



2023

A N N U A L R E P O R T

Our Vision

The Best and Most Respected Financial Enterprise in The Bahamas.

We aim to be the best at what we do. Being the best means expecting and demanding more of ourselves, reaching higher, always improving, always innovating and delivering better than anyone else.

Our Mission

Working Together to Consistently Provide Exceptional Customer Experience and Superior Financial Solutions.

We will succeed as a team and every day we will work to win and keep our customers' trust and loyalty. Respect is earned not freely given. We will be respected for our integrity and dependability and commitment to excellence

Our Values

Our CORE VALUES are: Leadership, Excellence, Attitude and Ethics, People Development, Teamwork.

Our values are the driving force for all that we do. They influence and direct every decision, every transaction and all our relationships. They make us who we are.



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In Pursuit of
Excellence

“Excellence

is never an accident. It is always the result of high intention, sincere effort, and intelligent execution; it represents the wise choice of many alternatives - choice, not chance, determines your destiny. ”

- Aristotle

Aristotle once wisely stated, ‘We are what we repeatedly do. Excellence, then, is not an act, but a habit.’ These profound words encapsulate the very essence of our journey at Bank of The Bahamas – a journey where excellence isn’t a destination but a path marked by continuous improvement.

In the dynamic landscape of the modern world, where financial systems intricately connect economies, the pursuit of excellence in banking has emerged as a pivotal driving force. Banking, once characterized by its conventional practices, has evolved into a complex realm where innovation, efficiency, and client-centricity define the path to success.

In this uniquely complicated realm, excellence assumes a multi-faceted significance. It goes beyond a mere buzzword, embodying a commitment to offering value beyond expectations, cultivating superior quality, fostering innovation, and placing customers at the heart of every endeavor. In banking, excellence translates to providing efficient financial solutions, anticipating the evolving needs of clients, and maintaining a resilient, trustworthy financial ecosystem.

Excellence in banking is not merely a goal but an unending journey that demands meticulous attention to detail, adaptability to technological shifts, and an unwavering commitment to delivering value to customers and stakeholders alike.

Bank of The Bahamas has embarked on this journey, where the pursuit of excellence is a mainspring. This pursuit recognizes that while remarkable strides have been made, the journey doesn’t end. It’s a commitment to constant elevation, embracing change, and refining operations. The Bank’s core values of attitude & ethics, excellence, leadership, teamwork and continuous learning & improvement serve as pillars of this pursuit.

The Bank recognizes that its journey towards excellence is an ongoing process; that no matter the achievements, there are always new horizons to explore because excellence isn’t just about reaching a pinnacle but cultivating a way of doing business and fostering an environment all centered around the needs and aspirations of its valued clients.

As Bank of The Bahamas continues its journey of perpetual advancement Aristotle’s words remind us that excellence isn’t confined to isolated moments of brilliance but is woven into the fabric of consistent effort and determination. Leading by example, with renewed passion and vigor, we commit to embody this principle as we strive to become The Best and Most Respected Financial Enterprise in The Bahamas.




SUCCESS

STRATEGY

MISSION

VISION



With a solid financial foundation, strategic investments, and a dedicated team, we are well-positioned to navigate the opportunities and challenges that lie ahead.

Dear Shareholders, Colleagues, and Stakeholders,

I am pleased to present our annual report for the fiscal year ended June 30, 2023, highlighting another year of profitable growth and strategic achievements for Bank of The Bahamas Limited ("the Bank"). Our institution has once again demonstrated resilience, adaptability, and innovation and it brings me great satisfaction to share the accomplishments of the Bank during this period.

Financial Performance:

In Fiscal 2023, Bank of The Bahamas continued to navigate the evolving economic landscape and generated a net income of \$11.4 million, signifying our commitment to maintain a strong financial position. Although this represents a slight decrease from the prior year's \$11.8 million, it underscores our ability to achieve sustainable profitability for our stakeholders.

Total Operating Income surged by \$6.4 million compared to the previous year, primarily driven by increases in interest income from investments and from deposits and card services fees and commission. In a shifting environment we have remained agile in identifying opportunities for revenue growth while maintaining our commitment to responsible banking practices.

