUITY</b>		<u>\$33,318,075</u>	<u>\$36,110,932</u>

The audited statements were approved by the board of directors and authorised for issue on 22 June 2022 and are signed on its behalf by:

  
 .....  
 Director

  
 .....  
 Director

The notes on pages 8 to 50 form an integral part of these financial statements.

**BAHAMAS DEVELOPMENT BANK**  
**STATEMENT OF PROFIT OR LOSS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

	<u>Notes</u>	<u>2020</u> \$	<u>2019</u> \$
<b>INTEREST INCOME</b>			
Loans		1,252,450	1,368,954
Sinking fund		624,726	385,667
Interest subsidy	16	281,834	454,740
Deposits		<u>5,588</u>	<u>10,838</u>
<b>Total interest income</b>		2,164,598	2,220,199
Interest expense		<u>(1,731,974)</u>	<u>(1,700,751)</u>
<b>Net interest income</b>		432,624	519,448
<b>LOAN RECOVERY</b>		260,689	125,265
<b>OTHER INCOME</b>	17	<u>375,574</u>	<u>270,615</u>
<b>TOTAL INCOME</b>		<u>1,068,887</u>	<u>915,328</u>
<b>NON-INTEREST EXPENSES</b>			
Bad debt provision	6,7	692,489	3,697,389
Staff costs	19	2,376,321	2,057,984
General and administrative costs	20	773,857	707,495
Depreciation	8	145,098	74,062
Amortisation - right-of-use asset	24	<u>38,516</u>	<u>38,516</u>
<b>Total non-interest expenses</b>		<u>4,026,281</u>	<u>6,575,446</u>
<b>Net loss before government subsidy</b>		(2,957,394)	(5,660,118)
Government subsidy	18	<u>1,759,411</u>	<u>710,007</u>
<b>NET LOSS FOR THE YEAR</b>		<u>\$(1,197,983)</u>	<u>\$(4,950,111)</u>

The notes on pages 8 to 50 form an integral part of these financial statements.

**BAHAMAS DEVELOPMENT BANK**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

	<b><u>Share capital</u></b> \$	<b><u>Contributed surplus</u></b> \$	<b><u>Reserve fund</u></b> \$	<b><u>Accumulated deficit</u></b> \$	<b><u>Total</u></b> \$
<b>1 January 2019</b>	28,960,256	--	273,128	(62,535,568)	(33,302,184)
Net loss for the year	--	--	--	(4,950,111)	(4,950,111)
Conversion of due to Government	<u>    --</u>	<u>25,821,129</u>	<u>    --</u>	<u>    --</u>	<u>25,821,129</u>
<b>31 December 2019</b>	28,960,256	25,821,129	273,128	(67,485,679)	(12,431,166)
Net loss for the year	<u>    --</u>	<u>    --</u>	<u>    --</u>	<u>(1,197,983)</u>	<u>(1,197,983)</u>
<b>31 December 2020</b>	\$28,960,256 =====	\$25,821,129 =====	\$273,128 =====	\$(68,683,662) =====	\$(13,629,149) =====

The notes on pages 8 to 50 form an integral part of these financial statements.

**BAHAMAS DEVELOPMENT BANK****STATEMENT OF CASH FLOWS****FOR THE YEAR ENDED 31 DECEMBER 2020**

	<b><u>2020</u></b>	<b><u>2019</u></b>
	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss for the year	(1,197,983)	(4,950,111)
Adjustment for:		
Depreciation	145,098	74,062
Amortisation – right-of-use asset	38,516	38,516
Interest income from loans and deposits	(1,882,764)	(1,765,459)
Interest subsidy	(281,834)	(454,740)
Interest expense – lease liability	4,528	5,598
Interest expense – loans and bonds	<u>1,731,974</u>	<u>1,700,751</u>
Operating loss before working capital changes	(1,442,465)	(5,351,383)
Decrease in loans receivable	1,579,710	5,826,537
Increase in other assets	(5,532)	(92,796)
(Decrease)/increase in customer deposits	(1,656,470)	2,006,294
Increase in accounts payable and accrued expenses	150,843	1,218
Interest received	2,075,203	2,066,086
Interest paid – loans and bonds	<u>(1,403,518)</u>	<u>(1,697,503)</u>
<b>Net cash (used)/provided in operating activities</b>	<u>(702,229)</u>	<u>2,758,453</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of fixed assets	<u>(850,669)</u>	<u>(1,808,509)</u>
<b>Net cash used in investing activities</b>	<u>(850,669)</u>	<u>(1,808,509)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Loan proceeds	--	1,300,000
Repayment of loans payable	(371,553)	(306,334)
Lease payment	(42,000)	(42,000)
Decrease/(increase) in sinking fund	1,360,721	(96,565)
Additional due from The Bahamas Government	(709,471)	--
Payment from due to The Bahamas Government	<u>(8,678)</u>	<u>(240,681)</u>
<b>Net cash provided by financing activities</b>	<u>229,019</u>	<u>614,420</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	(1,323,879)	1,564,364
<b>Cash and cash equivalents at beginning of the year</b>	<u>4,468,874</u>	<u>2,904,510</u>
<b>Cash and cash equivalents at end of the year</b>	\$3,144,995 =====	\$4,468,874 =====

The notes on pages 8 to 50 form an integral part of these financial statements.

**BAHAMAS DEVELOPMENT BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**1. INCORPORATION AND ACTIVITIES**

The Bahamas Development Bank (the “Bank”) was established by the Bahamas Development Bank Act 1974 (the “Act”) and is wholly-owned by the Government of The Commonwealth of the Bahamas (the “Government”).

The principal activities of The Bank are:

- a) to promote industrial, agricultural and commercial development in The Commonwealth of The Bahamas through the financing of, or the investing in, approved enterprises;
- b) to encourage the participation in approved enterprises by citizens of The Commonwealth of The Bahamas; and
- c) generally to promote and enhance the economic development of The Commonwealth of The Bahamas.

The Bank officially commenced its operations on 30 March 1978. The Bank’s registered head office is located at Cable Beach, West Bay Street, Nassau, The Bahamas. Subsequent to year end the Bank moved to a new office located at Robinson Road and Key West Street, Nassau, The Bahamas.

**2. BASIS OF PREPARATION**

These financial statements are prepared on a going concern basis and in accordance with International Financial Reporting Standards (IFRSs). The financial statements have also been prepared under the historical cost convention.

The preparation of the financial statements in conformity with IFRSs requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the year. Actual results can differ from those estimates.

**3. ACCOUNTING POLICIES**

**Presentation of financial statements**

The financial statements are presented in accordance with IAS 1, *Presentation of Financial Statements (Revised 2007)*. The Bank has elected to present a single “Statement of profit or loss” as there are no components of other comprehensive income.

**BAHAMAS DEVELOPMENT BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**3. ACCOUNTING POLICIES (cont)**

**Presentation of financial statements (cont)**

**Management's use of judgment and estimates**

The Bank uses accounting estimates and assumptions in the preparation of financial statements. Although these estimates are based on management's best knowledge of current events and transactions, actual results may ultimately differ from those estimates. The effect of any changes in estimates will be continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The following presents a summary of these significant judgements and estimates:

**Judgments**

In the process of applying the Bank's accounting policies, management has made the following judgment, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements:

*Taxes*

On 1 January 2015, the Government of The Bahamas implemented the Value Added Tax ("VAT") regime, with three (3) categories for goods and services, which includes two rates of VAT of 7.5% and 0% and third category classified as Exempt. On 1 July 2018, the VAT rate was increased from 7.5% to 12%. The Bank has registered with the Ministry of Finance and is a VAT registrant and is obligated to comply with the Act and Associated Regulations.

Income that is subject to tax is recognised gross of the taxes and the corresponding withholding tax is recognised as an expense in the statement of comprehensive operations. No other taxes are applicable to the Bank.

*Bank as lessee*

The Bank assesses whether a contract is or contains a lease, at inception of the contract. The Bank recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones).

