

BANK OF THE BAHAMAS LIMITED
Unaudited Condensed Consolidated Financial Statements
For the Year Ended June 30, 2023

BANK OF THE BAHAMAS LIMITED

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2023 with comparative figures as at June 30, 2022
(Expressed in Bahamian Dollars)

	June 30, 2023	June 30, 2022
ASSETS		
Cash and account with The Central Bank	\$ 110,194,110	\$ 179,225,867
Cash equivalents - Treasury Bills, net	61,818,157	81,594,321
Due from banks, net	92,429,663	73,177,766
Investment securities, net	108,249,600	73,898,709
Loans and advances to customers, net	372,269,708	368,588,734
Note receivable, net	166,876,244	170,171,425
Investment property	6,744,000	6,463,000
Other assets	12,061,992	13,018,251
Property and equipment, net	9,566,513	8,857,598
Right-of-use assets, net	5,677,576	3,592,575
Computer software, net	6,071,877	6,680,392
TOTAL	\$ 951,959,440	\$ 985,268,638
LIABILITIES		
Deposits from customers and banks	\$ 738,168,202	\$ 760,038,263
Other liabilities	24,128,587	48,992,393
Lease liabilities	5,906,532	3,927,893
Deferred loan fees	2,876,542	2,623,836
Total liabilities	\$ 771,079,863	\$ 815,582,385
EQUITY		
Share capital	42,610,505	42,610,505
Share premium	81,950,384	81,950,384
Treasury shares	(1,318,224)	(1,318,224)
Net gain on investments at FVOCI	-	2,880,297
Special retained earnings	172,122,932	172,122,932
Accumulated deficit	(114,486,020)	(128,559,641)
Total equity	180,879,577	169,686,253
TOTAL	\$ 951,959,440	\$ 985,268,638

BANK OF THE BAHAMAS LIMITED

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three and twelve months periods ended June 30, 2023
with comparatives for the three and twelve months periods ended June 30, 2022
(Expressed in Bahamian Dollars)

	Three Months		Twelve Months	
	2023	2022	2023	2022
Interest and similar income	\$ 11,108,718	\$ 10,143,040	\$ 43,758,848	\$ 40,955,214
Interest and similar expense	(1,470,222)	(1,103,670)	(4,561,157)	(5,556,738)
Net interest income	<u>9,638,496</u>	<u>9,039,370</u>	<u>39,197,691</u>	<u>35,398,476</u>
Fees and commission income	2,548,534	2,317,988	10,736,863	9,681,776
Fees and commission expense	(88,039)	(50,529)	(302,915)	(204,416)
Net fees and commission income	<u>2,460,495</u>	<u>2,267,459</u>	<u>10,433,948</u>	<u>9,477,360</u>
Other operating income	1,503,648	1,063,076	5,872,064	4,220,584
Total operating income	<u>13,602,639</u>	<u>12,369,905</u>	<u>55,503,703</u>	<u>49,096,420</u>
Operating expenses	(11,427,293)	(10,432,107)	(40,881,678)	(36,937,006)
Net Impairment (losses)/reversals	(609,628)	4,035,282	(3,215,806)	(359,087)
Net income	<u>\$ 1,565,718</u>	<u>\$ 5,973,080</u>	<u>\$ 11,406,219</u>	<u>\$ 11,800,327</u>
Other comprehensive income				
<i>Items that will not be reclassified to net income</i>				
Movement in fair value: equity investments at FVOCI	-	(392,109)	216,700	(582,017)
Total comprehensive income for the year	<u>\$ 1,565,718</u>	<u>\$ 5,580,971</u>	<u>\$ 11,622,919</u>	<u>\$ 11,218,310</u>
EARNINGS PER SHARE CALCULATION:				
NET INCOME	\$ 1,565,718	\$ 5,973,080	\$ 11,406,219	\$ 11,800,327
WEIGHTED AVERAGE NUMBER OF COMMON SHARES	42,959,494	42,959,494	42,959,494	42,959,494
EARNINGS PER SHARE	<u>\$ 0.04</u>	<u>\$ 0.14</u>	<u>\$ 0.27</u>	<u>\$ 0.27</u>

BANK OF THE BAHAMAS LIMITED

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended June 30, 2023
with comparatives for the year ended June 30, 2022
(Expressed in Bahamian Dollars)