Total assets reached \$952.0 million, of which loans and advances, net accounted for \$372.3 million indicating the robustness of our operations and prudent asset management. Our total equity also showed growth, standing at \$180.9 million, with a CET1 Ratio of 44.7%, reinforcing our capital base and financial stability.

Strategic Investments and Modernization:

Throughout the fiscal year, we made strategic investments to fortify our technological infrastructure, resulting in the launch of our new modern corporate website and an advanced online banking platform and mobile app. These innovations reflect our dedication to enhancing customer experiences, ensuring convenience, and facilitating efficient financial interactions.

We were also delighted to open our state-of-the-art premises at the JFK Drive & Bethel Avenue housing JFK Drive Branch, Premier and Private Banking, Collections, Training and Collateral Securities. This modern facility boasts three intelligent deposit ATMs in-branch and two Drive Thru ATMs, providing our customers with enhanced accessibility and convenience. These initiatives reflect our ongoing efforts to meet the evolving needs of our customers.

Dividend Payment and Shareholder Value:

After an 11-year hiatus, it brings me great pleasure to share that Bank of The Bahamas paid \$0.4 million in dividends to our common shareholders on June 15th. This distribution demonstrates our commitment to provide value to our shareholders while maintaining the stability required for sustainable growth.

Bright Outlook:

As we move forward, the future appears promising. The economy has rebounded with an expectation of continued growth and we are encouraged by recent reports that tourism arrivals have surpassed pre-pandemic levels. This positive momentum is aligned with our strategic objectives and bodes well for the broader economy and local banking industry.

Acknowledgments:

I extend my sincere gratitude to my esteemed Board colleagues for their invaluable guidance and unwavering commitment to our shared vision. To our Executive Management Team and dedicated staff, your resilience, dedication, and professionalism have been instrumental in achieving these remarkable results. To our loyal shareholders and customers, your continued trust and support drive us to reach greater heights.

In closing, Bank of The Bahamas remains steadfast in our pursuit of excellence, innovation, and sustainable growth. With a solid financial foundation, strategic investments, and a dedicated team, we are well-positioned to navigate the opportunities and challenges that lie ahead. As we work towards delivering on our commitment to be the Best and Most Respected Financial Enterprise in The Bahamas, we remain focused on creating value for all our stakeholders.



Donna Harding-Lee
Chairman
Bank of The Bahamas Limited

Dear Shareholders, Colleagues and Partners,

At the conclusion of another year, it is my privilege to provide a review of Bank of The Bahamas Limited's performance for the year ending on June 30, 2023. I would like to extend my gratitude to all shareholders and staff for their patience, dedication and support and I look forward to sharing our progress and aspirations.

Sustained Financial Strength:

I am pleased to report that our financial performance remains steady and resilient, having ended the year with a net income of \$11.4. While this represents a marginal decrease from the previous year's results of \$11.8 in net income, it is reflective of our disciplined approach to managing risk and maintaining a solid financial foundation.

As a result, of the ongoing and stable profitability, the Board of Directors was pleased to be able to recommend the recommencement of the Bank's shareholders dividend distribution program of 3.8% of net income. This was attributed to the Bank's high level of capital above the regulatory requirements and sustained profitability.

Strategic Investments:

Our strategic investments have yielded tangible results. Total Operating Income increased by \$6.4 million compared to the prior year, driven by increased interest and non-interest income. This improvement is attributed to the Bank's investment of its excess liquidity in money market placement, treasury bills and government registered stocks, increasing interest income by \$2.9 million. Also contributing to the positive variance was the Bank's growth in its auxiliary revenue streams by \$1.0 million primarily from ATM services, fees and commission, merchant services and prepaid cards. The increase in total operating income was partially offset by higher net impairment loss and operating expenses, mainly in the areas of employee expense, information technology and depreciation; however, the Bank recorded lower credit losses of \$0.8 million compared to \$1.3 million in prior year.

Embracing Innovation:

The past year marked significant strides in embracing innovation. Our new corporate website, the modern JFK Drive Premises, implementation of the Newgen Loan and Account opening origination systems, and our mobile app were all launched in Fiscal 2023. These initiatives underscore our commitment to providing efficient and convenient banking solutions for our customers.