**BAHAMAS DEVELOPMENT BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**3. ACCOUNTING POLICIES (cont)**

**Judgment (cont)**

*Bank as lessee (cont)*

The Bank entered into a commercial property lease and determined, based on an evaluation of the terms and conditions of the arrangement, that the lessor retains all the significant risks and rewards of ownership of the property and therefore accounts for the contract as an operating lease.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Bank uses its incremental borrowing rate. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

**Estimates**

*Estimation of useful lives of fixed assets*

The Bank estimates the useful lives of its fixed assets based on the period over which the assets are expected to be available for use. The estimated useful lives of the fixed assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, estimation of the useful lives of the fixed assets is based on the collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts of timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

**BAHAMAS DEVELOPMENT BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**3. ACCOUNTING POLICIES (cont)**

**Cash and sinking fund**

Cash is comprised of cash at bank and in hand, which are subject to an insignificant risk of change in value. The sinking fund are short-term deposits with contractual maturities of one year or less and are being held in escrow for long-term loan repayments.

**Financial assets and financial liabilities**

*Recognition and initial measurement*

The Bank initially recognises financial assets and financial liabilities at Fair Value Through Profit or Loss (“FVTPL”) on the trade date, which is the date on which the Bank becomes a party to the contractual provisions of the instrument. Other financial assets and financial liabilities are recognised on the date on which they are originated.

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.

On initial recognition, the Bank classifies financial assets as measured at amortised cost or FVTPL.

*Financial assets – classification and subsequent measurement*

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

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are Solely Payments of Principal and Interest (“SPPI”).

The Bank’s financial assets measured at amortised cost include cash, and loan and interest receivable. These financial assets are held to collect contractual cash flow.

The Bank does not have financial assets measured at FVPTL as at 31 December 2020.

**BAHAMAS DEVELOPMENT BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**3. ACCOUNTING POLICIES (cont)**

**Financial assets and financial liabilities (cont)**

*Financial liabilities - classification and subsequent measurement*

Financial liabilities are classified as measured at amortised cost or FVTPL.

A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense are recognised in profit or loss.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Financial liabilities at FVTPL:

- The Bank does not have financial liabilities at FVTPL.

Financial liabilities at amortised cost:

- The Bank's financial liabilities at amortised cost include customer deposits, accounts payable and accrued expenses, long-term loans, interest payable and due to The Bahamas Government.

*Impairment*

The Bank recognises loss allowances for Expected Credit Losses ("ECLs") on financial assets measured at amortised cost.

The Bank measures loss allowances at an amount equal to lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

At each reporting date, the Bank assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

**BAHAMAS DEVELOPMENT BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**3. ACCOUNTING POLICIES (cont)**

**Financial assets and financial liabilities (cont)**

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

*Derecognition*

The Bank derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial asset.

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 that is derecognised) and the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss. Any interest in such transferred financial assets that is created or retained by the Bank is recognised as a separate asset or liability.

The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

**Fixed assets**

Fixed assets are stated at cost less accumulated depreciation and any impairment in value in the statement of financial position. Cost includes the value of consideration exchanged, or fair value in the case of donated or subsidised asset, and those costs directly attributable to bringing the item to working condition for its intended use.

Subsequent expenditure incurred after the fixed assets have been put into operation, such as repairs and maintenance, are normally charged to income in the period when the costs are incurred. In a situation where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of fixed assets beyond its originally assessed standard of performance, the expenditures are capitalised as an addition to the cost of the fixed assets.

**BAHAMAS DEVELOPMENT BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**3. ACCOUNTING POLICIES (cont)**

**Fixed assets (cont)**

These fixed assets are depreciated on the straight-line basis over the following estimated useful lives of the respective assets:

Building	30 years
Computer equipment & software	5 years
Furniture, fixtures & improvements	10 years
Office machines & equipment	5 years
Motor vehicles	4 years

When assets are retired or otherwise disposed of, the costs and related accumulated depreciation and amortisation are removed from the accounts and any resulting gain or loss is credited or charged to operations.

**Impairment of non-financial assets**

An assessment is made at each statement of the financial position date to determine whether there is any indication of impairment of any assets, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the assets' recoverable amount is estimated. An asset's recoverable amount is computed as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to operations in the period which it arises unless the asset is carried at a revalued amount, in which case the impairment is charged to the revaluation increment of the said asset.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however, not to an amount higher than the carrying amount that would have been determined (net of any depreciation), had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss is credited to current operations.

**BAHAMAS DEVELOPMENT BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**3. ACCOUNTING POLICIES (cont)**

**Customer deposits**

Customer deposits are recognised when the Bank has a legal or constructive obligation as a result of past event, and it is probable that a payment will be required to settle the obligation.

**Loans payable**

Loans payable are long-term loans and initially recognised at fair value, net of issue costs incurred, and are subsequently recognised at amortised cost. Any difference between net proceeds and the redemption value is recognised in the statement of profit or loss over the period of the borrowing using the effective interest method.

**Bonds payable**

Bonds payable are initially recognised at fair value, net of issue costs incurred, and are subsequently recognised at amortised cost. Any difference between net proceeds and the redemption value is recognised in the statement of profit or loss over the period of the borrowing using the effective interest method.

**Income and expense**

Interest income and expense are recognised using the effective interest method. Interest subsidy is recognised as income in the period in which the conditions attached to them have been satisfied. These amounts are presented gross in the statement of profit or loss.

All other income and expenses are recognised on the accrual basis of accounting.

**Interest on loans**

Interest on loans is accrued and credited to income based on the principal amount outstanding. Interest income is only accrued on performing loans. The Bank considers those loans with arrears amounting to less than three months normal activity as performing.

Accrual of interest on loans classified as non-performing is discontinued and previously recorded, but unpaid interest is reversed and charged against current operations.

Interest income on non-performing loans is recognised only when received or when the loan is refinanced and projected cash proceeds are deemed sufficient to repay both principal and interest.

**BAHAMAS DEVELOPMENT BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**3. ACCOUNTING POLICIES (cont)**

**Defined contribution pension plan**

The Bank pays fixed contributions into an independent entity in relation to a pension plan for its qualified employees. The Bank has no legal or constructive obligations to pay contributions in addition to its fixed contributions, which are recognised as an expense in the statement of profit or loss and comprehensive loss in the period that relevant employee services are received.

**Defined benefit plan**

The Bank continues to administer the Defined Benefit Pension Plan for existing retirees. The members will be paid monthly pension and lump sum benefits in accordance with the rules of the Defined Benefit Retirement Plan. The cost of providing such benefits is determined using the projected unit credit method, with actuarial valuations being carried out on a regular basis. Remeasurements are recognised in other comprehensive income when they occur. Past service cost is recognised immediately in the period of a plan amendment or curtailment.

The asset or liability amount recognised in the statement of financial position represents the present value of the defined benefit obligation and the current service cost at the end of the reporting period less, the fair value of plan assets.

**Related party transactions**

Transactions between related parties are based on terms similar to those offered to non-related parties. The parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions and the parties are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

**Leases**

***The Bank as Lessee***

The Bank assesses whether a contract is or contains a lease, at inception of the contract. The Bank recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones).

**BAHAMAS DEVELOPMENT BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**3. ACCOUNTING POLICIES (cont)**

**Leases (cont)**

*The Bank as Lessee (cont)*

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Bank uses its incremental borrowing rate. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

**Foreign currency transactions**

Transactions in currencies other than Bahamian dollars are recorded at the rates of exchange prevailing on the dates of the transactions. At each statement of the financial position date, assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the statement of financial position date. Gains and losses arising on translation are included in the statement of profit or loss.

**4. NEW AND AMENDED STANDARDS**

The Bank has adopted the following new and revised Standards and Interpretations issued by International Accounting Standards Board (“IASB”) and the International Financial Reporting Interpretations Committee (“IFRIC”) of the IASB that are relevant to the Bank’s operations and effective for the current accounting period.

*Definition of a Business (Amendments to IFRS 3)*

Amendments to IFRS 3 were mandatorily effective for reporting periods beginning on or after 1 January 2020. The Bank has applied the revised definition of a business for acquisitions occurring on or after 1 January 2020 in determining whether an acquisition is accounted for in accordance with IFRS 3 Business Combinations.