	Share Capital	Share Premium	Treasury Shares	Net Gain Investments at FVOCI	Special Retained Earnings	Accumulated Deficit	Total
Balance at June 30, 2021	\$ 42,610,505	\$ 81,950,384	\$ (1,318,224)	\$ 3,462,314	\$ 172,122,932	\$ (140,359,968)	\$ 158,467,943
<i>Total comprehensive income:</i>							
Net income for the year	-	-	-	-	-	11,800,327	11,800,327
Movement in fair value: equity investments at FVOCI	-	-	-	(582,017)	-	-	(582,017)
Balance at June 30, 2022	\$ 42,610,505	\$ 81,950,384	\$ (1,318,224)	\$ 2,880,297	\$ 172,122,932	\$ (128,559,641)	\$ 169,686,253
Balance at June 30, 2022	\$ 42,610,505	\$ 81,950,384	\$ (1,318,224)	\$ 2,880,297	\$ 172,122,932	\$ (128,559,641)	\$ 169,686,253
Transfer of FVOCI on equity investments	-	-	-	(3,096,997)	-	3,096,997	-
<i>Total comprehensive income:</i>							
Net income for the year	-	-	-	-	-	11,406,219	11,406,219
Movement in fair value: equity investments at FVOCI	-	-	-	216,700	-	-	216,700
<i>Transactions with owners of the Bank:</i>							
Dividends on common shares	-	-	-	-	-	(429,595)	(429,595)
Balance at June 30, 2023	\$ 42,610,505	\$ 81,950,384	\$ (1,318,224)	\$ -	\$ 172,122,932	\$ (114,486,020)	\$ 180,879,577

BANK OF THE BAHAMAS LIMITED

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended June 30, 2023
with comparatives for the year ended June 30, 2022
(Expressed in Bahamian Dollars)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 11,406,219	\$ 11,800,327
Adjustments for:		
Interest income	(43,758,848)	(40,955,214)
Interest expense	4,561,157	5,556,738
Depreciation and amortization	4,585,143	3,378,038
Gain on sale of investment securities	(3,403)	-
Gain on revaluation of investment property	(281,000)	-
Loss on disposal of fixed assets	233,137	67,558
Impairment losses, net	3,215,806	359,087
Interest received	45,330,467	40,580,146
Interest paid	(4,439,680)	(5,642,497)
	<u>20,848,998</u>	<u>15,144,183</u>
(Increase)/decrease in loans and advances to customers, net	(4,360,731)	18,255,692
(Decrease)/increase in deposits from customers and banks	(21,991,539)	64,268,436
(Increase)/decrease in other assets	956,260	(255,416)
(Decrease)/increase in other liabilities	(24,863,806)	6,409,796
Increase/(decrease) in deferred loan fees	252,706	(208,697)
(Increase)/decrease in reserve deposit	(1,415,250)	340,380
Net cash (used in)/provided by operating activities	<u>(30,573,362)</u>	<u>103,954,374</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	(2,459,041)	(2,855,753)
Acquisition of computer software	(828,710)	(1,536,638)
Purchase of investment securities	(50,320,200)	(21,773,700)
Proceeds from maturity of investment securities	12,194,500	20,955,000
Proceeds from sale of investment securities	3,323,089	-
Net cash used in investing activities	<u>(38,090,362)</u>	<u>(5,211,091)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payment of lease liabilities	(1,737,290)	(1,206,205)
Dividends paid on common stock	(429,595)	-
Net cash used in financing activities	<u>(2,166,885)</u>	<u>(1,206,205)</u>
Net (decrease)/increase in cash and cash equivalents	(70,830,609)	97,537,078
Cash and cash equivalents, beginning of year	306,782,737	209,245,659
Cash and cash equivalents, end of year	<u>\$ 235,952,128</u>	<u>\$ 306,782,737</u>

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

For the year ended June 30, 2023
(Expressed in Bahamian Dollars)

1. Corporate Information

Bank of The Bahamas Limited (the “Bank”) is incorporated under the laws of The Commonwealth of The Bahamas and is licensed by The Central Bank of the Bahamas to conduct banking business in The Bahamas under the provisions of the Banks and Trust Companies Regulations Act, 2020. The Bank was licensed as an authorized dealer pursuant to the Exchange Control Regulations Act and was the holder of a broker dealer license from the Securities Commission of the Bahamas until August 31, 2021 when the Bank surrendered its broker dealer license.

The Bank’s shares are publicly traded and listed on The Bahamas International Securities Exchange. As at June 30, 2023, The Government of The Commonwealth of The Bahamas (the “Government”) and The National Insurance Board (“NIB”) owned approximately 82.6% of the issued common shares. The remaining common shares are owned by approximately 3,000 Bahamian shareholders.

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

As at June 30, 2023, the Bank has twelve branches: four in New Providence, one in Grand Bahama, two in Andros, one in San Salvador, one in Inagua, one in Cat Island, one in Eleuthera and one in Bimini.

2. Significant Accounting Policies

The significant accounting policies and methods of computation followed in the preparation of these interim consolidated financial statements are the same as those followed in the preparation of the annual consolidated financial statements of the Bank for the year ended June 30, 2023. These consolidated financial statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting.

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

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

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(Expressed in Bahamian Dollars)

3. Dividends

Dividends to the Bank's shareholders are recognized as a liability in the period in which they are declared by the Board of Directors and approved by the Bank's Regulator. The Bank declared \$0.01 per share dividends on May 2023 and paid dividends on June 2023 in the amount of \$429,595 to its common shareholders.