Our commitment to create value for our shareholders also remains unwavering. After an 11-year pause, we were pleased to distribute \$0.4 million in dividends to our common shareholders on June 15th. This gesture reflects our dedication to maintaining a balance between growth and rewarding those who invest their trust in us.

The Path Forward:

As we move forward, it's essential to recognize that the Bank is now in a phase of accelerated growth. We are building on the strong foundation that has been established over the past four years. This phase requires the commitment and collaboration of all stakeholders – our dedicated employees, loyal shareholders, supportive customers, and the wider community.

Acknowledgments:

I extend my sincere appreciation to our esteemed Board members for their guidance, our Executive Management Team including my predecessor Mr. Kenrick Brathwaite for their diligence, and our staff for their dedication. I also express my gratitude to our loyal shareholders and customers for their continued support.


Looking Ahead:

As we look to the future, I am confident in our ability to realize the potential within us. We are poised to take the next steps in our journey, fueled by a shared commitment to excellence and growth. With the economy rebounding and our strategic initiatives in place, we have good reasons to be optimistic. With caution, we look forward to the challenges and possible rewards that our strategic plans are seeking to achieve.

Our primary focus remains: To be the most respected financial institution in The Bahamas and the Bank of choice for all Bahamians. Our aim is to deliver superior retail and commercial banking services and products to our customers, while simultaneously providing value to our shareholders and stakeholders in a safe and sound manner. In closing, I thank you all for your unwavering support. Together, we will continue to build on our successes, adapt to change, and embrace the opportunities that lie ahead.

Neil T. Strachan

Neil T. Strachan
Managing Director
Bank of The Bahamas Limited

A man with a friendly smile, wearing a dark blue suit jacket, a light blue checkered shirt, and a green patterned tie, stands outdoors against a bright blue sky with scattered white clouds. He is leaning on a dark railing with his right hand. The background shows some green foliage.

**Our primary focus
remains: To be the most
respected financial
institution in The Bahamas
and the Bank of choice
for all Bahamians.**

The Board of Directors is responsible for providing guidance to executive management and oversight of the Bank's operations. The Board, along with management, reviews and measures achievements throughout the year at the Board and committee meetings. These meetings include discussions with management about the current operating environment, human resource issues, trends and developments in the financial sector and regulatory changes that affect the Bank's operations. The Board also monitors the Bank's policies and processes to ensure that risk is managed and the Bank is in compliance with applicable laws and regulations which are consistent with sound banking practices. The current Board is chaired by Donna Harding-Lee, Attorney-at-Law.



