BAHAMAS DEVELOPMENT BANK

FINANCIAL STATEMENTS

31 DECEMBER 2020

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 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.

BDO

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)

	Notes	2020 $	2019 $
ASSETS			
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	77,029	115,545
TOTAL ASSETS		$33,318,075	$36,110,932
LIABILITIES AND EQUITY			
LIABILITIES			
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	--	8,678
Total liabilities		46,947,224	48,542,098
EQUITY			
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		(68,683,662)	(67,485,679)
Total Equity		(13,629,149)	(12,431,166)
TOTAL LIABILITIES AND EQUITY		$33,318,075	$36,110,932

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

	Notes	2020 $	2019 $
INTEREST INCOME			
Loans		1,252,450	1,368,954
Sinking fund		624,726	385,667
Interest subsidy	16	281,834	454,740
Deposits		5,588	10,838
Total interest income		2,164,598	2,220,199
Interest expense		(1,731,974)	(1,700,751)
Net interest income		432,624	519,448
LOAN RECOVERY		260,689	125,265
OTHER INCOME	17	375,574	270,615
TOTAL INCOME		1,068,887	915,328
NON-INTEREST EXPENSES			
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	38,516	38,516
Total non-interest expenses		4,026,281	6,575,446
Net loss before government subsidy		(2,957,394)	(5,660,118)
Government subsidy	18	1,759,411	710,007
NET LOSS FOR THE YEAR		$(1,197,983) =======	$(4,950,111) =======

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

	Share capital	Contributed surplus	Reserve fund	Accumulated deficit	Total
	$	$	$	$	$
1 January 2019	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	--	25,821,129	--	--	25,821,129
31 December 2019	28,960,256	25,821,129	273,128	(67,485,679)	(12,431,166)
Net loss for the year	--	--	--	(1,197,983)	(1,197,983)
31 December 2020	$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

	2020 $	2019 $
CASH FLOWS FROM OPERATING ACTIVITIES		
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	1,731,974	1,700,751
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	(1,403,518)	(1,697,503)
Net cash (used)/provided in operating activities	(702,229)	2,758,453
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of fixed assets	(850,669)	(1,808,509)
Net cash used in investing activities	(850,669)	(1,808,509)
CASH FLOWS FROM FINANCING ACTIVITIES		
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	(8,678)	(240,681)
Net cash provided by financing activities	229,019	614,420
Net (decrease)/increase in cash and cash equivalents	(1,323,879)	1,564,364
Cash and cash equivalents at beginning of the year	4,468,874	2,904,510
Cash and cash equivalents at end of the year	$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.

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).

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.

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.

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.

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.

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.

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.

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).

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.

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.

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 specify 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 amendments 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.

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

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

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%).

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).

	2020	2019
	$	$
Fixed deposits	5,988,661	7,349,382
Bahamas Government Registered Stocks	4,975,200	4,975,200
Total sinking fund	10,963,861	12,324,582
Restricted for repayment of bonds payable	(1,270,000)	(12,324,582)
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

	2020	2019
	$	$
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	304,245	169,190
	17,507,004	18,834,226
Accrued interest	536,469	447,074
	18,043,473	19,281,300
Less: Allowance for loan losses	(2,830,687)	(2,578,199)
	$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:

	2020	2019
	$	$
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	(153,669)	(13,131,859)
	17,507,004	18,834,226
Accrued interest	536,469	447,074
	18,043,473	19,281,300
Less: Allowance for loan losses	(2,830,687)	(2,578,199)
	$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:

	2020 $	2019 $
Opening balance	2,578,199	12,012,669
Provision for loan losses	406,157	3,697,389
Write-offs	(153,669)	(13,131,859)
	$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:

Days in arrears	Number of accounts	Loans $	Collateral held against loans $	Portion of loans not covered by collateral $	Loan loss provision $	Provision rate
2020						
General provision						
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%
Specific provision						
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		596,362	--	596,362	596,363	100.00%
		17,507,004	11,331,173	6,175,831	2,372,790	
Provision for accruals		--	--	--	457,897	
		$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)