**BAHAMAS DEVELOPMENT BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**4. NEW AND AMENDED STANDARDS (cont)**

*Definition of a Business (Amendments to IFRS 3) (cont)*

The amendments do not permit the Bank to reassess whether acquisitions occurring prior to 1 January 2020 met the revised definition of a business. There were no acquisitions and/or business combinations in 2020.

*Definition of Material (Amendments to IAS 1 and IAS 8)*

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of ‘obscuring’ material information with immaterial information has been included as part of the new definition.

The threshold for materiality influencing users has been changed from ‘could influence’ to ‘could reasonably be expected to influence’.

The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of material or refer to the term ‘material’ to ensure consistency. The adoption of this standard did not have a significant impact on the Bank’s financial statements.

*COVID-19-Related Rent Concessions (Amendments to IFRS 16)*

Effective 1 June 2020, IFRS 16 was amended to provide a practical expedient for lessee accounting for rent concessions that arise as a direct consequence of the COVID-19 pandemic and satisfy the following criteria:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- The reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- There are is no substantive change to other terms and conditions of the lease

Rent concessions that satisfy these criteria may be accounted for in accordance with the practical expedient, which means the lessee does not assess whether the rent concession meets the definition of a lease modification. Lessees apply other requirements in IFRS 16 in accounting for the concession.

The adoption of these standards did not have a significant impact on the Bank.

**BAHAMAS DEVELOPMENT BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**4. NEW AND AMENDED STANDARDS (cont)**

The following new/amended accounting standards and interpretations that have been issued, but are not mandatory for financial years ended 31 December 2020, are not expected to have a significant impact on the Bank in the period of initial application.

- *Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)*  
The amendment specifies that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).
- *Property, Plant and Equipment: Proceeds before intended Use (Amendment to IAS 16)*  
The amendment prohibits deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.
- *References to Conceptual Framework (Amendments to IFRS 3)*  
The changes in Reference to the Conceptual Framework (Amendments to IFRS 3) are:
  - update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework;
  - add to IFRS 3 a requirement that, for transactions and other events within the scope of IAS 37 or IFRIC 21, an acquirer applies IAS 37 or IFRIC 21 (instead of the Conceptual Framework) to identify the liabilities it has assumed in a business combination; and
  - add to IFRS 3 an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.
- *IFRS 17 Insurance Contracts (effective 1 January 2023)*  
In June 2020, the IASB issued amendments to IFRS 17, including a deferral of its effective date to 1 January 2023.

**BAHAMAS DEVELOPMENT BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**4. NEW AND AMENDED STANDARDS (cont)**

- *Interest Rate Benchmark Reform – IBOR ‘phase 2’*  
 The amendment relates to the modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements, and disclosure requirements applying IFRS 7 to accompany the amendments regarding modifications and hedge accounting.

*Annual Improvements to IFRSs 2018-2020 Cycle*

There were four amendments as part of the 2018-2020 Annual Improvements Cycle. These were made to IFRS 1 First-time adoption of International Financial Reporting Standard, IFRS 9 Financial Instruments, IFRS 16 Leases, and IFRS 41 Agriculture.

- IFRS 1 – effective 1 January 2022  
 Permission for the subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent’s date of transition to IFRSs.
- IFRS 9 – effective 1 January 2022  
 The amendment clarifies which fees an entity includes when it applies the ‘10 per cent’ test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other’s behalf.
- IAS 16  
 The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

The amendment to IFRS 16 only regards an illustrative example, so no effective date is stated.

- IAS 41 – effective 1 January 2022  
 The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in IFRS 13.

**BAHAMAS DEVELOPMENT BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**4. NEW AND AMENDED STANDARDS (cont)**

In January 2020, the IASB issued amendments to IAS 1, which clarify the criteria used to determine whether liabilities are classified as current or non-current. These amendments clarify that current or non-current classification is based on whether an entity has a right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. The amendments also clarify that 'settlement' includes the transfer of cash, goods, services, or equity instruments unless the obligation to transfer equity instruments arises from a conversion feature classified as an equity instrument separately from the liability component of a compound financial instrument. The amendments were originally effective for annual reporting periods beginning on or after 1 January 2022. However, in May 2020, the effective date was deferred to annual reporting periods beginning on or after 1 January 2023.

**5. CASH AND SINKING FUND**

	<b><u>2020</u></b>	<b><u>2019</u></b>
	<b>\$</b>	<b>\$</b>
Cash at banks	4,642,695	4,467,874
Cash on hand	<u>2,300</u>	<u>1,000</u>
Cash held for Disaster Recovery Program	<u>(1,500,000)</u>	<u>---</u>
	<b>\$3,144,995</b>	<b>\$4,468,874</b>
	=====	=====

Included in the Bank's cash at banks was \$1,500,000 received from the Government for the Disaster Recovery Program. The Bank was responsible as Administrator of the loan program. The transferred amount was not a loan to the Bank and was being held in a fiduciary capacity. Historically, the Bank would treat the administration of such loan program as assets under management.

The Bank earns interest on cash at banks at the prevailing market interest rates. The average interest rate for the year ended 31 December 2020 was 0.75% (2019: 0.75%).

**BAHAMAS DEVELOPMENT BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**5. CASH AND SINKING FUND (cont)**

Interest income earned and collected on cash at banks during the year amounted to \$5,588 (2019: \$10,838).

	<b><u>2020</u></b>	<b><u>2019</u></b>
	\$	\$
Fixed deposits	5,988,661	7,349,382
Bahamas Government Registered Stocks	<u>4,975,200</u>	<u>4,975,200</u>
Total sinking fund	10,963,861	12,324,582
Restricted for repayment of bonds payable	<u>(1,270,000)</u>	<u>(12,324,582)</u>
Unrestricted sinking fund	\$9,693,861	\$--
	=====	==

In accordance with Section 19 of the Act, the Bank established a sinking fund for the partial redemption of the Series A, B, C and D bonds issued to the National Insurance Board, prior to conversion, and the Central Bank of The Bahamas. The fixed deposits with maturity of 6 months to 1 year earn interest at an annual rate of 1.00% to 2.00% (2019: 1.00% to 2.00%). The Bahamas Government Registered Stocks were being held for the long term and were stated at the amortised cost, which approximates fair value. The stocks bear interest at 5.00% and 5.03% and have maturity dates of 2024 through 2039.

As at 31 December 2020, interest receivable from the sinking fund amounted to \$511,297 (2019: \$315,171) as disclosed in Note 7. Interest income from the sinking fund, amounted to \$624,726 (2019: \$385,667).

During 2020, the bonds issued to the National Insurance Board were converted to a 20-year loan at an interest rate of 3.94%. Subsequent to the conversion, the Trustees of the Bahamas Development Bank Sinking Fund resolved that the full balance of the Bank's sinking fund be released and a new sinking fund in accordance with the Act be established in the amount of \$1,270,000 for the satisfaction of the Central Bank of the Bahamas bonds totaling \$4,000,000 and were scheduled to mature during 2025. The sinking fund should be invested in accordance with the established guidelines.

**BAHAMAS DEVELOPMENT BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**6. LOANS RECEIVABLE**

	<u>2020</u>	<u>2019</u>
	\$	\$
Performing	7,669,642	10,459,240
COVID-affected loans	2,394,706	--
Non-performing	6,238,715	7,417,156
Extraordinary Advances	899,696	788,640
Employees	<u>304,245</u>	<u>169,190</u>
	17,507,004	18,834,226
Accrued interest	<u>536,469</u>	<u>447,074</u>
	18,043,473	19,281,300
Less: Allowance for loan losses	<u>(2,830,687)</u>	<u>(2,578,199)</u>
	\$15,212,786	\$16,703,101
	=====	=====

The above outstanding loans earned interest rates ranging from 0.00% to 8.50% per annum (2019: 0.00% to 14.00% per annum). Interest income on loans earned during the year amounted to \$1,252,450 (2019: \$1,368,954).

During 2020, the Bank agreed to provide grace period to certain performing loan customers due to the impact of the COVID-19 pandemic and as a result, the loan periods were extended.