BOARD OF DIRECTORS

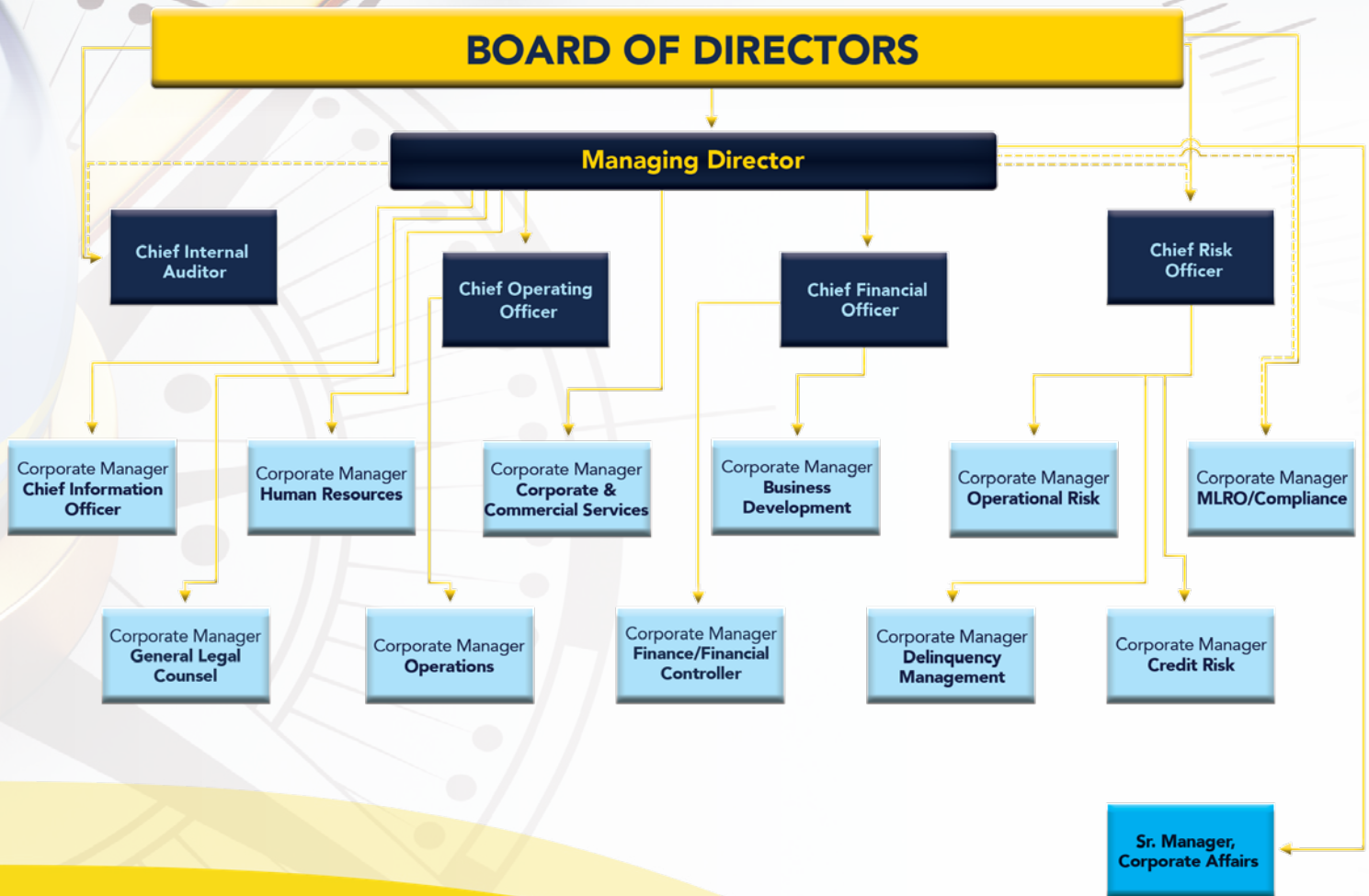


Left to Right: **Anastasia Ferguson-Pratt**, Director; **Neil T. Strachan**, Managing Director; **Mitzie Turnquest**, Director; **Whitney H. W. Patton**, Director; **Donna Harding-Lee**, Chairperson; **Timothy Brown**, Director; **Taran S. Mackey**, Director; **Dywan Rodgers**, Director; **Howard W. Thompson Jr.**, Director and **Errol McKinney**, Deputy Chairman.



CORPORATE STRUCTURE

BOARD OF DIRECTORS



“*Excellence*
is not a skill. It is an **ATTITUDE.**”

- Ralph Marston



Charlene Paul,
Chief Internal Auditor



Neil Strachan,
Managing Director



Jhanne Hosmillo-Williams,
Chief Financial Officer



Vanessa Taylor,
Chief Operating Officer





Pictured Left to Right: **Earl Beneby** Corporate Manager, Corporate & Commercial Services; **Katrina Pinder**, Corporate Manager, Operational Risk; **Renay Miller** Corporate Manager, Operations; **Marvin Clarke** Corporate Manager, Credit Risk; **Milton Smith** Corporate Manager, IT and Chief Information Officer; **Tanya Astwood** Corporate Manager, Human Resources; **Darcy Delaney** Corporate Manager, Compliance/MLRO; **Indira Deal-Sands** Corporate Manager, General Legal Counsel; **Robert Cox** Corporate Manager, Business Development; **Maureen Woodside-Turnquest** Corporate Manager, Finance / Financial Controller and **Ian Thompson** Corporate Manager, Delinquency Management.