Days in arrears	Number of accounts	Loans	Collateral held against loans	Portion of loans not covered by collateral	Loan loss provision	Provision rate
		$	$	$	$	
2019						
General provision						
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%
Specific provision						
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		396,139	--	396,139	396,139	100.00%
		18,834,226	11,946,420	6,887,806	2,120,302	
Provision for accruals		--	--	--	457,897	
		$18,834,226	$11,946,420	$6,887,806	2,578,199	
		========	========	=======	=======	

7. OTHER ASSETS

	2020	2019
	$	$
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	10,663	--
	866,662	574,798
Less: Allowance for doubtful receivables	(286,332)	--
	$580,330	$574,798
	======	======

BAHAMAS DEVELOPMENT BANK

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

8. FIXED ASSETS

	Land	Building	Computer equipment & software	Furniture, fixtures & improvements	Office machines & equipment	Motor vehicles	Total
	$	$	$	$	$	$	$
COST							
1 January 2020	480,000	964,069	2,143,516	1,459,772	544,116	24,996	5,616,469
Additions	--	493,798	108,385	225,870	--	22,616	850,669
31 December 2020	480,000	1,457,867	2,251,901	1,685,642	544,116	47,612	6,467,138
DEPRECIATION							
1 January 2020	--	2,567	1,824,985	1,333,903	527,650	3,332	3,692,437
Charge for the year	--	32,343	64,546	33,676	7,620	6,913	145,098
31 December 2020	--	34,910	1,889,531	1,367,579	535,270	10,245	3,837,535
NET BOOK VALUE							
31 December 2020	$480,000	$1,422,957	$362,370	$318,063	$8,846	$37,367	$2,629,603
	======	=======	======	======	=====	=====	=======
31 December 2019	$480,000	$961,502	$318,531	$125,869	$16,466	$21,664	$1,924,032
	======	=======	======	======	=====	=====	=======

BAHAMAS DEVELOPMENT BANK

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

8. FIXED ASSETS

	Land	Building	Computer equipment & software	Furniture, fixtures & improvements	Office machines & equipment	Motor vehicles	Total
	$	$	$	$	$	$	$
COST							
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	--	--	--	--	--	(146,480)	(146,480)
31 December 2019	480,000	964,069	2,143,516	1,459,772	544,116	24,996	5,616,469
DEPRECIATION							
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	--	--	--	--	--	(146,480)	(146,480)
31 December 2019	--	2,567	1,824,985	1,333,903	527,650	3,332	3,692,437
NET BOOK VALUE							
31 December 2019	$480,000	$961,502	$318,531	$125,869	$16,466	$21,664	$1,924,032
	======	======	======	======	=====	=====	=======
31 December 2018	$--	$--	$45,263	$122,998	$21,324	$--	$189,585
	======	======	======	======	=====	=====	=======

BAHAMAS DEVELOPMENT BANK

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

9. CUSTOMER DEPOSITS

	2020	2019
	$	$
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	197	--
	$1,385,171	$3,041,641
	=======	=======

10. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

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

11. BONDS PAYABLE

	2020	2019
	$	$
National Insurance Board	--	37,000,000
The Central Bank of The Bahamas	4,000,000	4,000,000
	$4,000,000	$41,000,000
	=======	========

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:

Bond	Series	2020	2019	Rate	Issue Date	Year of Maturity
		$	$			
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	1,000,000	1,000,000	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.

	2020	2019
	$	$
Current portion	--	11,000,000
Non-current portion	4,000,000	30,000,000
	$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:

Bond	Series	2019	Rate	Issue Date	Year of Maturity
		$			
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	1,000,000	3.25%	31/03/2009	2024
		$37,000,000			

12. LOANS PAYABLE

	2020	2019
	$	$
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	2,000,000	2,250,000
	$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:

	2020	2019
	$	$
Current portion	1,604,187	371,553
Non-current portion	38,563,297	3,167,484
	$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

	2020	2019
	$	$
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	88,407	--
	$709,471	$(8,678)
	======	====

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

	2020 $	2019 $
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
	========	========

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%.

