

BANK OF THE BAHAMAS LIMITED
Unaudited Condensed Consolidated Financial Statements
For the Quarter Ended September 30, 2022

BANK OF THE BAHAMAS LIMITED

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	September 30, 2022	June 30, 2022
ASSETS		
Cash and account with The Central Bank	\$ 154,466,570	\$ 179,225,867
Cash equivalents - Treasury Bills, net	89,559,906	81,594,321
Due from banks, net	74,662,451	73,177,766
Investment securities, net	74,542,913	73,898,709
Loans and advances to customers, net	365,928,320	368,588,734
Note receivable, net	169,642,862	170,171,425
Investment property	6,463,000	6,463,000
Other assets	13,066,397	13,018,251
Property and equipment, net	8,998,454	8,857,598
Right-of-use assets, net	3,435,347	3,592,575
Computer software, net	6,494,936	6,680,392
TOTAL	<u>\$ 967,261,156</u>	<u>\$ 985,268,638</u>
LIABILITIES		
Deposits from customers and banks	\$ 756,712,519	\$ 760,038,263
Other liabilities	32,054,223	48,992,393
Lease liabilities	3,517,482	3,927,893
Deferred loan fees	2,548,618	2,623,836
Total liabilities	<u>\$ 794,832,842</u>	<u>\$ 815,582,385</u>
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	(122,937,283)	(128,559,641)
Total equity	<u>172,428,314</u>	<u>169,686,253</u>
TOTAL	<u>\$ 967,261,156</u>	<u>\$ 985,268,638</u>

BANK OF THE BAHAMAS LIMITED

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended September 30, 2022
with comparatives for the three months ended September 30, 2021
(Expressed in Bahamian Dollars)

	Three Months	
	2022	2021
Interest and similar income	\$ 10,517,370	\$ 10,447,284
Interest and similar expense	(890,990)	(1,597,465)
Net interest income	<u>9,626,380</u>	<u>8,849,819</u>
Fees and commission income	2,535,883	2,014,978
Fees and commission expense	(45,586)	(48,906)
Net fees and commission income	<u>2,490,297</u>	<u>1,966,072</u>
Other operating income	1,038,379	970,525
Total operating income	<u>13,155,056</u>	<u>11,786,416</u>
Operating expenses	(9,285,132)	(8,727,182)
Impairment losses, net	(1,344,563)	(2,676,912)
Net income	<u>\$ 2,525,361</u>	<u>\$ 382,322</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	(174,463)
Total comprehensive income for the period	<u>\$ 2,742,061</u>	<u>\$ 207,859</u>
EARNINGS PER SHARE CALCULATION:		
NET INCOME	\$ 2,525,361	\$ 382,322
WEIGHTED AVERAGE NUMBER OF COMMON SHARES	<u>42,959,494</u>	<u>42,959,494</u>
EARNINGS PER SHARE	<u>\$ 0.06</u>	<u>\$ 0.01</u>

BANK OF THE BAHAMAS LIMITED

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended September 30, 2022
with comparatives for the three months ended September 30, 2021
(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 period	-	-	-	-	-	382,322	382,322
Movement in fair value: equity investments at FVOCI	-	-	-	(174,463)	-	-	(174,463)
Balance at September 30, 2021	\$ 42,610,505	\$ 81,950,384	\$ (1,318,224)	\$ 3,287,851	\$ 172,122,932	\$ (139,977,646)	\$ 158,675,802
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

BANK OF THE BAHAMAS LIMITED

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

For the three months ended September 30, 2022
with comparatives for the three months ended September 30, 2021
(Expressed in Bahamian Dollars)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 2,525,361	\$ 382,322
Adjustments for:		
Interest income	(10,517,370)	(10,447,284)
Interest expense	890,990	1,597,465
Depreciation and amortization	955,157	714,800
Gain on sale of investment securities	(3,403)	-
Impairment losses, net	1,344,563	2,676,912
Interest received	9,750,884	10,566,404
Interest paid	(1,021,258)	(1,462,505)
	<u>3,924,924</u>	<u>4,028,114</u>
Decrease/(increase) in loans and advances to customers, net	3,066,391	(5,053,647)
(Decrease)/increase in deposits from customers and banks	(3,195,476)	27,114,512
(Increase)/decrease in other assets	(534,296)	1,987,797
(Decrease)/increase in other liabilities	(17,013,388)	1,824,330
Net cash (used in)/provided by operating activities	<u>(13,751,845)</u>	<u>29,901,106</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	(466,304)	(403,688)
Acquisition of computer software	(139,118)	(777,740)
Purchase of investment securities	(5,561,200)	-
Proceeds from maturity of investment securities	1,388,100	3,667,600
Proceeds from sale of investment securities	3,323,089	-
Net cash (used in)/provided by investing activities	<u>(1,455,433)</u>	<u>2,486,172</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payment of lease liabilities	(558,317)	(374,758)
Net cash used in financing activities	<u>(558,317)</u>	<u>(374,758)</u>
Net (decrease)/increase in cash and cash equivalents	(15,765,595)	32,012,520
Cash and cash equivalents, beginning of period	306,782,737	209,245,659
Cash and cash equivalents, end of period	<u>\$ 291,017,142</u>	<u>\$ 241,258,179</u>