SENIOR MANAGEMENT



Pictured L to R/Back to Front: **Nina Knowles** Senior Manager, Internal Audit; **Jillian Ferreira** Senior Manager, Business Services; **Frank Thurston** Senior Manager, Information Technology; **Laura Williams** Senior Manager/Corporate Secretary; **Kelvin Briggs** Senior Manager, Sales; **Clarice Varence** Senior Manager, Operations Administration; **Shantell Bain** Senior Manager, Branch Operations; **Pedro Burrows** Senior Manager, Credit Adjudication; **Elnora Major** Senior Manager, Back Office Support; **Syche McDonald** Senior Manager, Customer Experience

“*Excellence*”

is the gradual result of always
striving to do better.”

- Pat Riley



KEY INITIATIVES & ACHIEVEMENTS



Explore our products and services on our brand new corporate website.

www.bankbahamas.com



INFRASTRUCTURE & TECHNOLOGY

Corporate Website launched

A new modern user-friendly Corporate Website provides customers with the option to start loan applications online.

BOB Online & Mobile App launched

Our new and improved online banking platform enables customers to enjoy an enhanced state-of-the-art digital experience including the following benefits:

Real-time transactions for wires, immediate prepaid card loads and credit card payments

Real-time account information and ability to manage your alerts & notifications

Management tools for business and personal finance, e.g., track spending & insights

Business Liquidity & virtual account management and much more!



The BOB Mobile App allows customers to seamlessly access the same features as BOB online while on the go 24/7. Available on Apple App Store and Android Google Play Store.

Newgen RLOS Module launched

As part of the NewGen Intelligent Business Process Suite, RLOS (Retail Loan Origination System) was rolled out to all BOB branches subsequent to the implementation of the Account Opening Module. This new platform helps to streamline the loans application process (Application Approvals & Processing) for consumer and mortgage products, allowing loans to be processed faster.

Continued Expansion and Replacements of ATMS in New Providence and throughout the islands.



PREMISES & PRODUCTS

Opening of The JFK Drive Premises

This state-of-the-art building houses the new JFK Drive Branch (formerly Harrold Road Branch) and several departments including the Premier and Private Banking, Delinquency Management, Collateral Securities and Training Departments. The Branch features three intelligent Deposit ATMs in-branch and Drive Through ATMs.

Substantial Completion of the new BOB VISA

Debit Card that is scheduled for launch by second quarter fiscal 2024.

Corporate Lending resumed with Central Bank Approval.



PEOPLE DEVELOPMENT

Restructuring of the Training Department

A pivotal change in our training approach. The restructuring was aligned to cater to both current and forthcoming demands of the staff and the broader organization. The refined structure aimed to be responsive, and adept at identifying training requirements, thus making the process more streamlined and effective.

Leadership Training

The introduction of leadership training, inclusive of globally recognized Training, marked an important milestone. This initiative is a reflection of our commitment to nurturing and enhancing leadership capabilities within the organization. By equipping our leaders with the right tools and insights, we foresee an empowered leadership team leading the charge in the years to come.

Training and Development Initiatives

Performance Management and Coaching: This initiative focuses on sharpening skills, elevating performance, and ensuring alignment with the company's vision and mission. With continuous feedback mechanisms, the program is structured to bring out the best in our employees.

Training on the Road: Bringing our training programs to diverse locations has not only made it more convenient but has also showcased our dedication to inclusivity. By making training more accessible, we ensure that every member of our organization, regardless of location, benefits from our development programs.

Employee Engagement Activities

Fireside Chat Series: Through a candid dialogue, the series addressed essential topics encompassing both professional and personal options. It is an initiative to ensure our employees are well-informed, supported, and equipped to handle various life challenges.

HR Visits: A direct channel to improve communication between the HR department and the employees. These visits solidified our commitment to keeping HR accessible, approachable, and responsive.

Celebration and Recognitions

The inaugural Excellence Awards: A grand affair to spotlight and celebrate the relentless hard work, achievements, and passion of our team members. Recognizing excellence is a cornerstone of our values, and this new initiative amplifies it.

Employee Appreciation Week: An entire week reflecting upon, celebrating, and valuing the unparalleled dedication and contribution of our employees.

Coffee with Leadership initiatives: A unique engagement platform ensuring open lines of communication with our organizational leaders. It's more than just coffee; it's about creating an environment of trust and transparency.