4. Cash and Cash Equivalents

	June 30, 2023	June 30, 2022
Cash	\$ 15,311,876	\$ 13,916,719
Deposits with the Central Bank- non-interest bearing	94,882,234	165,309,148
Cash and account with the Central Bank	110,194,110	179,225,867
Cash equivalents - Treasury Bills	61,879,290	81,603,814
Due from banks	92,523,518	73,182,596
Cash, cash equivalents and due from banks	264,596,918	334,012,277
Less: Mandatory reserve deposits with the Central Bank	28,644,790	27,229,540
Total cash and cash equivalents	\$ 235,952,128	\$ 306,782,737

Government issued Treasury Bills are presented in the consolidated statement of financial position, net of \$61,133 (June 30, 2022: \$9,493) allowance for impairment losses. Money market placements of \$24.4 million (June 30, 2022: \$7.4 million) are included in Due from banks. Due from banks are presented in the consolidated statement of financial position, net of \$93,855 (June 30, 2022: \$4,830) allowance for impairment losses.

As at June 30, 2023, the Bank's statutory reserve deposits with The Central Bank of The Bahamas were above Central Bank's regulatory requirement.

BANK OF THE BAHAMAS LIMITED
Selected Explanatory Notes to the Unaudited Condensed Consolidated Financial
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For the year ended June 30, 2023
(Expressed in Bahamian Dollars)

5. Loans and advances to customers, net

	June 30, 2023	June 30, 2022
Mortgage residential loans	\$ 180,054,438	\$ 187,679,360
Mortgage commercial loans	11,801,749	12,642,103
Commercial loans	55,026,322	59,537,060
Consumer loans	126,592,321	121,111,797
Government	37,790,781	36,299,812
Credit cards	2,476,620	1,693,979
Business overdrafts	779,587	619,184
Personal overdrafts	143,059	141,687
	<u>\$ 414,664,877</u>	<u>\$ 419,724,982</u>
Less: Provision for loan losses		
Provision at beginning of year	\$ 52,846,015	\$ 64,030,099
Amount written-off/charged off	(9,420,836)	(12,467,409)
Credit loss expense, net	847,116	1,283,325
Provision at end of year	<u>44,272,295</u>	<u>52,846,015</u>
Accrued interest receivable, net	1,877,126	1,709,767
Loans and advances to customers, net	<u><u>\$ 372,269,708</u></u>	<u><u>\$ 368,588,734</u></u>
Provisions as a percentage of the net loan portfolio	11.89%	14.34%
Non-accrual loans as a percentage of the net loan portfolio	17.10%	19.49%

BANK OF THE BAHAMAS LIMITED

Selected Explanatory Notes to the Unaudited Condensed Consolidated Financial Statements

For the year ended June 30, 2023

(Expressed in Bahamian Dollars)

6. Note Receivable, net and Special Retained Earnings

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

- Non-performing loans with a total net book value of approximately \$50.6 million was derecognized. Unsecured promissory note of \$167.7 million was received and \$117.1 million was recognized directly in equity as Special Retained Earnings.
- The Bank has transferred all of its rights and obligations relating to the non-performing loans to Resolve without recourse and will have no rights to future cash flows from the non-performing loans.
- The Bank received an irrevocable Letter of Support from the Government.
- The promissory note bears fixed interest at 3.5%, payable semi-annually on the 28th day of February and the 31st day of August.
- The original maturity of August 31, 2022 has been extended by 3 years to August 31, 2025 at 4% fixed interest rate with quarterly interest payments at the end of November, February, May and August. Accrued interest receivable as at June 30, 2023 amounted to \$0.6 million (June 30, 2022: \$2.5 million).
- Provision for impairment losses amounted to \$1.4 million as at June 30, 2023 (June 30, 2022: \$19,825).

On October 6, 2022, Moody’s downgraded the Bahamas long-term issuer and senior unsecured ratings from Ba3 to B1. Management assessed the impact of this credit downgrade on its sovereign exposures and the impact on provision for impairment losses is included in the consolidated statement of comprehensive income.

7. Investment securities, net and Net gain on investments at FVOCI

On July 28, 2022, the Bank sold its investment in equity shares and net proceeds amounted to \$3.3 million.

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

For the year ended June 30, 2023
(Expressed in Bahamian Dollars)

8. Regulatory Capital

Bahamas Capital Regulations, 2022 came into effect on July 15, 2022. The Bank's total regulatory capital consists of the sum of total Common Equity Tier 1 capital only, net of regulatory adjustments. CET1 plus capital buffers must be at least 18% and the minimum leverage ratio of 6% has been introduced. The Bank remains compliant with total regulatory capital at 45.2% as at June 30, 2023 (June 30, 2022: 38.9%) and leverage ratio of 17.2% as at June 30, 2023.

9. Commitments and Contingencies

Commitments

The commitment for loans and advances at June 30, 2023 was \$10.1 million (June 30, 2022: \$5.8 million).

The commitment for capital expenditures at June 30, 2023 was \$2.8 million (June 30, 2022: \$1.5 million).

The commitment for letters of credit and guarantees at June 30, 2023 was \$3.4 million (June 30, 2022: \$3.5 million)

Contingencies and Provision

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

As at the year end, the Bank had several ongoing legal claims. Various legal proceedings are pending that challenge certain actions of the Bank. Management considers that adequate provision has been made in these financial statements for any loss that might ultimately be determined.

10. Comparatives

Interest expense on lease liabilities was reclassified from operating expenses to interest and similar expense.