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

For the quarter ended September 30, 2022
(Expressed in Bahamian Dollars)

1. General 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 September 30, 2022, 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, 2022, 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, 2022. 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 did not declare or pay any dividends to its shareholders during the reporting years.

4. Cash and Cash Equivalents

	September 30, 2022	June 30, 2022
Cash	\$ 14,825,499	\$ 13,916,719
Deposits with the Central Bank- non-interest bearing	139,641,071	165,309,148
Cash and account with the Central Bank	154,466,570	179,225,867
Cash equivalents - Treasury Bills	89,598,075	81,603,814
Due from banks	74,668,187	73,182,596
Cash, cash equivalents and due from banks	318,732,832	334,012,277
Less: Mandatory reserve deposits with the Central Bank	27,715,690	27,229,540
Total cash and cash equivalents	\$ 291,017,142	\$ 306,782,737

Government issued Treasury Bills are presented in the consolidated statement of financial position, net of \$0.04 million (June 30, 2022: \$0.01 million) allowance for impairment losses. Money market placements of \$7.4 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 \$5,736 (June 30, 2022: \$4,830) allowance for impairment losses.

As at September 30, 2022, 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 quarter ended September 30, 2022
(Expressed in Bahamian Dollars)

5. Loans and advances to customers, net

Loans and advances to customers, net

	September 30, 2022	June 30, 2022
Mortgage residential loans	\$ 186,207,413	\$ 187,679,360
Mortgage commercial loans	12,582,962	12,642,103
Commercial loans	58,741,701	59,537,060
Consumer loans	117,052,234	121,111,797
Government	34,920,017	36,299,812
Credit cards	1,894,879	1,693,979
Business overdrafts	562,113	619,184
Personal overdrafts	153,877	141,687
	\$ 412,115,196	\$ 419,724,982
Less: Provision for loan losses		
Provision at beginning of year	\$ 52,846,015	\$ 64,030,099
Amount written-off/charged off	(4,543,395)	(12,467,409)
Credit loss reversals, net	(270,853)	1,283,325
Provision at end of year	48,031,767	52,846,015
Accrued interest receivable	1,844,891	1,709,767
Loans and advances to customers, net	\$ 365,928,320	\$ 368,588,734
Provisions as a percentage of the net loan portfolio	13.13%	14.34%
Non-accrual loans as a percentage of the net loan portfolio	17.99%	19.49%

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

For the quarter ended September 30, 2022
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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. Accrued interest receivable as at September 30, 2022 amounted to \$3.1 million (June 30, 2022: \$2.5 million).
- Provision for impairment losses amounted to \$1.2 million as at September 30, 2022 (June 30, 2022: \$0.02 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 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.

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Selected Explanatory Notes to the Unaudited Condensed Consolidated Financial Statements

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(Expressed in Bahamian Dollars)

8. Regulatory Capital

Regulatory capital consists of Tier 1 and Tier 2 capital. Total Tier 1 capital comprises of Common Equity Tier 1. CET1 ratio must be at least 9.6% of the total Risk Weighted Assets. The Bank is compliant with this capital requirement at 39.5% as at September 30, 2022 (June 30, 2022: 38.9%).

9. Commitments and Contingencies

Commitments

The commitment for loans and advances at September 30, 2022 was \$6.1 million (June 30, 2022: \$5.8 million).

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

The commitment for letters of credit and guarantees at September 30, 2022 was \$3.5 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 quarter 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.

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Selected Explanatory Notes to the Unaudited Condensed Consolidated Financial Statements

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10. Comparatives

Certain corresponding figures in the prior year have been reclassified in the current comparative consolidated financial statements to conform with the current year's presentation. These include:

Income Statement

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

Cashflow Statement

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