17. OTHER INCOME

	2020	2019
	$	$
Fees and commissions	371,097	248,882
Other income	4,266	21,546
Net foreign exchange gain	211	187
	$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

	2020	2019
	$	$
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	105,038	115,886
	$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

	2020	2019
	$	$
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	58,320	25,547
	$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.

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:

	2020 $	2019 $
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	(66,617)	(104,513)
Present value of obligation at end of year	$593,141	$659,758
	======	======
Fair value of plan assets at start of year	400,000	447,674
Benefits paid	--	(47,674)
Fair value of plan assets at end of year	$400,000	$400,000
	======	======

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:

	2020 $	2019 $
Present value of funded obligations	593,141	659,758
Fair value of plan assets	(400,000)	(400,000)
	$193,141	$259,758
	======	======

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:

	2020	2019
	$	$
Net liability at beginning of year	259,758	364,271
Benefits paid out of operating fund	(66,617)	(104,513)
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.

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:

	2020	2019
	$	$
Opening balance	115,545	154,061
Amortisation	(38,516)	(38,516)
	$77,029	$115,545
	======	======

Lease liability

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

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

The following are the amounts recognised in profit or loss:

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

24. RIGHT OF USE/LEASE LIABILITY (cont)

Lease liability (cont)

The maturity analysis of lease liability follows:

	2020	2019
	$	$
1 year	39,193	37,472
2 – 4 years	40,994	80,187
	$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:

	2020	2019
	$	$
Opening balance	3,395,327	3,496,520
Loan payments received	(41,820)	(101,193)
	$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.

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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:

	2020	2019
	$	$
Opening balance	139,668	162,068
Loan payments received	(7,933)	(22,400)
	$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

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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:

	2020	2019
	$	$
Opening balance	240,678	--
Loans disbursed	3,585,845	241,698
Loan payments received	(47,816)	(1,020)
	$3,778,707	$240,678
	=======	======

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:

	Geographic Region	Industry	2020	2019
			%	%
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	1.83	2.14
			100.00	100.00
Long-term debt	Bahamas	Financial Sector	100.00	99.90
Long-term debt	Europe	Financial Sector	0.00	0.10
			100.00	100.00

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:

	On Demand	Less than one year	One to five years	Over five years	No specific maturity	Total
	$	$	$	$	$	$
Financial Assets						
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
	3,144,995	10,516,683	2,739,090	13,459,081	709,471	30,569,320
Financial Liabilities						
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
	--	4,342,933	12,929,601	29,674,690	--	46,947,224
Liquidity gap	$3,144,995	$6,173,750	$(10,190,511)	$(16,215,609)	$709,471	$(16,377,904)
	=======	=======	========	========	======	========

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:

	On Demand	Less than one year	One to five years	Over five years	No specific maturity	Total
	$	$	$	$	$	$
Financial Assets						
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
	4,468,874	11,083,684	4,196,660	14,306,407	--	34,055,625
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
Lease liability	--	37,472	80,187	--	--	117,659
Interest payable	--	384,087	--	--	--	384,087
Due to the Bahamas Government	--	--	--	--	8,678	8,678
	--	15,285,749	16,941,001	16,306,670	8,678	48,542,098
Liquidity gap	$4,468,874	($4,202,065)	$(12,744,341)	$(2,000,263)	$(8,678)	$(14,486,473)
	=======	========	========	========	=====	========

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:

	2020	2019
	$	$
Cash (excluding cash on hand)	3,142,695	4,467,874
Loans receivable	15,212,786	16,703,101
Sinking fund	10,963,861	12,324,582
	$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.

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 affects 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.

Financial Statement area	Description of Impact
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.

30. SUBSEQUENT EVENTS (cont)

Financial Statement area	Description of Impact
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.

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:

	Note	As previously presented $	Effect of change in presentation $	Current presentation $
Changes in revenue				
Other income	30.a	980,622	(710,007)	270,615
Government subsidy	30.a	--	710,007	710,007
Changes in expenses				
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.