

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

BANK OF THE BAHAMAS LIMITED

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	September 30, 2023	June 30, 2023
ASSETS		
Cash and account with The Central Bank	\$ 83,415,056	\$ 110,194,110
Cash equivalents - Treasury Bills, net	81,774,274	61,818,157
Due from banks, net	88,555,051	83,779,906
Investment securities, net	127,006,498	106,899,357
Loans and advances to customers, net	363,161,985	372,306,886
Note receivable, net	167,437,057	166,876,244
Investment property	6,744,000	6,744,000
Other assets	12,282,756	22,061,992
Property and equipment, net	9,857,658	9,566,513
Right-of-use assets, net	5,168,369	5,677,575
Computer software, net	5,852,202	6,093,477
TOTAL	\$ 951,254,906	\$ 952,018,217
LIABILITIES		
Deposits from customers and banks	\$ 733,346,824	\$ 738,168,202
Other liabilities	24,461,414	24,212,364
Lease liabilities	5,515,031	5,906,532
Deferred loan fees	2,975,791	2,876,542
Total liabilities	\$ 766,299,060	\$ 771,163,640
EQUITY		
Share capital	43,194,515	43,194,515
Share premium	81,950,384	81,950,384
Treasury shares	(1,318,224)	(1,318,224)
Special retained earnings	172,122,932	172,122,932
Accumulated deficit	(110,993,761)	(115,095,030)
Total equity	184,955,846	180,854,577
TOTAL	\$ 951,254,906	\$ 952,018,217

BANK OF THE BAHAMAS LIMITED

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended September 30, 2023
with comparatives for the three months ended September 30, 2022
(Expressed in Bahamian Dollars)

	Three Months 2023	2022
Interest and similar income	\$ 12,040,381	\$ 10,517,370
Interest and similar expense	(1,138,960)	(890,990)
Net interest income	<u>10,901,421</u>	<u>9,626,380</u>
Fees and commission income	2,994,451	2,535,883
Fees and commission expense	(79,406)	(45,586)
Net fees and commission income	<u>2,915,045</u>	<u>2,490,297</u>
Other operating income	1,335,097	1,038,379
Total operating income	<u>15,151,563</u>	<u>13,155,056</u>
Operating expenses	(11,439,707)	(9,285,132)
Net impairment reversals/(losses)	389,413	(1,344,563)
Net income	<u>\$ 4,101,269</u>	<u>\$ 2,525,361</u>
Other comprehensive income		
<i>Items that will not be reclassified to net income</i>		
Movement in fair value: equity investments at FVOCI	-	216,700
Total comprehensive income for the period	<u>\$ 4,101,269</u>	<u>\$ 2,742,061</u>
EARNINGS PER SHARE CALCULATION:		
NET INCOME	\$ 4,101,269	\$ 2,525,361
WEIGHTED AVERAGE NUMBER OF COMMON SHARES	<u>42,959,494</u>	<u>42,959,494</u>
EARNINGS PER SHARE	<u>\$ 0.10</u>	<u>\$ 0.06</u>

BANK OF THE BAHAMAS LIMITED

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended September 30, 2023
with comparatives for the three months ended September 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, 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 period	-	-	-	-	-	2,525,361	2,525,361
Movement in fair value: equity investments at FVOCI	-	-	-	216,700	-	-	216,700
Balance at September 30, 2022	\$ 42,610,505	\$ 81,950,384	\$ (1,318,224)	\$ -	\$ 172,122,932	\$ (122,937,283)	\$ 172,428,314
Balance at June 30, 2023	\$ 43,194,515	\$ 81,950,384	\$ (1,318,224)	\$ -	\$ 172,122,932	\$ (115,095,030)	\$ 180,854,577
<i>Total comprehensive income:</i>							
Net income for the period	-	-	-	-	-	4,101,269	4,101,269
Balance at September 30, 2023	\$ 43,194,515	\$ 81,950,384	\$ (1,318,224)	\$ -	\$ 172,122,932	\$ (110,993,761)	\$ 184,955,846

