

BAHAMAS DEVELOPMENT BANK

FINANCIAL STATEMENTS

31 DECEMBER 2019

BAHAMAS DEVELOPMENT BANK

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**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 2019, the statement of profit or loss and other comprehensive 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 2019 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 (ISAs). Our responsibilities under those standards are further described in the Auditor's 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 27 regarding the continued operations of the Bank. The Bank's total liabilities exceeded total assets by \$12,431,166 (2018: \$33,302,184) and has an accumulated deficit of \$67,485,679 (2018: \$62,535,568) as at 31 December 2019. 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.

Additionally, we draw attention to Note 28 of the financial statements, which describes events subsequent to the date of the financial statements which will have a direct and indirect impact on the Bank as a result of the COVID-19 pandemic. Although the forecast is unfavorable, management has concluded that the Bank is expected to continue as a going concern.

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.

BDO

**Chartered Accountants
Nassau Bahamas
24 June 2021**

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 2019
(Expressed in Bahamian Dollars)

	<u>Notes</u>	<u>2019</u> \$	<u>2018</u> \$
ASSETS			
Cash	5	4,468,874	2,904,510
Restricted deposits sinking fund	5	12,324,582	12,228,017
Loans receivable	6	16,703,101	22,375,525
Other assets	7	574,798	482,002
Fixed assets, net	8	1,924,032	189,585
Right-of-use asset	22	<u>115,545</u>	<u>--</u>
TOTAL ASSETS		\$36,110,932 =====	\$38,179,639 =====
LIABILITIES AND EQUITY			
LIABILITIES			
Customer deposits	9	3,041,641	1,035,347
Accounts payable and accrued expenses	10	450,996	449,778
Bonds payable	11	41,000,000	41,000,000
Loans payable	12	3,539,037	2,545,371
Lease liability	22	117,659	--
Interest payable		384,087	380,839
Due to The Government	13	<u>8,678</u>	<u>26,070,488</u>
Total liabilities		<u>48,542,098</u>	<u>71,481,823</u>
EQUITY			
Share capital	14	28,960,256	28,960,256
Contributed surplus	14	25,821,129	--
Reserve fund	15	273,128	273,128
Accumulated deficit		<u>(67,485,679)</u>	<u>(62,535,568)</u>
Total Equity		<u>(12,431,166)</u>	<u>(33,302,184)</u>
TOTAL LIABILITIES AND EQUITY		\$36,110,932 =====	\$38,179,639 =====

The audited statements were approved by the board of directors and authorised for issue

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 Director

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 Director

The notes on pages 8 to 47 form an integral part of these financial statements.

BAHAMAS DEVELOPMENT BANK

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE LOSS

FOR THE YEAR ENDED 31 DECEMBER 2019

	<u>Notes</u>	<u>2019</u> \$	<u>2018</u> \$
INTEREST INCOME			
Loans		1,368,954	1,709,944
Sinking fund		385,667	282,348
Interest subsidy	16	454,740	434,392
Deposits		<u>10,838</u>	<u>25,884</u>
Total interest income		2,220,199	2,452,568
Interest expense		<u>(1,700,751)</u>	<u>(1,747,155)</u>
Net interest income		519,448	705,413
LOAN RECOVERY		125,265	4,474
OTHER INCOME	17	<u>980,622</u>	<u>299,965</u>
TOTAL INCOME		<u>1,625,335</u>	<u>1,009,852</u>
NON-INTEREST EXPENSES			
Provision/(reduction) for loan losses	6	3,697,389	(760,193)
Staff costs	18	2,119,364	1,911,307
General and administrative costs	19	646,115	711,267
Depreciation	8	74,062	52,052
Amortisation - right-of-use asset	22	<u>38,516</u>	<u>--</u>
Total non-interest expenses		<u>6,575,446</u>	<u>1,914,433</u>
NET LOSS FOR THE YEAR		<u>(4,950,111)</u>	<u>(904,581)</u>
OTHER COMPREHENSIVE LOSS			
Actuarial loss on defined benefit plan		<u>--</u>	<u>(16,205)</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		<u>\$(4,950,111)</u> =====	<u>\$(920,786)</u> =====

The notes on pages 8 to 47 form an integral part of these financial statements.

BAHAMAS DEVELOPMENT BANK

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	<u>Share capital</u> \$	<u>Contributed surplus</u> \$	<u>Reserve fund</u> \$	<u>Accumulated deficit</u> \$	<u>Total</u> \$
1 January 2018	28,960,256	--	273,128	(61,614,782)	(32,381,398)
Net loss for the year	--	--	--	(904,581)	(904,581)
Other comprehensive loss					
Actuarial loss on defined benefit plan	--	--	--	(16,205)	(16,205)
31 December 2018	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 The Government	--	25,821,129	--	--	25,821,129
31 December 2019	\$28,960,256 =====	\$25,821,129 =====	\$273,128 =====	\$(67,485,679) =====	\$(12,431,166) =====

The notes on pages 8 to 47 form an integral part of these financial statements.