Summary of changes in the loans receivable:

	<u>2020</u>	<u>2019</u>
	\$	\$
Opening balance	18,834,226	34,095,233
Loans disbursed	1,252,405	1,440,040
Loan payments received	(2,425,958)	(3,569,188)
Loans written off	<u>(153,669)</u>	<u>(13,131,859)</u>
	17,507,004	18,834,226
Accrued interest	<u>536,469</u>	<u>447,074</u>
	18,043,473	19,281,300
Less: Allowance for loan losses	<u>(2,830,687)</u>	<u>(2,578,199)</u>
	\$15,212,786	\$16,703,101
	=====	=====

**BAHAMAS DEVELOPMENT BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**6. LOANS RECEIVABLE (cont)**

An analysis of the change in the allowance for loan losses is as follows:

	<b><u>2020</u></b>	<b><u>2019</u></b>
	\$	\$
Opening balance	2,578,199	12,012,669
Provision for loan losses	406,157	3,697,389
Write-offs	<u>(153,669)</u>	<u>(13,131,859)</u>
	\$2,830,687	\$2,578,199
	=====	=====

The following is an aged analysis of all loans receivable that were past due as of the date of the statement of financial position:

<b><u>Days in arrears</u></b>	<b><u>Number of accounts</u></b>	<b><u>Loans</u></b>	<b><u>Collateral held against loans</u></b>	<b><u>Portion of loans not covered by collateral</u></b>	<b><u>Loan loss provision</u></b>	<b><u>Provision rate</u></b>
		\$	\$	\$	\$	
<b><u>2020</u></b>						
<i><u>General provision</u></i>						
Current loans	88	8,881,962	4,993,595	3,888,367	444,098	11.42%
1 to 30 days	8	624,612	407,328	217,284	31,230	14.37%
31 to 60 days	8	895,525	637,018	258,507	89,552	34.64%
61 to 90 days	2	112,909	92,209	20,700	16,936	81.82%
<i><u>Specific provision</u></i>						
91 to 365 days	23	1,655,125	1,286,352	368,773	368,773	100.00%
> 365 days	102	4,740,509	3,914,671	825,838	825,838	100.00%
Extraordinary advances linked to inactive Loans		<u>596,362</u>	<u>—</u>	<u>596,362</u>	<u>596,363</u>	100.00%
		17,507,004	11,331,173	6,175,831	2,372,790	
Provision for accruals		<u>—</u>	<u>—</u>	<u>—</u>	<u>457,897</u>	
		\$17,507,004	\$11,331,173	\$6,175,831	2,830,687	
		=====	=====	=====	=====	

**BAHAMAS DEVELOPMENT BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**6. LOANS RECEIVABLE (cont)**

<b><u>Days in arrears</u></b>	<b><u>Number of accounts</u></b>	<b><u>Loans</u></b> \$	<b><u>Collateral held against loans</u></b> \$	<b><u>Portion of loans not covered by collateral</u></b> \$	<b><u>Loan loss provision</u></b> \$	<b><u>Provision rate</u></b>
<b><u>2019</u></b>						
<i>General provision</i>						
Current loans	91	7,712,113	3,738,700	3,973,413	385,606	9.70%
1 to 30 days	22	1,406,254	796,180	610,074	70,313	11.53%
31 to 60 days	10	1,274,590	563,536	711,054	127,459	17.93%
61 to 90 days	8	66,283	--	66,283	9,942	15.00%
<i>Specific provision</i>						
91 to 365 days	36	3,691,335	2,658,790	1,032,545	1,032,545	100.00%
> 365 days	76	4,287,512	4,189,214	98,298	98,298	100.00%
Extraordinary advances linked to inactive Loans		<u>396,139</u>	<u>--</u>	<u>396,139</u>	<u>396,139</u>	100.00%
Provision for accruals		<u>18,834,226</u>	<u>11,946,420</u>	<u>6,887,806</u>	<u>2,120,302</u>	
		<u>--</u>	<u>--</u>	<u>--</u>	<u>457,897</u>	
		<u>\$18,834,226</u>	<u>\$11,946,420</u>	<u>\$6,887,806</u>	<u>2,578,199</u>	
		=====	=====	=====	=====	

**7. OTHER ASSETS**

	<b><u>2020</u></b> \$	<b><u>2019</u></b> \$
Interest receivable from sinking fund	511,297	315,171
VAT receivable	286,332	182,806
Prepayments	42,123	15,730
Security deposits	8,900	8,900
Accounts receivable and offset loans	7,347	52,191
Others	<u>10,663</u>	<u>--</u>
	866,662	574,798
Less: Allowance for doubtful receivables	<u>(286,332)</u>	<u>--</u>
	<u>\$580,330</u>	<u>\$574,798</u>
	=====	=====



**BAHAMAS DEVELOPMENT BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**8. FIXED ASSETS**

	<u>Land</u>	<u>Building</u>	<u>Computer equipment &amp; software</u>	<u>Furniture, fixtures &amp; improvements</u>	<u>Office machines &amp; equipment</u>	<u>Motor vehicles</u>	<u>Total</u>
	\$	\$	\$	\$	\$	\$	\$
<b>COST</b>							
1 January 2019	--	--	1,833,315	1,433,872	540,773	146,480	3,954,440
Additions	480,000	964,069	310,201	25,900	3,343	24,996	1,808,509
Disposal	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(146,480)</u>	<u>(146,480)</u>
31 December 2019	<u>480,000</u>	<u>964,069</u>	<u>2,143,516</u>	<u>1,459,772</u>	<u>544,116</u>	<u>24,996</u>	<u>5,616,469</u>
<b>DEPRECIATION</b>							
1 January 2019	--	--	1,788,052	1,310,874	519,449	146,480	3,764,855
Charge for the year	--	2,567	36,933	23,029	8,201	3,332	74,062
Disposal	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(146,480)</u>	<u>(146,480)</u>
31 December 2019	<u>--</u>	<u>2,567</u>	<u>1,824,985</u>	<u>1,333,903</u>	<u>527,650</u>	<u>3,332</u>	<u>3,692,437</u>
<b>NET BOOK VALUE</b>							
31 December 2019	<u>\$480,000</u>	<u>\$961,502</u>	<u>\$318,531</u>	<u>\$125,869</u>	<u>\$16,466</u>	<u>\$21,664</u>	<u>\$1,924,032</u>
31 December 2018	<u>\$--</u>	<u>\$--</u>	<u>\$45,263</u>	<u>\$122,998</u>	<u>\$21,324</u>	<u>\$--</u>	<u>\$189,585</u>

**BAHAMAS DEVELOPMENT BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**9. CUSTOMER DEPOSITS**

	<b><u>2020</u></b>	<b><u>2019</u></b>
	\$	\$
Mailboat subsidy – Ministry of Transport	762,200	1,924,015
Other customer deposits and advances	441,648	1,030,389
Security deposits held as collateral for loans	152,403	78,515
Apiculture Program – Grand Bahama	28,723	8,722
Insurance premiums	<u>197</u>	<u>--</u>
	<u>\$1,385,171</u>	<u>\$3,041,641</u>

**10. ACCOUNTS PAYABLE AND ACCRUED EXPENSES**

	<b><u>2020</u></b>	<b><u>2019</u></b>
	\$	\$
Accrued expenses	312,099	143,229
Pension plan benefit obligations	193,141	259,758
Other accounts payable	<u>96,599</u>	<u>48,009</u>
	<u>\$601,839</u>	<u>\$450,996</u>

**11. BONDS PAYABLE**

	<b><u>2020</u></b>	<b><u>2019</u></b>
	\$	\$
National Insurance Board	--	37,000,000
The Central Bank of The Bahamas	<u>4,000,000</u>	<u>4,000,000</u>
	<u>\$4,000,000</u>	<u>\$41,000,000</u>

During 2020, The Government approved the conversion of the remaining National Insurance Board bonds totaling \$37,000,000 to a 20-year loan at an interest rate of 3.94%.

