

BANK OF THE BAHAMAS LIMITED
Unaudited Condensed Consolidated Financial Statements
For the Period Ended December 31, 2022

BANK OF THE BAHAMAS LIMITED

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2022 with comparative figures as at June 30, 2022
(Expressed in Bahamian Dollars)

	December 31, 2022	June 30, 2022
ASSETS		
Cash and account with The Central Bank	\$ 125,094,802	\$ 179,225,867
Cash equivalents - Treasury Bills, net	105,488,873	81,594,321
Due from banks, net	85,823,893	73,177,766
Investment securities, net	85,936,292	73,898,709
Loans and advances to customers, net	363,820,158	368,588,734
Note receivable, net	171,319,862	170,171,425
Investment property	6,463,000	6,463,000
Other assets	8,171,177	13,018,251
Property and equipment, net	9,773,804	8,857,598
Right-of-use assets, net	3,140,479	3,592,575
Computer software, net	6,436,428	6,680,392
TOTAL	<u>\$ 971,468,768</u>	<u>\$ 985,268,638</u>
LIABILITIES		
Deposits from customers and banks	\$ 770,904,786	\$ 760,038,263
Other liabilities	20,001,205	48,992,393
Lease liabilities	3,170,887	3,927,893
Deferred loan fees	2,661,309	2,623,836
Total liabilities	<u>\$ 796,738,187</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	(120,635,016)	(128,559,641)
Total equity	<u>174,730,581</u>	<u>169,686,253</u>
TOTAL	<u>\$ 971,468,768</u>	<u>\$ 985,268,638</u>

BANK OF THE BAHAMAS LIMITED**UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

For the three and six months periods ended December 31, 2022
with comparatives for the three and six months periods ended December 31, 2021
(Expressed in Bahamian Dollars)

	Three Months		Six Months	
	2022	2021	2022	2021
Interest and similar income	\$ 10,718,352	\$ 10,030,306	\$ 21,235,721	\$ 20,477,589
Interest and similar expense	(1,063,572)	(1,332,923)	(1,954,562)	(2,901,326)
Net interest income	<u>9,654,780</u>	<u>8,697,383</u>	<u>19,281,159</u>	<u>17,576,263</u>
Fees and commission income	2,560,624	2,368,397	5,096,507	4,383,375
Fees and commission expense	(54,926)	(50,895)	(100,511)	(99,801)
Net fees and commission income	<u>2,505,698</u>	<u>2,317,502</u>	<u>4,995,996</u>	<u>4,283,574</u>
Other operating income	1,115,032	1,193,343	2,153,411	2,163,868
Total operating income	<u>13,275,510</u>	<u>12,208,228</u>	<u>26,430,566</u>	<u>24,023,705</u>
Operating expenses	(9,316,685)	(9,343,646)	(18,601,817)	(18,099,889)
Impairment losses, net	(1,656,558)	(2,784,580)	(3,001,121)	(5,461,493)
Net income	<u>\$ 2,302,267</u>	<u>\$ 80,002</u>	<u>\$ 4,827,628</u>	<u>\$ 462,323</u>
Other comprehensive income				
<i>Items that will not be reclassified to net income</i>				
Movement in fair value: equity investments at FVOCI	-	(456,725)	216,700	(631,188)
Total comprehensive income/(loss) for the period	<u>\$ 2,302,267</u>	<u>\$ (376,723)</u>	<u>\$ 5,044,328</u>	<u>\$ (168,865)</u>
EARNINGS PER SHARE CALCULATION:				
NET INCOME	\$ 2,302,267	\$ 80,002	\$ 4,827,628	\$ 462,323
WEIGHTED AVERAGE NUMBER OF COMMON SHARES	<u>42,959,494</u>	<u>42,959,494</u>	<u>42,959,494</u>	<u>42,959,494</u>
EARNINGS PER SHARE	<u>\$ 0.05</u>	<u>\$ 0.00</u>	<u>\$ 0.11</u>	<u>\$ 0.01</u>

BANK OF THE BAHAMAS LIMITED

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months period ended December 31, 2022
with comparatives for the six months period ended December 31, 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	-	-	-	-	-	462,323	462,323
Movement in fair value: equity investments at FVOCI	-	-	-	(631,188)	-	-	(631,188)
Balance at December 31, 2021	\$ 42,610,505	\$ 81,950,384	\$ (1,318,224)	\$ 2,831,126	\$ 172,122,932	\$ (139,897,645)	\$ 158,299,078
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	-	-	-	-	-	4,827,628	4,827,628
Movement in fair value: equity investments at FVOCI	-	-	-	216,700	-	-	216,700
Balance at December 31, 2022	\$ 42,610,505	\$ 81,950,384	\$ (1,318,224)	\$ -	\$ 172,122,932	\$ (120,635,016)	\$ 174,730,581