BAHAMAS DEVELOPMENT BANK**STATEMENT OF CASH FLOWS****FOR THE YEAR ENDED 31 DECEMBER 2019**

	<u>2019</u> \$	<u>2018</u> \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year	(4,950,111)	(904,581)
Adjustment for:		
Depreciation	74,062	52,052
Amortisation – right-of-use asset	38,516	--
Interest income from loans and deposits	(1,765,459)	(2,018,176)
Interest subsidy	(454,740)	(434,392)
Interest expense – lease liability	5,598	--
Interest expense – loans and bonds	<u>1,700,751</u>	<u>1,747,155</u>
Operating loss before working capital changes	(5,351,383)	(1,557,942)
Decrease/(increase) in loans receivable	5,826,537	(757,502)
(Increase)/decrease in other assets	(92,796)	124,404
Increase/(decrease) in customer deposits	2,006,294	(154,058)
Increase in accounts payable and accrued expenses	1,218	10,596
Interest received	2,066,086	2,398,035
Interest paid – loans and bonds	<u>(1,697,503)</u>	<u>(1,769,274)</u>
Net cash provided/(used) in operating activities	<u>2,758,453</u>	<u>(1,705,741)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of fixed assets	(1,808,509)	(115,481)
Net cash used in investing activities	<u>(1,808,509)</u>	<u>(115,481)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of bonds	--	(2,000,000)
Loan proceeds	1,300,000	--
Repayment of loans payable	(306,334)	(259,605)
Lease payment	(42,000)	--
(Increase)/decrease in restricted deposits – sinking fund	(96,565)	1,517,536
(Payment)/proceeds from due to The Bahamas Government	<u>(240,681)</u>	<u>1,152,392</u>
Net cash provided by financing activities	<u>614,420</u>	<u>410,323</u>
Net increase/(decrease) in cash and cash equivalents	1,564,364	(1,410,899)
Cash and cash equivalents at beginning of the year	<u>2,904,510</u>	<u>4,315,409</u>
Cash and cash equivalents at end of the year	\$4,468,874 =====	\$2,904,510 =====

The notes on pages 8 to 47 form an integral part of these financial statements.

BAHAMAS DEVELOPMENT BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

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 move 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 (IFRS). The financial statements have also been prepared under the historical cost convention.

The preparation of the financial statements in conformity with IFRS 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 the “Statement of profit or loss and other comprehensive loss” in one statement.

BAHAMAS DEVELOPMENT BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

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 with a VAT certificate and Tax Identification Number 100100934 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 2019

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.

As at 31 December 2019, the Bank's fixed assets - net amounted to \$1,924,032 (2018: \$189,585), as disclosed in Note 8.

BAHAMAS DEVELOPMENT BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

3. ACCOUNTING POLICIES (cont)

Cash and restricted deposits – sinking fund

Cash is comprised of cash at bank and in hand, which are subject to an insignificant risk of change in value. Restricted deposits – 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 2019.

BAHAMAS DEVELOPMENT BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

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 2019

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 2019

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:

Motor vehicles	4 years
Computer equipment and software	5 years
Office machines and equipment	5 years
Furniture, fixtures and improvements	10 years
Leasehold improvements	10 years
Building	30 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 2019

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 and other comprehensive 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 and comprehensive 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 and other comprehensive 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 2019

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 2019

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 and other comprehensive 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.

IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 contains a single lessee accounting model, which eliminates the distinction between operating and finance leases from the perspective of the lessee.

BAHAMAS DEVELOPMENT BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

4. NEW AND AMENDED STANDARDS (cont)

IFRS 16 Leases (cont)

All contracts that meet the definition of a lease, other than short term leases and leases of low value items for which a lessee has the option not to apply the measurement and presentation requirements of IFRS 16, will be recorded in the statement of financial position with a “right of use” asset and a corresponding liability.

The asset is subsequently accounted for as property, plant and equipment or investment property and the liability is unwound using the interest rate inherent in the lease. For many entities the effect of bringing all leases on the statement of financial position will be very significant and will require careful planning, including for commercial effects.

In the income statement, the application of IFRS 16 will result in a depreciation charge (within operating expenses) and an interest expense.

The accounting requirements from the perspective of the lessor remains largely in line with previous IAS 17 requirements.

IFRS 16 has an effective date of 1 January 2019, with early application permitted only if IFRS 15 has also been adopted.

The Bank has adopted IFRS 16 using the modified retrospective approach which eliminated the need to restate the comparative information on transition. Effect of IFRS 16 on the initial adoption was reflected as an adjustment to the opening accumulated earnings balance.

The following new/amended accounting standards and interpretations have been issued, but are not mandatory for financial years ended 31 December 2019. They have not been adopted in preparing the financial statements and are expected to affect the entity in the period of initial application. In all cases the entity intends to apply these standards from application date as indicated below.

Amendments to IFRS 3 - Definition of a business

The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

BAHAMAS DEVELOPMENT BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

4. NEW AND AMENDED STANDARDS (cont)

Amendments to IFRS 3 - Definition of a business (cont)

Additional guidance is provided that helps to determine whether a substantive process has been acquired.

The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets.

The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1 January 2020, with early application permitted.

The Bank does not expect any significant impact on the financial statements upon the future adoption of these amendments.