**BAHAMAS DEVELOPMENT BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**11. BONDS PAYABLE (cont)**

**The Central Bank of The Bahamas (CBOB)**

As at 31 December 2020 and 2019, the Bank had issued the following Government guaranteed bonds to CBOB:

<u>Bond</u>	<u>Series</u>	<u>2020</u>	<u>2019</u>	<u>Rate</u>	<u>Issue Date</u>	<u>Year of</u>
		\$	\$			<u>Maturity</u>
10	C	2,000,000	2,000,000	4.25%	13/7/2005	2025
11	C	1,000,000	1,000,000	4.25%	17/10/2005	2025
12	C	<u>1,000,000</u>	<u>1,000,000</u>	4.25%	19/10/2005	2025
		\$4,000,000	\$4,000,000			
		=====	=====			

The interest on the bonds was variable and payable in semi-annual instalments.

	<u>2020</u>	<u>2019</u>
	\$	\$
Current portion	--	11,000,000
Non-current portion	<u>4,000,000</u>	<u>30,000,000</u>
	\$4,000,000	\$41,000,000
	=====	=====

**BAHAMAS DEVELOPMENT BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**11. BONDS PAYABLE (cont)**

**National Insurance Board (NIB)**

As disclosed, during 2020 the NIB bonds were converted to a loan payable. Prior to conversion, the Bank had outstanding bonds with NIB, as follows:

<u>Bond</u>	<u>Series</u>	<u>2019</u> \$	<u>Rate</u>	<u>Issue Date</u>	<u>Year of</u> <u>Maturity</u>
1	A	10,000,000	4.25%	28/11/2000	2020
2	A	2,000,000	4.25%	29/12/2003	2024
3	A	2,000,000	4.25%	25/03/2004	2024
4	A	1,000,000	4.25%	29/09/2004	2024
5	B	1,000,000	3.25%	16/05/2005	2020
8	C	2,000,000	4.25%	05/05/2006	2026
9	D	2,000,000	3.25%	11/08/2006	2021
10	D	1,000,000	3.25%	03/01/2007	2022
11	C	2,000,000	4.25%	06/02/2007	2027
12	C	2,000,000	4.25%	05/04/2007	2027
13	D	2,000,000	3.25%	02/08/2007	2022
14	D	2,000,000	3.25%	30/11/2007	2022
15	C	2,000,000	4.25%	02/04/2008	2028
16	D	2,000,000	3.25%	18/08/2008	2023
17	C	2,000,000	4.25%	14/11/2008	2028
18	C	1,000,000	4.25%	31/03/2009	2029
19	D	<u>1,000,000</u>	3.25%	31/03/2009	2024
		\$37,000,000			
		=====			

**12. LOANS PAYABLE**

	<u>2020</u> \$	<u>2019</u> \$
European Investment Bank	--	14,951
National Insurance Board – Converted Bonds	37,000,000	--
National Insurance Board - Office Building	1,167,484	1,274,086
The Central Bank of The Bahamas	<u>2,000,000</u>	<u>2,250,000</u>
	\$40,167,484	\$3,539,037
	=====	=====

**BAHAMAS DEVELOPMENT BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**12. LOANS PAYABLE (cont)**

The maturity of the loans payable is as follows:

	<b><u>2020</u></b>	<b><u>2019</u></b>
	<b>\$</b>	<b>\$</b>
Current portion	1,604,187	371,553
Non-current portion	<u>38,563,297</u>	<u>3,167,484</u>
	\$40,167,484	\$3,539,037
	=====	=====

**The Central Bank of The Bahamas**

As at 31 December 2020, the Bank had an outstanding loan of \$2,000,000 (2019: \$2,250,000) with the Central Bank of The Bahamas. The loan bears interest at 2.00% per annum. During the year, the Bank paid \$250,000 (2019: \$250,000). The loan was repayable in semi-annual instalments of \$125,000 and was due to be fully repaid on 28 October 2024.

**National Insurance Board**

*Loan – Office Building*

As at 31 December 2020, the Bank had an outstanding loan of \$1,167,484 (2019: \$1,274,086) with the National Insurance Board used for the purchase of the office building. The loan bears interest at 4.50% per annum. During the year, the Bank paid \$106,602 (2019 \$25,914:). The loan was repayable in quarterly instalments and was due to be fully repaid on 15 September 2029.

*Bonds Converted To Loans*

The Government approved the conversion of the \$37,000,000 bonds to a 20-year loan. As at 31 December 2020, the outstanding loan balance was \$37,000,000 (2019: \$Nil) with the National Insurance Board. The loan was fully guaranteed by the Government and bears interest at 3.94% per annum. The loan was repayable in blended quarterly instalments of \$670,574 commencing 1 February 2021 and was due to be fully repaid on 1 November 2040.

**BAHAMAS DEVELOPMENT BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**12. LOANS PAYABLE (cont)**

**European Investment Bank (cont)**

As at 31 December 2020, the Bank had an outstanding loan with the European Investment Bank with a principal balance of \$Nil (2019: \$14,951), of which \$14,951 (2019: \$30,420) was paid during the year. The loan was repayable in Euros in semi-annual instalments expressed as a percentage of the outstanding loan balance, at an interest rate of Nil% (2019: 1.00%). The Bahamas Government also guarantees long-term debt due to European Investment Bank. The loan was fully paid during 2020.

**13. DUE FROM/(TO) THE GOVERNMENT**

	<b><u>2020</u></b>	<b><u>2019</u></b>
	<b>\$</b>	<b>\$</b>
Opening balance	(8,678)	(26,070,488)
Converted to contributed surplus	--	25,821,129
Bonds and loans payments	--	(1,237,910)
Interest subsidy	281,834	454,740
Administration fee – Mailboat operators	183,475	240,868
Government guarantee claims	164,433	782,983
Salaries paid	<u>88,407</u>	<u>          --</u>
	<b>\$709,471</b>	<b>\$(8,678)</b>
	<b>=====</b>	<b>=====</b>

On 30 September 2019, the Government approved the conversion of the Due to The Government to contributed surplus totalling \$25,821,129.

The principal and interest payments on bonds and loans payable during the year totalled \$1,759,411 (2019: \$1,237,910), were paid by the Government on behalf of the Bank, and were now recognized in the Statement of Profit or Loss as government subsidy. The Government has agreed to pay the long term debts of the Bank until further notice.

Furthermore, the Government has agreed to guarantee claims and interest subsidy due to the Bank during the year, amounting to \$281,834 (2019: \$454,740).

**BAHAMAS DEVELOPMENT BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**13. DUE FROM/(TO) THE GOVERNMENT (cont)**

The Government has also agreed for the Bank to apply administrative fees to facilitate the Government's Mailboat subsidy on behalf of the Ministry of Transport and Aviation. The fee of 2.50% applied during the year amounted to \$183,475 (2019: \$240,868).

During the year, the Government paid the Bank administration fees of 5.00% (2019: 5.00%) for administering the Micro Loans program.

Due (from)/to The Government is interest free and unsecured.

**14. SHARE CAPITAL**

	<b><u>2020</u></b>	<b><u>2019</u></b>
	\$	\$
<b>Authorised</b>		
10,000,000 shares of \$5 each	\$50,000,000	\$50,000,000
	=====	=====
<b>Issued and fully paid</b>		
5,792,051 shares of \$5 each	\$28,960,256	\$28,960,256
	=====	=====

**15. RESERVE FUND**

Under Section 20 of the Act, the Bank is to set aside each year a minimum of 25% of net profits (if any) to a Reserve Fund to meet contingencies and for other purposes for which it may be required. At 31 December 2020, the total amount of Reserve Fund was \$273,128 (2019: \$273,128).

**16. INTEREST SUBSIDY**

During 2001, the Government mandated that the lending rate for the Bank be ranging between 1.00% and 2.50% above the prime rate depending on risk factors. Following that requirement, the Government agreed to subsidise the difference between the Bank's lending rate and the Bank's normal spread of 5.00%.

**BAHAMAS DEVELOPMENT BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**17. OTHER INCOME**

	<u>2020</u>	<u>2019</u>
	\$	\$
Fees and commissions	371,097	248,882
Other income	4,266	21,546
Net foreign exchange gain	<u>211</u>	<u>187</u>
	\$375,574	\$270,615
	=====	=====

**18. GOVERNMENT SUBSIDY**

The Government subsidy consists of principal and/or interest payments on behalf of the Bank by the Government on its bonds and loans payable.