Special Initiatives

BOB Tour of the Bahamas: Celebrating The Bahamas' 50th anniversary was an exceptional experience. With display competitions, island talks offering educational tidbits about the islands, taste-testing events, and a tour of New Providence, it was an initiative that united, educated, and celebrated our rich heritage and culture.

FY2023 has been monumental in terms of People Development, and we look forward to continuing this path of growth, recognition, and development in the forthcoming years.

A COMMITMENT TO

Excellence



BOB celebrated another milestone in its transformation journey on Monday, February 6, 2023, with the grand opening of its new premises at JFK Drive and Bethel Avenue. The premises house the new JFK Drive Branch (formerly Harrold Road Branch) and several departments including the Premier and Private Banking, Delinquency Management and Training Departments.

Prime Minister the Hon. Philip Davis delivered the keynote address and his wife Anne Marie Davis performed the ribbon cutting. The Prime Minister said Bank of The Bahamas, with its network of twelve branches, twenty-four (24) ATMs and over \$900 million in assets, is now well positioned to continue serving the needs of The Bahamian people.

“This branch represents a major step forward for the Bank with its the state-of-the-art facilities including the latest ATM machines...and comfortable workspaces for bank employees. It is a shining example of the bank’s dedication to providing top notch services to its customers,” Mr. Davis said.

Donna Harding-Lee, Chairman of the Bank, said the opening of the JFK Drive Branch and premises is evidence of the strength and resilience of Bank of The Bahamas, as well as its unwavering commitment to investing in the future and providing customers with the very best in banking services.

Kenrick Brathwaite, Managing Director, Bank of The Bahamas explained that the opening of the new premises is part of an overall strategy that will allow all stakeholders to take a journey of success towards the Bank becoming the “most efficient, customer centric financial institution in The Bahamas”.

RIBBON CUTTING – Pictured from l-r: Charlotte Strapp, Branch Manager, BOB; Prime Minister, The Hon. Philip Davis; Mrs. Davis; Donna Harding-Lee, Chairman, BOB; Kenrick Brathwaite, Managing Director, BOB and Archdeacon the Venerable. Keith Cartwright.



CELEBRATING

Excellence



“A culture of excellence is swinging for the fence always, making everyone we encounter better, delivering good service to all customers, and executing every time.”

A night of celebration and recognition unfolded on December 9, 2022, as BOB held its first Excellence Awards at Fusion Superplex. The event recognized outstanding performers and culminated in the announcement of the coveted Employee of the Year award from among the exceptional nominees.

Addressing the enthusiastic gathering, Executive Officer Neil Strachan set the stage by emphasizing the significance of striving for excellence in all aspects of the company's operations. He underscored the integral connection between the pursuit of excellence and achieving the company's overarching objectives.

He stated, "If the objective is to be the best – best banker, best bank, best teller, best account officer, best administrator, compliance officer, etc. – then a by-product of winning is Excellence! You cannot get there without it."

Defining excellence, Mr. Strachan shared, "Excellence means greatness, being the absolute best. It's striving to do more and to be great, even if it means making errors/mistakes along the way. Excellence is the condition of surpassing or exceeding some standards of expectation."

 **BOB**
Bank of Solutions



He stressed that a culture of excellence is foundational, stating, “I believe that we leaders must first create a culture of Excellence, which is a precursor of winning. From my vantage point, winning is achieved through a culture of excellence.”

He also delved into the traits of a culture of excellence, noting that it encourages training, ownership, and pride in work and environment. He underlined that silos must be broken and communication is a key component.

He emphasized that to achieve excellence, difficult decisions must be made, and ownership of issues is crucial. “A culture of excellence is swinging for the fence always, making everyone we encounter better, delivering good service to all customers, and executing every time,” he added.

Describing the impact of excellence on team members he said, “It provides a feeling of satisfaction and accomplishment. Reaching for excellence provides an opportunity to learn from our mistakes. Excellence allows us to enjoy the process and the outcome of our endeavors. Through excellence we can all share in the spoils/rewards.”

He revealed the overarching goal: “To build a Bank that we all can be proud of. A Bank that will become the ‘employer of choice’ and the Bank of Choice’ for Bahamians.”

In closing he quoted Galatians 6:7, and exhorted staff with a call to action: “Please continue to sow seeds of excellence, so that we can all have a winning season.”