Amendments to IAS 1 and IAS 8 - Definition of material

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 amendments are applied prospectively for annual periods beginning on or after 1 January 2020, with earlier application permitted.

The Bank does not expect any significant impact on the financial statements upon the future adoption of these amendments.

BAHAMAS DEVELOPMENT BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

5. CASH AND RESTRICTED DEPOSITS – SINKING FUND

	<u>2019</u>	<u>2018</u>
	\$	\$
Cash at banks	4,467,874	2,903,710
Cash on hand	<u>1,000</u>	<u>800</u>
	\$4,468,874	\$2,904,510
	=====	=====

The Bank earns interest on cash at banks at the prevailing market interest rates. The average interest rate for the year ended 31 December 2019 was 0.75% (2018: 0.75%). Interest income earned and collected on cash at banks during the year amounted to \$10,838 (2018: \$25,884)

	<u>2019</u>	<u>2018</u>
	\$	\$
Fixed deposits	7,349,382	11,864,517
Bahamas Government Registered Stocks	<u>4,975,200</u>	<u>363,500</u>
	\$12,324,582	\$12,228,017
	=====	=====

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 and the Central Bank of The Bahamas. The fixed deposits with maturity of six (6) months to one (1) year earn interest at an annual rate of 1.00% to 2.00% (2018: 1.00% to 2.00%). The Bahamas Government Registered Stocks are being held for the long term and are 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 2019, interest receivable from restricted deposits sinking fund amounted to \$315,171 (2018: \$182,084) as disclosed in Note 7. Interest income from sinking fund earned during the year amounted to \$385,667 (2018: \$282,348).

BAHAMAS DEVELOPMENT BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

6. LOANS RECEIVABLE

	<u>2019</u>	<u>2018</u>
	\$	\$
Performing	10,459,240	14,247,535
Non-performing	7,417,156	17,295,442
Extraordinary Advances	788,640	2,066,860
Employees	<u>169,190</u>	<u>485,396</u>
	18,834,226	34,095,233
Accrued interest	<u>447,074</u>	<u>292,961</u>
	19,281,300	34,388,194
Less: Allowance for loan losses	<u>(2,578,199)</u>	<u>(12,012,669)</u>
	\$16,703,101	\$22,375,525
	=====	=====

The above outstanding loans earned interest rates ranging from 0% to 14% per annum. Interest income on loans earned during the year amounted to \$1,368,954 (2018: \$1,709,944).

Summary of changes in the loans receivable:

	<u>2019</u>	<u>2018</u>
	\$	\$
Opening balance	34,095,233	34,141,058
Loans disbursed	1,440,040	4,814,437
Loan payments received	(3,569,188)	(4,817,128)
Loans written off	<u>(13,131,859)</u>	<u>(43,134)</u>
	18,834,226	34,095,233
Accrued interest	<u>447,074</u>	<u>292,961</u>
	19,281,300	34,388,194
Less: Allowance for loan losses	<u>(2,578,199)</u>	<u>(12,012,669)</u>
	\$16,703,101	\$22,375,525
	=====	=====

BAHAMAS DEVELOPMENT BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

6. LOANS RECEIVABLE (cont)

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

	<u>2019</u>	<u>2018</u>
	\$	\$
Opening balance	12,012,669	12,815,996
Increase/(decrease) provision for loan losses	3,697,389	(760,193)
Write-offs	(13,131,859)	(43,134)
	\$2,578,199	\$12,012,669
	=====	=====

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

<u>Days in</u> <u>arrears</u>	<u>Number of</u> <u>accounts</u>	<u>Loans</u> \$	<u>Collateral</u> <u>held</u> <u>against</u> <u>loans</u> \$	<u>Portion of</u> <u>loans not</u> <u>covered by</u> <u>collateral</u> \$	<u>Loan loss</u> <u>provision</u> \$	<u>Provision</u> <u>rate</u>
<u>2019</u>						
<u>General provision</u>						
Current loans		7,712,113	--	7,712,113	385,606	5.00%
1 to 30 days		1,406,254	--	1,406,254	70,313	5.00%
31 to 60 days		1,274,590	--	1,274,590	127,459	10.00%
61 to 90 days		66,283	--	66,283	9,942	15.00%
<u>Specific provision</u>						
91 to 365 days		3,691,335	2,658,790	1,032,545	1,032,545	100.00%
> 365 days		4,287,512	4,189,214	98,298	98,298	100.00%
Extraordinary advances linked to inactive Loans		396,139	--	396,139	396,139	100.00%
		18,834,226	6,848,004	11,986,222	2,120,302	
Provision for accruals		--	--	--	457,897	
		\$18,834,226	\$6,848,004	\$11,986,222	2,578,199	
		=====	=====	=====	=====	

In calculating the general provision, the provision rate is applied to the total loans notwithstanding the amount of collaterals.