BANK OF THE BAHAMAS LIMITED

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

For the three months ended September 30, 2023
with comparatives for the three months ended September 30, 2022
(Expressed in Bahamian Dollars)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 4,101,269	\$ 2,525,361
Adjustments for:		
Interest income	(12,040,381)	(10,517,370)
Interest expense	1,138,960	890,990
Depreciation and amortization	1,383,583	955,157
Gain on sale of investment securities	-	(3,403)
Impairment losses, net	(389,413)	1,344,563
Interest received	11,353,535	9,750,884
Interest paid	(1,027,834)	(1,021,258)
	<u>4,519,719</u>	<u>3,924,924</u>
Decrease in loans and advances to customers, net	9,340,706	3,066,391
Decrease in deposits from customers and banks	(4,932,503)	(3,195,476)
Decrease/(increase) in other assets	9,779,232	(48,146)
Increase/(decrease) in other liabilities	249,050	(16,938,170)
Increase/(decrease) in deferred loan fees	99,249	(75,218)
Decrease/(increase) in reserve deposit	1,257,700	(486,150)
Net cash provided by/(used in) operating activities	<u>20,313,153</u>	<u>(13,751,845)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	(760,206)	(466,304)
Acquisition of computer software	(164,039)	(139,118)
Purchase of investment securities	(21,000,000)	(5,561,200)
Proceeds from maturity of investment securities	1,201,300	1,388,100
Proceeds from sale of investment securities	-	3,323,089
Net cash used in investing activities	<u>(20,722,945)</u>	<u>(1,455,433)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payment of lease liabilities	(391,501)	(558,317)
Net cash used in financing activities	<u>(391,501)</u>	<u>(558,317)</u>
Net decrease in cash and cash equivalents	(801,293)	(15,765,595)
Cash and cash equivalents, beginning of period	227,224,445	306,782,737
Cash and cash equivalents, end of period	<u><u>\$ 226,423,152</u></u>	<u><u>\$ 291,017,142</u></u>

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

For the quarter ended September 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.

The Bank’s shares are publicly traded and listed on The Bahamas International Securities Exchange. As at September 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 Claughton House, corner of Shirley Street and Charlotte Street, Nassau, Bahamas. The registered office is located at Sassoon House, corner of Shirley Street and Victoria Avenue, Nassau, Bahamas.

As at September 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

For the quarter ended September 30, 2023
(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 did not declare or pay dividends to its common shareholders during the quarter (June 30, 2023: \$0.4 million).

4. Cash and Cash Equivalents

	September 30, 2023	June 30, 2023
Cash	\$ 17,211,693	\$ 15,311,876
Deposits with the Central Bank- non-interest bearing	66,203,363	94,882,234
Cash and account with the Central Bank	83,415,056	110,194,110
Cash equivalents - Treasury Bills	81,814,394	61,879,290
Due from banks	88,580,792	83,795,835
Cash, cash equivalents and due from banks	253,810,242	255,869,235
Less: Mandatory reserve deposits with the Central Bank	27,387,090	28,644,790
Total cash and cash equivalents	\$ 226,423,152	\$ 227,224,445

Government issued Treasury Bills are presented in the consolidated statement of financial position, net of \$40,120 (June 30, 2023: \$61,133) allowance for impairment losses. Money market placements of \$16.0 million (June 30, 2023: \$15.8 million) are included in Due from banks. Due from banks are presented in the consolidated statement of financial position, net of \$25,741 (June 30, 2023: \$15,929) allowance for impairment losses.

As at September 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 Statements

For the quarter ended September 30, 2023
(Expressed in Bahamian Dollars)

5. Loans and advances to customers, net

	September 30, 2023	June 30, 2023
Mortgage residential loans	\$ 178,822,901	\$ 180,054,438
Mortgage commercial loans	11,461,567	11,801,749
Commercial loans	44,381,410	55,026,322
Consumer loans	130,649,795	126,592,321
Government	35,931,450	37,790,781
Credit cards	2,621,388	2,513,798
Business overdrafts	1,027,067	779,587
Personal overdrafts	159,583	143,059
	<u>\$ 405,055,161</u>	<u>\$ 414,702,055</u>
Less: Provision for loan losses		
Provision at beginning of year	\$ 44,272,295	\$ 52,846,015
Amount written-off/charged off	(306,189)	(9,420,835)
Credit loss (reversals)/expense, net	(167,361)	847,115
Provision at end of year	<u>43,798,745</u>	<u>44,272,295</u>
Accrued interest receivable, net	1,905,569	1,877,126
Loans and advances to customers, net	<u><u>\$ 363,161,985</u></u>	<u><u>\$ 372,306,886</u></u>
Provisions as a percentage of the net loan portfolio	12.06%	11.89%
Non-accrual loans as a percentage of the net loan portfolio	17.10%	17.66%

BANK OF THE BAHAMAS LIMITED

Selected Explanatory Notes to the Unaudited Condensed Consolidated Financial Statements

For the quarter ended September 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 September 30, 2023 amounted to \$1.0 million (June 30, 2023: \$0.6 million).
- Provision for impairment losses amounted to \$1.3 million as at September 30, 2023 (June 30, 2023: \$1.4 million).

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.

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Selected Explanatory Notes to the Unaudited Condensed Consolidated Financial Statements

For the quarter ended September 30, 2023
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7. 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 46.3% as at September 30, 2023 (June 30, 2023: 44.7%) and leverage ratio of 18.5% as at September 30, 2023 (June 30, 2023: 17.2%).

8. Commitments and Contingencies

Commitments

The commitment for loans and advances at September 30, 2023 was \$18.2 million (June 30, 2023: \$10.1 million).

The commitment for capital expenditures at September 30, 2023 was \$1.2 million (June 30, 2023: \$0.2 million).

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

9. Subsequent event

On October 16, 2023, the Bank declared dividends in the amount of \$0.01 per share.