**19. STAFF COSTS**

	<u>2020</u>	<u>2019</u>
	\$	\$
Salaries	1,784,490	1,543,911
NIB, pension and insurance	387,490	311,956
Board expenses	99,303	86,231
Staff benefits and other	<u>105,038</u>	<u>115,886</u>
	\$2,376,321	\$2,057,984
	=====	=====

**BAHAMAS DEVELOPMENT BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**20. GENERAL AND ADMINISTRATIVE COSTS**

	<u>2020</u>	<u>2019</u>
	\$	\$
Professional fees	172,162	14,601
Repairs and maintenance	83,379	88,171
Advertising	73,142	62,063
Computer expenses	69,754	64,720
Telephone, telex and cable	67,775	68,694
Rent	50,563	56,675
Utilities	34,098	66,785
Subscriptions and entertainment	33,262	20,789
Executive allowances	32,120	61,380
Travel and transportation	26,813	71,663
Security expense	23,662	35,290
Insurance	16,266	27,136
Bank charges	14,987	11,855
Office supplies and printing	13,026	26,528
Interest expense – lease liability	4,528	5,598
Miscellaneous	<u>58,320</u>	<u>25,547</u>
	\$773,857	\$707,495
	=====	=====

**21. DEFINED CONTRIBUTION PENSION PLAN**

On 1 February 2011, the Bank changed its pension plan from a Defined Benefit Plan to Defined Contribution Plan where both the Bank (employer) and the employees will contribute 5.00% of their equivalent gross salary. Employees have the option to contribute additional sums voluntarily. Employees who were already retired at the time of change were kept under the Defined Benefit Plan. As at 31 December 2020 and 2019, all funds were administered by Colina Financial Advisors Limited.

Pension contributions during the year amounted to \$88,537 (2019: \$78,712), which is included in NIB, Pension and Insurance expenses, as disclosed in Note 19.

**BAHAMAS DEVELOPMENT BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**22. DEFINED BENEFIT PENSION PLAN**

An independent actuarial valuation of the Bank's defined benefit pension plan was performed for the year ended 31 December 2017. Based on management's valuation, there is no significant change on the pension plan benefit obligation during the year. The movements in the non-contributory defined benefit obligation are as follows:

	<b><u>2020</u></b>	<b><u>2019</u></b>
	\$	\$
Present value of obligation at start of year	659,758	811,945
Benefits paid out of the plan asset	--	(47,674)
Benefits paid out of the operating fund	<u>(66,617)</u>	<u>(104,513)</u>
<b>Present value of obligation at end of year</b>	<b>\$593,141</b>	<b>\$659,758</b>
	=====	=====
Fair value of plan assets at start of year	400,000	447,674
Benefits paid	--	<u>(47,674)</u>
<b>Fair value of plan assets at end of year</b>	<b>\$400,000</b>	<b>\$400,000</b>
	=====	=====

The amount recognised as a liability in the statement of financial position in respect of the Bank's defined benefit pension plan is as follows:

	<b><u>2020</u></b>	<b><u>2019</u></b>
	\$	\$
Present value of funded obligations	593,141	659,758
Fair value of plan assets	<u>(400,000)</u>	<u>(400,000)</u>
	<b>\$193,141</b>	<b>\$259,758</b>
	=====	=====

There were no expenses recognised in the statement of profit or loss in respect of the Bank's defined benefit pension plan.

**BAHAMAS DEVELOPMENT BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**22. DEFINED BENEFIT PENSION PLAN (cont)**

Movements in the net liability recorded in the statement of financial position are as follows:

	<u>2020</u>	<u>2019</u>
	\$	\$
Net liability at beginning of year	259,758	364,271
Benefits paid out of operating fund	<u>(66,617)</u>	<u>(104,513)</u>
Net Liability at end of year	\$193,141 =====	\$259,758 =====

Principal actuarial assumption used in determining present value of obligation was at 5.20%

**23. COMMITMENTS**

As at year end, the Bank was committed to extend credit based on approved but undisbursed loans amounting to \$1,982,955 (2019: \$659,078).

**24. RIGHT OF USE/LEASE LIABILITY**

The Bank's Nassau premises were leased from the Hotel Corporation of the Bahamas for an initial period of 5 years beginning in 1992 with an option to renew for another 5 years at an annual rent of \$50,000 per annum. The lease agreement has not been renegotiated however the lessor has allowed payments to continue in accordance with the expired lease agreement. Subsequent to year end, the lease was terminated.

The lease on the Bank's Freeport office from Jurosbi Investments Ltd was for an initial period of 3 years beginning December 2011 at a monthly rent of \$3,500, and has since been renewed for an additional 3 years from 1 December 2018 through November 2021. The Bank also has an option to renew the lease term for an additional 1 year.

**BAHAMAS DEVELOPMENT BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**24. RIGHT OF USE/LEASE LIABILITY (cont)**

*Right-of-use asset*

Set out below is the carrying amount of right-of-use asset recognised and the movements during the year:

	<b><u>2020</u></b>	<b><u>2019</u></b>
	\$	\$
Opening balance	115,545	154,061
Amortisation	<u>(38,516)</u>	<u>(38,516)</u>
	\$77,029	\$115,545
	=====	=====

*Lease liability*

Set out below is the carrying amount of lease liability and the movements during the year:

	<b><u>2020</u></b>	<b><u>2019</u></b>
	\$	\$
Opening balance	117,659	154,061
Interest expense	4,528	5,598
Lease payments	<u>(42,000)</u>	<u>(42,000)</u>
	\$80,187	\$117,659
	=====	=====

The following are the amounts recognised in profit or loss:

	<b><u>2020</u></b>	<b><u>2019</u></b>
	\$	\$
Amortisation of right-of-use asset	38,516	38,516
Interest expense on lease liability	<u>4,528</u>	<u>5,598</u>
	\$43,044	\$44,114
	=====	=====

**BAHAMAS DEVELOPMENT BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**24. RIGHT OF USE/LEASE LIABILITY (cont)**

*Lease liability (cont)*

The maturity analysis of lease liability follows:

	<u>2020</u>	<u>2019</u>
	\$	\$
1 year	39,193	37,472
2 – 4 years	<u>40,994</u>	<u>80,187</u>
	\$80,187	\$117,659
	=====	=====

**25. RELATED PARTIES**

Related parties comprise i) Government ministries and departments; ii) Government corporations and agencies' iii) entities controlled by the Government; iv) entities in which the Government has a significant ownership interest; and v) key management personnel. Transactions that the Bank has with such related parties entities are disclosed on the statement of financial position and accompanying notes. The amounts and terms of these transactions are discussed and agreed upon by the parties.

Salaries and other employee benefits paid to key management personnel totaled \$353,566 (2019: \$676,594). Loans to key management personnel of the Bank totaled \$93,068 (2019: \$124,247). The loans bear interest at a rate of 4.25% (2019: 4.25%), are secured and have fixed terms of repayment. Other bank employees receive loans on the same terms.

**BAHAMAS DEVELOPMENT BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**26. ASSET UNDER MANAGEMENT**

**Micro Loan Program Design and Implementation**

In 2016, Ministry of Finance (MOF) and the Bank have consented to enter the partnership agreement to provide some assistance to Micro, Small and Medium Enterprises (MSME) via the MOF's Micro Loan Program (MOF-MLP). Once the facility is approved by the MOF-MLP Committee, the Bank was responsible in administering the loan program. The Bank, through its loan management system, will keep a file on all MOF-MLP borrowers for tracking purposes and will be responsible for collection of payments and following-up with delinquent clients. As at 31 December 2020, the total micro-loans that are off-balance sheet amounted to \$3,353,507 (2019: \$3,395,327). As at 31 December 2020, the off-balance sheet cash that the Bank holds in reference to the micro loan program was \$227,581 (2019: \$215,553).