BAHAMAS DEVELOPMENT BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

6. LOANS RECEIVABLE (cont)

<u>Days in arrears</u>	<u>Number of accounts</u>	<u>Loans</u> \$	<u>Collateral held against loans</u> \$	<u>Portion of loans not covered by collateral</u> \$	<u>Loan loss provision</u> \$	<u>Provision rate</u>
<u>2018</u>						
<i><u>General provision</u></i>						
Current loans		10,803,278	--	10,803,278	540,164	5.00%
1 to 30 days		1,681,366	--	1,681,366	84,068	5.00%
31 to 60 days		1,075,141	--	1,075,141	107,514	10.00%
61 to 90 days		687,750	--	687,750	103,162	15.00%
<i><u>Specific provision</u></i>						
91 to 365 days		398,008	334,253	63,755	63,755	100.00%
> 365 days		19,122,201	8,336,684	10,785,517	10,786,517	100.00%
Extraordinary advances linked to inactive Loans		<u>327,489</u>	<u>--</u>	<u>327,489</u>	<u>327,489</u>	100.00%
		<u>\$34,095,233</u>	<u>\$8,670,937</u>	<u>\$25,424,296</u>	<u>\$12,012,669</u>	
		=====	=====	=====	=====	

7. OTHER ASSETS

	<u>2019</u> \$	<u>2018</u> \$
Interest receivable from restricted deposits		
sinking fund	315,171	182,084
VAT receivable	182,806	--
Accounts receivable	52,191	41,832
Prepayments	15,730	6,216
Security deposits	8,900	8,900
Offset loans	--	197,950
Late fee receivable	--	11,900
Others	<u>--</u>	<u>33,120</u>
	<u>\$574,798</u>	<u>\$482,002</u>
	=====	=====

BAHAMAS DEVELOPMENT BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

8. FIXED ASSETS

	<u>Computer equipment & software</u>	<u>Furniture, fixtures & improvements</u>	<u>Office machines & equipment</u>	<u>Motor vehicles</u>	<u>Total</u>
	\$	\$	\$	\$	\$
COST					
1 January 2018	1,793,085	1,362,173	537,221	146,480	3,838,959
Additions	<u>40,230</u>	<u>71,699</u>	<u>3,552</u>	<u>--</u>	<u>115,481</u>
31 December 2018	<u>1,833,315</u>	<u>1,433,872</u>	<u>540,773</u>	<u>146,480</u>	<u>3,954,440</u>
DEPRECIATION					
1 January 2018	1,764,812	1,291,548	509,963	146,480	3,712,803
Charge for the year	<u>23,240</u>	<u>19,326</u>	<u>9,486</u>	<u>--</u>	<u>52,052</u>
31 December 2018	<u>1,788,052</u>	<u>1,310,874</u>	<u>519,449</u>	<u>146,480</u>	<u>3,764,855</u>
NET BOOK VALUE					
31 December 2018	\$45,263	\$122,998	\$21,324	\$--	\$189,585
	=====	=====	=====	==	=====
31 December 2017	\$28,273	\$70,625	\$27,258	\$--	\$126,156
	=====	=====	=====	==	=====

BAHAMAS DEVELOPMENT BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

9. CUSTOMER DEPOSITS

	<u>2019</u>	<u>2018</u>
	\$	\$
Mailboat subsidy – Ministry of Transport	1,924,015	375,940
Other customer deposits and advances	1,030,389	251,437
Security deposits held as collateral for loans	78,515	98,553
Loan prepayments	--	178,507
Legal fees, stamp tax, recording fees, etc.	--	85,596
Insurance premiums	--	29,667
Apiculture Program – Grand Bahama	<u>8,722</u>	<u>15,647</u>
	\$3,041,641	\$1,035,347
	=====	=====

10. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

	<u>2019</u>	<u>2018</u>
	\$	\$
Pension plan benefit obligations	259,758	364,271
Accrued expenses	143,229	46,404
Other accounts payable	48,009	34,871
VAT payable	<u>--</u>	<u>4,232</u>
	\$450,996	\$449,778
	=====	=====

11. BONDS PAYABLE

	<u>2019</u>	<u>2018</u>
	\$	\$
National Insurance Board	37,000,000	37,000,000
The Central Bank of The Bahamas	<u>4,000,000</u>	<u>4,000,000</u>
	\$41,000,000	\$41,000,000
	=====	=====

BAHAMAS DEVELOPMENT BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

11. BONDS PAYABLE (cont)

The Central Bank of The Bahamas (CBOB)

As at 31 December 2019 and 2018, the Bank issued the following bonds to CBOB:

<u>Bond</u>	<u>Series</u>	<u>2019</u>	<u>2018</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 is variable and payable in semi-annual instalments.

National Insurance Board (NIB)

As at 31 December 2019, the Bank had outstanding bonds with the NIB, as follows:

<u>Bond</u>	<u>Series</u>	<u>2019</u>	<u>2018</u>	<u>Rate</u>	<u>Issue Date</u>	<u>Year of</u> <u>Maturity</u>
		\$	\$			
1	A	10,000,000	10,000,000	4.25%	28/11/2000	2020
2	A	2,000,000	2,000,000	4.25%	29/12/2003	2024
3	A	2,000,000	2,000,000	4.25%	25/03/2004	2024
4	A	1,000,000	1,000,000	4.25%	29/09/2004	2024
5	B	1,000,000	1,000,000	3.25%	16/05/2005	2020
8	C	2,000,000	2,000,000	4.25%	05/05/2006	2026
9	D	2,000,000	2,000,000	3.25%	11/08/2006	2021
10	D	1,000,000	1,000,000	3.25%	03/01/2007	2022
11	C	2,000,000	2,000,000	4.25%	06/02/2007	2027
12	C	2,000,000	2,000,000	4.25%	05/04/2007	2027
13	D	2,000,000	2,000,000	3.25%	02/08/2007	2022
14	D	2,000,000	2,000,000	3.25%	30/11/2007	2022
15	C	2,000,000	2,000,000	4.25%	02/04/2008	2028
16	D	2,000,000	2,000,000	3.25%	18/08/2008	2023
17	C	2,000,000	2,000,000	4.25%	14/11/2008	2028
18	C	1,000,000	1,000,000	4.25%	31/03/2009	2029
19	D	<u>1,000,000</u>	<u>1,000,000</u>	3.25%	31/03/2009	2024
		\$37,000,000	\$37,000,000			
		=====	=====			

BAHAMAS DEVELOPMENT BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

11. BONDS PAYABLE (cont)

National Insurance Board (NIB)

During the year, a bond of \$NIL (2018: \$2,000,000) matured. In 2017, interest rates for Series B and D was reduced from 3.75% to 3.25%. Interest expense for these bonds incurred during the year amounted to \$1,636,973 (2018: \$1,691,980) of which \$376,011 (2018: \$371,538) was accrued at year end.

	<u>2019</u>	<u>2018</u>
	\$	\$
Current portion	11,000,000	--
Non-current portion	<u>30,000,000</u>	<u>41,000,000</u>
	\$41,000,000	\$41,000,000
	=====	=====

Subsequent to year end, The Government approved the conversion of the bonds to a 20-year loan at an interest rate of 3.94%.

12. LOANS PAYABLE

	<u>2019</u>	<u>2018</u>
	\$	\$
European Investment Bank	14,951	45,371
National Insurance Board	1,274,086	--
The Central Bank of The Bahamas	<u>2,250,000</u>	<u>2,500,000</u>
	\$3,539,037	\$2,545,371
	=====	=====

The maturity of the loans payable is as follows:

	<u>2019</u>	<u>2018</u>
	\$	\$
Current portion	371,553	250,000
Non-current portion	<u>3,167,484</u>	<u>2,295,371</u>
	\$3,539,037	\$2,545,371
	=====	=====

BAHAMAS DEVELOPMENT BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

12. LOANS PAYABLE (cont)

The Central Bank of The Bahamas

As at 31 December 2019, the Bank had an outstanding loan of \$2,250,000 (2018: \$2,500,000) with the Central Bank of The Bahamas. The loan bears interest at 2.00% per annum. During the year, the Bank paid \$250,000 (2018: \$250,000). The loan is repayable in semi-annual instalments of \$125,000 and is due to be fully repaid on 28 October 2024.

National Insurance Board

As at 31 December 2019, the Bank had an outstanding loan of \$1,274,086 (2018: \$NIL) with the National Insurance Board. The loan bears interest at 4.50% per annum. During the year, the Bank paid \$25,914 (2018: \$NIL). The loan is repayable in quarterly instalments and is due to be fully repaid on 15 September 2029.

European Investment Bank

As at 31 December 2019, the Bank had an outstanding loan with the European Investment Bank with a principal balance of \$14,951 (2018: \$45,371), of which \$30,420 (2018: \$9,605) was paid during the year. The loan is repayable in Euros in semi-annual instalments expressed as a percentage of the outstanding loan balance, at an interest rate of 1.00% (2018: 1.00%). The Bahamas Government also guarantees long-term debt due to European Investment Bank. Subsequent to year end, the Bank fully paid the loan.

13. DUE TO THE GOVERNMENT

	<u>2019</u>	<u>2018</u>
	\$	\$
Opening balance	26,070,488	24,918,096
Converted to contributed surplus	(25,821,129)	--
Bonds and loans payments	1,237,910	2,003,442
Interest subsidy	(454,740)	(434,392)
Administration fee – Mailboat operators	(240,868)	(200,612)
Government guarantee claims	(782,983)	--
Pension received – BAIC employees	--	(216,046)
	<u>\$8,678</u>	<u>\$26,070,488</u>
	=====	=====

BAHAMAS DEVELOPMENT BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

13. DUE TO THE GOVERNMENT (cont)

The principal and interest payments on bonds and loans payable during the year totalled \$1,237,910 (2018: \$2,003,442) are paid by The Government on behalf of the Bank. 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 \$454,740 (2018: \$434,392) against the above transfers made on behalf of the Bank.

Additionally, the Government has 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 \$240,868 (2018: \$200,612).

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

As disclosed in Note 14, the Bahamas Government converted \$25,821,129 to contributed surplus.

Due to The Government is interest free and unsecured.

14. SHARE CAPITAL

	<u>2019</u>	<u>2018</u>
	\$	\$
Authorised		
10,000,000 shares of \$5 each	\$50,000,000	\$50,000,000
	=====	=====
Issued and fully paid		
5,792,051 shares of \$5 each	\$28,960,256	\$28,960,256
	=====	=====

On 30 September 2019, The Government approved the conversion of the Due to The Government to contributed surplus. Subsequent to the approval, the payment for the bonds and loans, as disclosed in Note 17, are treated government subsidy.