Organized by the Human Resources Department, the awards ceremony was followed by a lively reception and a movie screening, creating an atmosphere of celebration and inspiration for all.



BOB Receives J.P. Morgan Chase Bank Elite Recognition Award

In February 2023 Bank of The Bahamas Limited was honored with the prestigious Elite Recognition Award from J.P. Morgan Chase Bank. This accolade was in recognition of BOB's exceptional performance in achieving an impressive 99.57% accuracy rate in Straight Through Processing of MT103 USD payments in 2022, specifically in the area of International Funds Transfers.

BOB's Business Support Unit played a pivotal role in this achievement. Their meticulous attention to detail ensures that once the USD payment messages are created and released to SWIFT, they seamlessly proceed directly to the beneficiary bank, including any intermediary banks, without requiring any intervention from J.P. Morgan's queue for repairs and forwarding.

Diana Carina Reyes, Executive Director of JP Morgan Payments presented the award to Elnora Major, Senior Manager of BOB's Business Support Unit at the Cloughton House Head Office.

Ms. Reyes said the Elite Recognition Award is a recognition for the quality of payments that are being processed correctly. "...99.57% of the payments that Bank of The Bahamas processed through J.P. Morgan were processed without any intervention from our side. That means we didn't need to repair any of these transactions which results in better services for BOB customers and for us as well to be able to allocate our resources in other value-added services so congratulations for that," she said.

Pictured L to R: Elnora Major, Senior Manager of BOB's Business Support Unit and Diana Carina Reyes, Executive Director of JP Morgan Payments.



BOB IN THE COMMUNITY

Bank of The Bahamas believes in being actively engaged in the development of the communities it serves. In Fiscal 2023 BOB sponsored a range of worthy causes and non-profit organizations. Included among these were:

- Bahamas Jubilee Games
- Babe Ruth Baseball Nationals on Cable TV
- Blue Waves Swim Meet
- BAAP Souse Out
- Charlie Bahama Show
- Coronation of King Charles III Programme on TV
- Denycko Bowles Basketball Camp
- Fox Hill Policing Unit & Community BTS and Toy Drive
- Financial Academy TFA Bloom conference (Financial Literacy)
- F.O.A.M Emergency Housing Facility (Renovations)
- Garvin Tynes BOB Essay Competition (Importance of Saving)
- Gentlemen's Club
- Heart Ball Table
- Leukemia Awareness Blue Rose Foundation
- Miss Teen Bahamas
- Mangrove Cay Homecoming
- National Swimming Championships
- Raffle Prize for DFBA Meet & Greet (FPO)
- Paint Da Streets Pink Silver Sponsor
- Sister Sister Programme (Cancer Treatment Ports via Zonta Club of New Providence)
- More 94 Secret Santa for children
- Red Cross Ball Ad
- Sandilands Rehabilitation Centre Walkathon/Pushathon
- The Financial Voice Discussion of the Nat'l. Budget
- Valentine's Day Regatta
- Zonta Club of New Providence 25th Anniversary
- Toastmasters 1600 Club Installation
- Shakespeare in Paradise
- National Dance Company
- Mirror Mirror Programme for at Risk Youth
- Kevin Johnson Basketball Camp
- Z-Bandits Summer Youth Trades Camp



A YEAR OF

Excellence



JA COMPANY OF THE YEAR – BOB EVOLVE Leadership Team accept the coveted “Company of the Year” trophy at the recent Junior Achievement Awards. Pictured from L-R: Tyra Rahming, VP Production; Caiya Ramsey, VP Public Relations; Donovan Moxey, Director, JA Bahamas; Aaronae Forbes; Marcus Nabbie, VP Marketing; Hallie Small, VP Human Resources; Lester Arnett; VP Finance; Shadari Moss; Evolve Achiever; Breon Clare; Evolve Achiever.

BOB achieved a significant victory in Fiscal 2023 as its Junior Achievement Company, BOB EVOLVE, secured the coveted title of ‘Company of the Year’ in the Junior Achievement 2022-23 program.

This victory came six years after BOB rejoined the JA program as a sponsor. Despite many previous successes, BOB had never won the awards for ‘Company of the Year’ and ‘Product of the Year’ until now, making this triumph especially noteworthy.