The movement of the loans follows:

	<b><u>2020</u></b>	<b><u>2019</u></b>
	\$	\$
Opening balance	3,395,327	3,496,520
Loan payments received	<u>(41,820)</u>	<u>(101,193)</u>
	\$3,353,507	\$3,395,327
	=====	=====

**Sustainable Development (Agriculture Fund) Micro Loan Program (SDAF-MLP) Design and Implementation**

Similarly, in 2017, an Executing Agency Services Agreement was executed between the Bank and MOF. The latter has facilitated the release of residual Agricultural Credit Guarantee Fund from Central Bank to the Bank for on-lending in the agriculture sector. The funds will be treated as "Assets under Management" for MOF.

The Bank designed a micro loan program for the Sustainable Development Agriculture and Fisheries Joint Committee which was established to resuscitate and catapult agriculture and agri-business to significance in the Bahamas economy. Applicants seeking consideration under the Sustainable Development (Agriculture Fund) Micro Loan Program (SDAF-MLP) Design and Implementation will be required to submit all documents directly to the BAMSI or a BDB Designate. Once the facility is approved, the Bank will be responsible in administering the loan program. The Bank, through its loan management system, will keep a file on all MOF-MLP borrowers for tracking purposes and will be responsible for collection of payments and following-up with delinquent clients.

**BAHAMAS DEVELOPMENT BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**26. ASSET UNDER MANAGEMENT (cont)**

**Sustainable Development (Agriculture Fund) Micro Loan Program (SDAF-MLP) Design and Implementation (cont)**

As at 31 December 2020, the total agricultural loans that are off-balance sheet amounted to \$131,735 (2019: \$139,668). As at 31 December 2020, the off-balance sheet cash that the Bank holds in reference to the micro loan program was \$480,100 (2019: \$480,898).

The movement of the loans follows:

	<b><u>2020</u></b>	<b><u>2019</u></b>
	\$	\$
Opening balance	139,668	162,068
Loan payments received	<u>(7,933)</u>	<u>(22,400)</u>
	\$131,735	\$139,668
	=====	=====

**Small Business Development Center Micro-Loan Program (SBDC-MLP) and Micro, Small and Medium Enterprise (MSME) Business Continuity Loan Programme Agreement**

In 2019, an Executing Agency Services Agreement was executed between the Bank and the Small Business Development Center (SBDC) for the management of the disbursement, loan supervision, and collection protocols established by SBDC in relation to its Micro-Loan Program (MLP).

Also in 2020, a Micro, Small and Medium Enterprise (MSME) Business Continuity Loan Programme Agreement was entered into between the parties. The programme aimed to provide short-term loan support to Bahamian small business impacted by the COVID-19 situation for a total allocation of \$20,000,000. Eligibility would include confirming that the business has been in existence for over 1 year, a commitment to retain most of the existing staff complement, and a plan to utilize the proceeds of the loan to ensure business continuity.

As at 31 December 2020, the total loans that are off-balance sheet amounted to \$3,778,707 (2019: \$240,678). As at 31 December 2020, the off-balance sheet cash that the Bank holds in reference to the micro loan program was \$663,238 (2019: \$Nil).

**BAHAMAS DEVELOPMENT BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**26. ASSET UNDER MANAGEMENT (cont)**

**Small Business Development Center Micro-Loan Program (SBDC-MLP) and Micro, Small and Medium Enterprise (MSME) Business Continuity Loan Programme Agreement (cont)**

The movement of the loans follows:

	<b><u>2020</u></b>	<b><u>2019</u></b>
	\$	\$
Opening balance	240,678	--
Loans disbursed	3,585,845	241,698
Loan payments received	<u>(47,816)</u>	<u>(1,020)</u>
	<u>\$3,778,707</u>	<u>\$240,678</u>

**27. CONCENTRATIONS OF ASSETS AND LIABILITIES**

As at 31 December 2020, the Bank has the following concentrations of assets and liabilities according to geographic region and industry sector:

	<b><u>Geographic Region</u></b>	<b><u>Industry</u></b>	<b><u>2020</u></b>	<b><u>2019</u></b>
			%	%
Cash	Bahamas	Financial Sector	100	100
Loans receivable	Bahamas	Service	65.86	60.66
Loans receivable	Bahamas	Tourism	11.64	15.30
Loans receivable	Bahamas	Fishing	1.79	2.37
Loans receivable	Bahamas	Manufacturing	8.13	7.31
Loans receivable	Bahamas	Transportation	10.25	11.65
Loans receivable	Bahamas	Agriculture	0.50	0.57
Loans receivable	Bahamas	Staff	<u>1.83</u>	<u>2.14</u>
			100.00	100.00
Long-term debt	Bahamas	Financial Sector	100.00	99.90
Long-term debt	Europe	Financial Sector	<u>0.00</u>	<u>0.10</u>
			100.00	100.00

**BAHAMAS DEVELOPMENT BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**28. FINANCIAL RISK MANAGEMENT**

The Bank has exposure to the following risks from its use of financial instruments:

- Interest rate risk
- Credit risk
- Liquidity risk
- Market risk
- Reputational risk
- Compliance risk

This note presents information about the Bank's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these financial statements. The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework.

**Liquidity risk**

Liquidity risk is the risk that the Bank will not be able to meet its financial obligations as they fall due. The Bank's approach to managing liquidity is to ensure as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions. The Bank ensures that it has sufficient liquid assets to settle currently maturing obligations.

**BAHAMAS DEVELOPMENT BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**28. FINANCIAL RISK MANAGEMENT (cont)**

**Liquidity risk (cont)**

The following tables summarise the maturity profile of the Bank's financial assets and liabilities as at 31 December 2020 based on contractual maturities:

	<u>On Demand</u>	<u>Less than one</u> <u>year</u>	<u>One to five</u> <u>years</u>	<u>Over five</u> <u>years</u>	<u>No specific</u> <u>maturity</u>	<u>Total</u>
	\$	\$	\$	\$	\$	\$
<b>Financial Assets</b>						
Cash	3,144,995	--	--	--	--	3,144,995
Sinking fund	--	5,988,661	363,500	4,611,700	--	10,963,861
Loans receivable	--	3,989,815	2,375,590	8,847,381	--	15,212,786
Due from The Government	--	--	--	--	709,471	709,471
Other assets	--	538,207	--	--	--	538,207
	<u>3,144,995</u>	<u>10,516,683</u>	<u>2,739,090</u>	<u>13,459,081</u>	<u>709,471</u>	<u>30,569,320</u>
<b>Financial Liabilities</b>						
Customer deposits	--	1,385,171	--	--	--	1,385,171
Accounts payable and accrued expenses	--	601,839	--	--	--	601,839
Bonds payable	--	--	4,000,000	--	--	4,000,000
Loans payable	--	1,604,187	8,888,607	29,674,690	--	40,167,484
Lease liability	--	39,193	40,994	--	--	80,187
Interest payable	--	712,543	--	--	--	712,543
	<u>--</u>	<u>4,342,933</u>	<u>12,929,601</u>	<u>29,674,690</u>	<u>--</u>	<u>46,947,224</u>
<b>Liquidity gap</b>	<u>\$3,144,995</u>	<u>\$6,173,750</u>	<u>\$(10,190,511)</u>	<u>\$(16,215,609)</u>	<u>\$709,471</u>	<u>\$(16,377,904)</u>

**BAHAMAS DEVELOPMENT BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**28. FINANCIAL RISK MANAGEMENT (cont)**

**Liquidity risk (cont)**

The following tables summarise the maturity profile of the Bank's financial assets and liabilities as at 31 December 2019 based on contractual maturities:

	<u>On Demand</u>	<u>Less than one</u> <u>year</u>	<u>One to five</u> <u>years</u>	<u>Over five</u> <u>years</u>	<u>No specific</u> <u>maturity</u>	<u>Total</u>
	\$	\$	\$	\$	\$	\$
<b>Financial Assets</b>						
Cash	4,468,874	--	--	--	--	4,468,874
Sinking fund	--	6,949,382	363,500	5,011,700	--	12,324,582
Loans receivable	--	3,575,234	3,833,160	9,294,707	--	16,703,101
Other assets	--	559,068	--	--	--	559,068
	<u>4,468,874</u>	<u>11,083,684</u>	<u>4,196,660</u>	<u>14,306,407</u>	<u>--</u>	<u>34,055,625</u>
<b>Financial Liabilities</b>						
Customer deposits	--	3,041,641	--	--	--	3,041,641
Accounts payable and accrued expenses	--	450,996	--	--	--	450,996
Bonds payable	--	11,000,000	15,000,000	15,000,000	--	41,000,000
Loans payable	--	371,553	1,860,814	1,306,670	--	3,539,037
Lease liability	--	37,472	80,187	--	--	117,659
Interest payable	--	384,087	--	--	--	384,087
Due to the Bahamas Government	--	--	--	--	8,678	8,678
	<u>--</u>	<u>15,285,749</u>	<u>16,941,001</u>	<u>16,306,670</u>	<u>8,678</u>	<u>48,542,098</u>
<b>Liquidity gap</b>	<u>\$4,468,874</u>	<u>(\$4,202,065)</u>	<u>\$(12,744,341)</u>	<u>\$(2,000,263)</u>	<u>\$(8,678)</u>	<u>\$(14,486,473)</u>

**BAHAMAS DEVELOPMENT BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**28. FINANCIAL RISK MANAGEMENT (cont)**

**Credit risk**

Credit risk is the risk of financial loss arising if a customer or counter-party fails to meet its contractual obligations. The Bank's credit risk is primarily attributable to its cash and deposits with other banks and financial institutions and credit exposures to customers, including outstanding loan receivables and committed transactions. The Bank places cash and deposits with reputable local banks and financial institutions. All local contracted banks and financial institutions are regulated and monitored by the Central Bank of The Bahamas and account for 100% of cash deposits at year-end.

The Bank mitigates credit risk on its loan portfolio by requiring borrowers to provide collateral equivalent to the loan balance and limiting the total value of any loan originated to a single individual or entity to 10% of total capital. Collateral held includes land, buildings and chattel.

The Bank's exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date and is summarised as follows:

	<b><u>2020</u></b>	<b><u>2019</u></b>
	\$	\$
Cash (excluding cash on hand)	3,142,695	4,467,874
Loans receivable	15,212,786	16,703,101
Sinking fund	<u>10,963,861</u>	<u>12,324,582</u>
	\$29,319,342	\$33,495,557
	=====	=====

**Interest rate risk**

The Bank provides financial and technical assistance to Bahamian entrepreneurs in the areas of agriculture, fishing, marine and land transportation, tourism, manufacturing, service enterprises and other commercial operations.

Interest rate is the potential adverse risk on earnings caused by movements in interest rates/ The Bank's interest bearing assets and liabilities expose it to cash flow interest rate risk. Interest margins may increase or decrease as the result of such changes and may reduce or increase losses in the event that unexpected movements arise.

The Bank minimises interest rate risk through the lending of monies at fixed rates of interest financed by fixed rate long-term debt which are specifically earmarked to finance projects in the above mentioned economic sectors.

**BAHAMAS DEVELOPMENT BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**28. FINANCIAL RISK MANAGEMENT (cont)**

The table below summarizes the Bank's exposure to interest rate risk. It includes the Bank's interest bearing financial assets and liabilities at carrying amounts categorised by maturity dates:

The sensitivity analysis has been performed based on the exposure to interest rates of financial assets and liabilities at the statement of financial position date. A 50 (2019: 50) basis point increase or decrease is used as it represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables remained constant, the Bank's equity position for the year ended 31 December 2020 would decrease by \$70,303 (2019: \$57,138). This is mainly attributable to the Bank's exposure to interest rates in its fixed rate liabilities.

**Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Bank's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising return. Management mitigates this risk by not investing significantly in securities affected by market risk.

**Reputational risk**

Reputational risk arises from operational failures, failure to comply with relevant laws and regulations, or other sources which negatively impact the image or public profile of the Bank. The Bank manages this risk by only engaging in transactions with reputable entities, and adhering to a robust know-your-customer ("KYC") regime for current and prospective clients.

**Compliance risk**

Compliance risk arises in situations where the laws or rules governing certain activities of the Bank are not complied with. The Bank mitigates this risk by continuously educating its staff in this area and by employing its own Compliance Department to ensure that the laws and regulations that affect the Bank's business are adhered to.

**BAHAMAS DEVELOPMENT BANK**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

**29. FINANCING OF OPERATIONS**

The Bank has incurred significant operating losses in recent years and such losses are projected for the future. The Bank is dependent on funding from the Government and it is anticipated that such funding, via the Government's subsidy, will continue to be made available at a level sufficient to allow the Bank to adequately maintain its operations.

The Bank is not subject to externally imposed capital requirements.

**30. SUBSEQUENT EVENTS**

The 2019 Novel Coronavirus infection ('coronavirus') or 'COVID-19' outbreak poses a serious public health threat. It has interrupted the movement of people and goods throughout the world, and many levels of government are instituting restrictions on individuals and businesses. The resulting impact on financial reporting will be significant.

The World Health Organisation (WHO) announced the coronavirus as a global health emergency, which prompted the governments worldwide to put actions in place to slow the spread of COVID-19 including social distancing, curfews and total lockdowns of businesses. As such, the outbreak represents a significant subsequent event with regards to the 31 December 2020 financial statements.

These loans will not be considered at default and the Bank will still accrue interest, however, this will extend loan repayment terms which will have a future impact on the Bank's delinquency.

<b><u>Financial Statement area</u></b>	<b><u>Description of Impact</u></b>
Cash and deposits with banks including fixed deposits and related income	Over the next 12 months, it is anticipated that cash balances will be maintained in the level of normalcy. Additionally, the Government has committed \$4M for the Bank for 2021 fiscal period.
Loans receivable	The Bank continues to approve and disburse loans. BDB has adjusted its provision amounts due to COVID-19. Collection efforts were ceased during the height of the pandemic but has since resumed.

**BAHAMAS DEVELOPMENT BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**30. SUBSEQUENT EVENTS (cont)**

<b><u>Financial Statement area</u></b>	<b><u>Description of Impact</u></b>
Bonds and loans payable	No significant impact as these are paid by the Government.
Staff costs	No impact as the Bank will retain its staff in accordance with Government mandate. However, staff benefits would have seen a major increase as the Bank absorbed the cost of numerous COVID testing.
Other expenses	Bank's technology capital or expense has increased due to the transition to a "work from home" environment. Also, BDB has incurred cost to ensure staff are in a safe and healthy environment on a consistent basis (sanitization, fogging, cleaning, testing, etc.).

Notwithstanding these unfavorable conditions subsequent to year-end, management has concluded that the Bank is expected to continue as a going concern.

**BAHAMAS DEVELOPMENT BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**31. CORRESPONDING FIGURES**

Presentation of certain corresponding balances have been reclassified for appropriate presentation and in order to conform with the current year's presentation.

The reclassification changes follow:

	<u>Note</u>	<u>As previously presented</u> \$	<u>Effect of change in presentation</u> \$	<u>Current presentation</u> \$
<i>Changes in revenue</i>				
Other income	30.a	980,622	(710,007)	270,615
Government subsidy	30.a	--	710,007	710,007
<i>Changes in expenses</i>				
Staff costs	30.b	2,119,364	(61,380)	2,057,984
General and administrative costs	30.b	646,115	61,380	707,495

30.a

Subventions from government was previously included in the other income and was not separately presented in the statement of profit or loss. Presentation was changed to separately disclose the government subsidy.

30.b

Executive allowance was previously included in the staff costs. Presentation was changed to include the account in the general and administrative costs.

## Auditors: BDO

The Bahamas Development Bank Contact Information:

### Head Office

Robinson Road &  
Key West Street.  
P.O. Box N-3034,  
Nassau, Bahamas  
Tel. (242) 702-5700  
Fax (242) 327-5047  
Email: [info@bdb.gov.bs](mailto:info@bdb.gov.bs)

### Freeport Office

East Sunrise Highway  
Freeport, Grand Bahama  
Bahamas  
P.O. Box F-42573  
Telephone: (242) 352-9025  
Fax: (242) 352-4166  
Email: [info@bdb.gov.bs](mailto:info@bdb.gov.bs)



BAHAMAS  
DEVELOPMENT  
BANK

20  
20