BAHAMAS DEVELOPMENT BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

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 2019, the total amount of Reserve Fund was \$273,128 (2018: \$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%.

The total interest subsidy for the year amounted to \$454,740 (2018: \$434,392), as disclosed in Note 13.

17. OTHER INCOME

	<u>2019</u>	<u>2018</u>
	\$	\$
Income from government subsidy	710,007	--
Fees and commissions	248,882	304,117
Other income	21,546	17,802
Net foreign exchange gain/(loss)	<u>187</u>	<u>(21,954)</u>
	\$980,622	\$299,965
	=====	=====

18. STAFF COSTS

	<u>2019</u>	<u>2018</u>
	\$	\$
Salaries	1,543,911	1,440,414
NIB, pension and insurance	311,956	276,334
Board expenses	86,231	80,262
Staff benefits and other	115,886	58,177
Executive allowances	<u>61,380</u>	<u>56,120</u>
	\$2,119,364	\$1,911,307
	=====	=====

BAHAMAS DEVELOPMENT BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

19. GENERAL AND ADMINISTRATIVE COSTS

	<u>2019</u>	<u>2018</u>
	\$	\$
Repairs and maintenance	88,171	121,517
Travel and transportation	71,663	28,047
Telephone, telex and cable	68,694	60,148
Utilities	66,785	66,635
Computer expenses	64,720	91,878
Advertising	62,063	27,184
Rent	56,675	104,798
Security expense	35,290	24,781
Insurance	27,136	24,092
Office supplies and printing	26,528	24,719
Subscriptions and entertainment	20,789	7,320
Professional fees	14,601	7,413
Bank charges	11,855	9,136
VAT	–	82,455
Miscellaneous	<u>31,145</u>	<u>31,144</u>
	\$646,115	\$711,267
	=====	=====

20. 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% 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. See Note 21 for the detailed disclosure. As at 31 December 2019 and 2018, all funds were administered by Colina Financial Advisors Limited.

Pension contributions during the year amounted to \$78,712 (2018: \$22,088), which is included in NIB, Pension and Insurance expenses, as disclosed in Note 18. While pension plan benefit obligations as at 31 December 2019 amounted to \$259,758 (2018: \$364,271), as disclosed in Note 10.

BAHAMAS DEVELOPMENT BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

20. 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:

	<u>2019</u>	<u>2018</u>
	\$	\$
Present value of obligation at start of year	811,945	861,767
Interest cost	--	40,886
Benefits paid out of the plan asset	(47,674)	(88,084)
Benefits paid out of the operating fund	(104,513)	--
Actuarial gain on obligation due to financial assumption changes	--	(12,479)
Actuarial loss on obligation due to experience	--	9,855
Present value of obligation at end of year	\$659,758 =====	\$811,945 =====
Fair value of plan assets at start of year	447,674	530,275
Expected return on plan assets	--	24,312
Benefits paid	(47,674)	(88,084)
Actuarial loss on plan assets	--	(18,829)
Fair value of plan assets at end of year	\$400,000 =====	\$447,674 =====

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:

	<u>2019</u>	<u>2018</u>
	\$	\$
Present value of funded obligations	659,758	811,945
Fair value of plan assets	(400,000)	(447,674)
	\$259,758 =====	\$364,271 =====

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FOR THE YEAR ENDED 31 DECEMBER 2019

20. DEFINED BENEFIT PENSION PLAN (cont)

The expense recognised in the statement of profit or loss and other comprehensive loss in respect of the Bank's defined benefit pension plan is as follows:

	<u>2019</u>	<u>2018</u>
	\$	\$
Current service cost	--	--
Net interest expense	==	<u>16,574</u>
Expense recognised in income statement	\$-- ==	\$16,574 =====
Actuarial loss recognised in other comprehensive loss (OCL)	\$-- ==	\$16,205 =====

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

	<u>2019</u>	<u>2018</u>
	\$	\$
Net liability at beginning of year	364,271	331,492
Benefits paid out of operating fund	(104,513)	--
Net expense recognised in net income	--	16,574
Amount recognised in OCL	<u>-----</u>	<u>16,205</u>
Net Liability at end of year	\$259,758 =====	\$364,271 =====

Principal actuarial assumption used in determining present value of obligation:

	<u>2019</u>	<u>2018</u>
Discount rate at end of year	5.2% ==	5.2% ==

21. COMMITMENTS

As at year end, the Bank was committed to extend credit based on approved but undisbursed loans amounting to \$659,078 (2018: \$162,222).

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NOTES TO THE FINANCIAL STATEMENTS
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22. RIGHT OF USE/LEASE LIABILITY

The Bank's Nassau premises were leased from the Hotel Corporation of the Bahamas for an initial period of five years beginning in 1992 with an option to renew for another five 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.