BANK OF THE BAHAMAS LIMITED

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months period ended December 31, 2022

with comparatives for the six months period ended December 31, 2021

(Expressed in Bahamian Dollars)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 4,827,628	\$ 462,323
Adjustments for:		
Interest income	(21,235,721)	(20,477,589)
Interest expense	1,954,562	2,901,326
Depreciation and amortization	1,908,016	1,552,906
Gain on sale of investment securities	(3,403)	-
Loss on disposal of fixed assets	-	67,557
Impairment losses, net	3,001,121	5,461,493
Interest received	18,756,084	20,317,309
Interest paid	(2,059,993)	(2,876,880)
	<u>7,148,294</u>	<u>7,408,445</u>
Decrease in loans and advances to customers, net	3,454,366	6,394,513
Increase in deposits from customers and banks	10,971,954	20,354,484
Decrease in other assets	3,885,914	2,814,932
(Decrease)/increase in other liabilities	(28,953,715)	1,726,285
Net cash (used in)/provided by operating activities	<u>(3,493,187)</u>	<u>38,698,659</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	(1,574,666)	(1,006,086)
Acquisition of computer software	(405,589)	(1,115,043)
Purchase of investment securities	(27,561,200)	(20,000,000)
Proceeds from maturity of investment securities	12,094,500	19,536,600
Proceeds from sale of investment securities	3,323,089	-
Net cash used in investing activities	<u>(14,123,866)</u>	<u>(2,584,529)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payment of lease liabilities	(904,911)	(741,562)
Net cash used in financing activities	<u>(904,911)</u>	<u>(741,562)</u>
Net (decrease)/increase in cash and cash equivalents	(18,521,964)	35,372,568
Cash and cash equivalents, beginning of period	306,782,737	209,245,659
Cash and cash equivalents, end of period	<u><u>\$ 288,260,773</u></u>	<u><u>\$ 244,618,227</u></u>

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

For the period ended December 31, 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 December 31, 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 December 31, 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 periods.

4. Cash and Cash Equivalents

	December 31, 2022	June 30, 2022
Cash	\$ 22,031,187	\$ 13,916,719
Deposits with the Central Bank- non-interest bearing	103,063,615	165,309,148
Cash and account with the Central Bank	<u>125,094,802</u>	<u>179,225,867</u>
Cash equivalents - Treasury Bills	105,527,041	81,603,814
Due from banks	<u>85,829,630</u>	<u>73,182,596</u>
Cash, cash equivalents and due from banks	316,451,473	334,012,277
Less: Mandatory reserve deposits with the Central Bank	<u>28,190,700</u>	<u>27,229,540</u>
Total cash and cash equivalents	<u>\$ 288,260,773</u>	<u>\$ 306,782,737</u>

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 \$12.5 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 December 31, 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 period ended December 31, 2022
(Expressed in Bahamian Dollars)

5. Loans and advances to customers, net

	December 31, 2022	June 30, 2022
Mortgage residential loans	\$ 184,488,744	\$ 187,679,360
Mortgage commercial loans	12,174,378	12,642,103
Commercial loans	57,534,440	59,537,060
Consumer loans	120,023,478	121,111,797
Government	32,295,065	36,299,812
Credit cards	2,252,899	1,693,979
Business overdrafts	802,454	619,184
Personal overdrafts	144,457	141,687
	<u>\$ 409,715,915</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	(6,554,700)	(12,467,409)
Credit loss expense, net	1,385,705	1,283,325
Provision at end of period	<u>47,677,020</u>	<u>52,846,015</u>
Accrued interest receivable	1,781,263	1,709,767
Loans and advances to customers, net	<u><u>\$ 363,820,158</u></u>	<u><u>\$ 368,588,734</u></u>
Provisions as a percentage of the net loan portfolio	13.10%	14.34%
Non-accrual loans as a percentage of the net loan portfolio	17.12%	19.49%

BANK OF THE BAHAMAS LIMITED

Selected Explanatory Notes to the Unaudited Condensed Consolidated Financial Statements

For the period ended December 31, 2022

(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. Accrued interest receivable as at December 31, 2022 amounted to \$4.8 million (June 30, 2022: \$2.5 million).
- 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.
- Provision for impairment losses amounted to \$1.2 million as at December 31, 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.

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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.

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 minimum leverage ratio of 6%. The Bank remains compliant with total regulatory capital at 45.2% as at December 31, 2022 (June 30, 2022: 38.9%) and leverage ratio of 16.4% as at December 31, 2022.

9. Commitments and Contingencies

Commitments

The commitment for loans and advances at December 31, 2022 was \$6.0 million (June 30, 2022: \$5.8 million).

The commitment for capital expenditures at December 31, 2022 was \$4.0 million (June 30, 2022: \$1.5 million).

The commitment for letters of credit and guarantees at December 31, 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 period 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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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.