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

Right-of-use asset

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

	<u>2019</u>
	\$
1 January 2019	154,061
Amortisation	<u>(38,516)</u>
31 December 2019	\$115,545 =====

Lease liability

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

	<u>2019</u>
	\$
1 January 2019	154,061
Interest expense	5,598
Payments	<u>(42,000)</u>
31 December 2019	\$117,659 =====

BAHAMAS DEVELOPMENT BANK
NOTES TO THE FINANCIAL STATEMENTS
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22. RIGHT OF USE/LEASE LIABILITY (cont)

The following are the amounts recognised in profit or loss:

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

The maturity analysis of lease liability follows:

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

23. 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 \$676,594 (2018: \$661,305). Loans to key management personnel of the Bank totaled \$124,247 (2018: \$132,161). The loans bear interest at a rate of 4.25% (2018: 4.25%), are secured and have fixed terms of repayment. Other bank employees receive loans on the same terms.

At year end, there was one (1) loan due from family members of key management personnel of the Bank, which totaled \$73,197 (2018: \$73,197) and was classified as non-performing. This loan has a fixed term of repayment and bear interest at a rate of 10.50% (2018: 10.50%). The loan is fully secured.

BAHAMAS DEVELOPMENT BANK
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24. 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 2019, the total micro-loans that are off-balance sheet amounted to \$3,395,327 (2018: \$3,496,520). As at 31 December 2019, the off-balance sheet cash that the Bank holds in reference to the micro loan program was \$215,553 (2018: 172,927).

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. As at 31 December 2019, the total agricultural loans that are off-balance sheet amounted to \$139,668 (2018: \$162,068). As at 31 December 2019, the off-balance sheet cash that the Bank holds in reference to the micro loan program was \$480,898 (2018: \$477,725)

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25. CONCENTRATIONS OF ASSETS AND LIABILITIES

As at 31 December 2019, the Bank has the following concentrations of assets and liabilities according to geographic region and industry sector:

	<u>Geographic Region</u>	<u>Industry</u>	<u>2019</u> %	<u>2018</u> %
Cash	Bahamas	Financial Sector	100	100
Loans receivable	Bahamas	Service	60.66	48.04
Loans receivable	Bahamas	Tourism	15.30	18.80
Loans receivable	Bahamas	Fishing	2.37	11.51
Loans receivable	Bahamas	Manufacturing	7.31	8.72
Loans receivable	Bahamas	Transportation	11.65	9.51
Loans receivable	Bahamas	Agriculture	0.57	1.90
Loans receivable	Bahamas	Staff	<u>2.14</u>	<u>1.52</u>
			100.00	100.00
Long-term debt	Bahamas	Financial Sector	99.90	99.90
Long-term debt	Europe	Financial Sector	<u>0.10</u>	<u>0.10</u>
			100.00	100.00

26. 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.

BAHAMAS DEVELOPMENT BANK
NOTES TO THE FINANCIAL STATEMENTS
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26. FINANCIAL RISK MANAGEMENT (cont)

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 2019

26. 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>One to five</u>	<u>Over five</u>	<u>No specific</u>	<u>Total</u>
	<u>\$</u>	<u>year</u>	<u>years</u>	<u>years</u>	<u>maturity</u>	<u>\$</u>
		<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	
Financial Assets						
Cash	4,468,874	--	--	--	--	4,468,874
Restricted deposits 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>34,055,625</u>
Financial Liabilities						
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
Interest payable	--	384,087	--	--	--	384,087
Due to the Bahamas Government	--	--	--	--	8,678	8,678
	<u>--</u>	<u>15,248,277</u>	<u>16,860,814</u>	<u>16,306,670</u>	<u>8,678</u>	<u>48,424,439</u>
Liquidity gap	\$4,468,874	(\$4,164,593)	\$(12,664,154)	\$(2,000,263)	\$(8,678)	\$(14,368,814)
	=====	=====	=====	=====	=====	=====

BAHAMAS DEVELOPMENT BANK

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

26. FINANCIAL RISK MANAGEMENT (cont)

Liquidity risk (cont)

	2018					
	<u>On Demand</u>	<u>Less than one</u>	<u>One to five</u>	<u>Over five</u>	<u>No specific</u>	<u>Total</u>
	\$	year	years	years	maturity	\$
	\$	\$	\$	\$	\$	\$
Financial Assets						
Cash	2,904,510	--	--	--	--	2,904,510
Restricted deposits sinking fund	--	11,315,948	--	363,500	548,569	12,228,017
Loans receivable	--	4,178,773	6,550,783	11,645,969	--	22,375,525
Other assets	--	475,786	--	--	--	475,786
	<u>2,904,510</u>	<u>15,970,507</u>	<u>6,550,783</u>	<u>12,009,469</u>	<u>548,569</u>	<u>37,983,838</u>
Financial Liabilities						
Customer deposits	--	1,035,347	--	--	--	1,035,347
Accounts payable and accrued expenses	--	449,778	--	--	--	449,778
Bonds payable	--	--	26,000,000	15,000,000	--	41,000,000
Loans payable	--	250,000	2,295,371	--	--	2,545,371
Interest payable	--	380,839	--	--	--	380,839
Due to the Bahamas Government	--	--	--	--	26,070,488	26,070,488
	<u>--</u>	<u>2,115,964</u>	<u>28,295,371</u>	<u>15,000,000</u>	<u>26,070,488</u>	<u>71,481,823</u>
Liquidity gap	\$2,904,510	\$13,854,543	\$(21,744,588)	\$(2,990,531)	\$(25,521,919)	\$(33,497,985)

BAHAMAS DEVELOPMENT BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

26. 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, equipment, motor vehicles and boats.

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:

	<u>2019</u>	<u>2018</u>
	\$	\$
Cash (excluding cash on hand)	4,467,874	2,903,710
Loans receivable	16,703,101	22,375,525
Restricted deposits – sinking fund	<u>12,324,582</u>	<u>12,228,017</u>
	\$33,495,557	\$37,507,252
	=====	=====

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 2019****26. 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:

	On Demand	Less than one year	2019 One to five years	Over five years	Total
	\$	\$	\$	\$	\$
Financial Assets					
Cash (excluding cash in hand)	4,467,874	--	--	--	4,467,874
Restricted deposits sinking fund	--	6,949,382	363,500	5,011,700	12,324,582
Loans receivable	<u>--</u>	<u>3,575,234</u>	<u>3,833,160</u>	<u>9,294,707</u>	<u>16,703,101</u>
	<u>4,467,874</u>	<u>10,524,616</u>	<u>4,196,660</u>	<u>14,306,407</u>	<u>33,495,557</u>
Financial Liabilities					
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
Interest payable	--	<u>384,087</u>	<u>--</u>	<u>--</u>	<u>384,087</u>
	--	<u>11,755,640</u>	<u>16,860,814</u>	<u>16,306,670</u>	<u>44,923,124</u>
Interest sensitivity gap	\$4,467,874	\$(1,231,024)	\$(12,664,154)	\$(2,000,263)	\$(11,427,567)
	=====	=====	=====	=====	=====

BAHAMAS DEVELOPMENT BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

26. FINANCIAL RISK MANAGEMENT (cont)

	On	Less than one	2018	Over five	
	<u>Demand</u>	<u>year</u>	<u>One to five</u>	<u>years</u>	<u>Total</u>
	\$	\$	\$	\$	\$
Financial Assets					
Cash (excluding cash in hand)	2,903,710	--	--	--	2,903,710
Restricted deposits sinking fund	--	11,864,517	--	363,500	12,228,017
Loans receivable	<u>---</u>	<u>4,178,773</u>	<u>6,550,783</u>	<u>11,645,969</u>	<u>22,375,525</u>
	<u>2,903,710</u>	<u>16,043,290</u>	<u>6,550,783</u>	<u>12,009,469</u>	<u>37,507,252</u>
Financial Liabilities					
Bonds payable	--	--	26,000,000	15,000,000	41,000,000
Loans payable	--	250,000	2,295,371	--	2,545,371
Interest payable	<u>---</u>	<u>380,839</u>	<u>---</u>	<u>---</u>	<u>380,839</u>
	<u>---</u>	<u>630,839</u>	<u>28,295,371</u>	<u>15,000,000</u>	<u>43,926,210</u>
Interest sensitivity gap	\$2,903,710	\$15,412,451	\$(21,744,588)	\$(2,990,531)	\$(6,418,958)
	=====	=====	=====	=====	=====

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 (2018: 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 2019 would decrease by \$57,138 (2018: \$32,094). 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.

BAHAMAS DEVELOPMENT BANK
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26. FINANCIAL RISK MANAGEMENT (cont)

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.

27. 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.

28. 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 2019 financial statements.

The Central Bank of the Bahamas has arranged with domestic banks and credit unions to provide a 3-month deferral against repayments on credit facilities for businesses and households that are negatively impacted by the domestic economic shutdown.

BAHAMAS DEVELOPMENT BANK

NOTES TO THE FINANCIAL STATEMENTS

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28. SUBSEQUENT EVENTS (cont)

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.

<u>Financial Statement area</u>	<u>Description of Impact</u>
Cash and deposits with banks including fixed deposits and related income	The Bank's cash and deposits have declined since the Emergency Orders as customers have been unable to easily access BDB or the commercials Banks coupled with the possible inability to pay. The Bank is unable to estimate the reduction/increase in Cash over the next 12 months considering funds may be channeled through the Bank in accordance with the Govt's support of small business as stated in its Budget communication. However, it is estimated the impact on interest revenue due to COVID 19 is around \$100k over the next 3 months.
Loans receivable	The Bank continues to approve and disburse loans when/where the funds are available. The Bank has adjusted its provision amounts due to Covid 19. The Bank has ceased all collection efforts until the end of the year.
Customers' deposit	Reduced due to the reason stated in cash and deposits above.
Bonds and loans payable	No impact as these are paid by the Government of the Bahamas.
Staff costs	No impact as the Bank will retain its staff in accordance with Government mandate.

BAHAMAS DEVELOPMENT BANK
NOTES TO THE FINANCIAL STATEMENTS
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28. SUBSEQUENT EVENTS (cont)

<u>Financial Statement area</u>	<u>Description of Impact</u>
Other expenses	BDB technology expense has increased as we transitioned to a “work from home” environment. Also, BDB will incur cost to ensure staff members are in a safe and healthy environment when they return to office.

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

29. CORRESPONDING FIGURES

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