BOB EVOLVE achieved exceptional success in numerous categories, earning recognition for their outstanding achievements which included Product of The Year (1st Place): MuddaSick - A Bahamian Uno Inspired Card Game featuring the faces of popular Bahamian

comedians and social media influencers, Top Annual Report (1st Place), Top Business Plan (2nd Place), Highest Return on Investment (2nd Place), Company Top Sales (2nd Place), Open House (3rd Place) and JA Day (1st Place).

Individual achievers from BOB EVOLVE were also acknowledged for their exceptional performances including Aaronae Forbes – 2nd Place Most Distinguished Achiever (\$4,000 Cash Prize), Tyra



Rahming – 3rd Place Most Distinguished Achiever (\$3,000 Cash Prize) and Top MDA Exam Score, Marcus Nabbie - 1st Place Most Distinguished Officer (MDO) Marketing, Lester Arnett - 1st Place MDO Finance; Caiya Ramsey - 1st Place MDO Public Relations, Tyra Rahming - 1st Place MDO Production, Aaronae Forbes - 2nd Place MDO President, and Hallie Small - 3rd Place MDO Human Resources.

Emerald Awards are presented by JA Companies to achievers who display consistent outstanding performance. This year’s recipients of the Emerald Award included Marcus Nabbie, Caiya Ramsey and Breon Clare. Caiya Ramsey also captured 3rd place in the New Providence Speech Competition while Marcus Nabbie received the Above & Beyond the Call of Duty Award and a Delta National Flight Academy STEM Scholarship.

The Board of Directors, Executive Management, and Staff of BOB extended warmest congratulations to the BOB EVOLVE achievers and the BOB JA advisory team for these outstanding achievements.

“BOB is immensely proud of the BOB EVOLVE achievers. Their accomplishments, including the success of MuddaSick, dynamic sales efforts, and the recognition they have received, highlight the remarkable potential of young entrepreneurs in The Bahamas,” said Neil Strachan, Managing Director, Bank of The Bahamas Limited.

“We believe that the experience and knowledge gained through the Junior Achievement program have equipped our BOB EVOLVE achievers with essential skills and insights that will undoubtedly propel them towards becoming the future business leaders and entrepreneurs of The Bahamas,” Mr. Strachan said.

Company Mission:

Evolving young minds through entrepreneurship, business, innovation, and education.
Breaking generational curses that will evolve our country for the future.

Company Vision:

Embarking on Visionary Opportunities while Living Valuable Experiences.



FINANCIAL HIGHLIGHTS

	2019	2020	2021	2022	2023
Interest and Similar Income	\$36.32	\$41.69	\$40.10	\$40.96	\$43.76
Net Interest Income	\$28.20	\$34.82	\$33.32	\$35.40	\$39.20
Net Non-Interest Income	\$12.41	\$11.94	\$10.85	\$13.70	\$16.30
Operating Expenses	\$36.00	\$32.91	\$35.63	\$36.94	\$40.90
Impairment Losses, net	\$1.72	\$21.70	\$4.80	\$0.36	\$3.22
Net Income/(Loss)	\$2.91	\$(7.30)	\$3.73	\$11.80	\$11.38
Earnings/(Loss) per Share (EPS)	\$(0.01)	\$(0.17)	\$0.09	\$0.27	\$0.26
Total Assets	\$818.11	\$821.95	\$903.01	\$985.27	\$952.02
Loans and Advances to Customers, net	\$344.18	\$370.45	\$388.66	\$368.59	\$372.31
Total Liabilities	\$656.60	\$667.86	\$744.54	\$815.58	\$771.16
Total Shareholders Equity	\$161.52	\$154.10	\$158.47	\$169.69	\$180.85
Share Closing Price	\$2.51	\$1.78	\$1.44	\$2.51	\$4.00
Common Equity Tier 1 (CET1) Capital Ratio	41.8	37.5	36.1	38.9	44.7
Efficiency Ratio*	88.65	70.38	80.68	75.23	73.70

\$ amounts are stated in Millions. The EPS and Share Price in \$, and Capital and Efficiency Ratios are %.

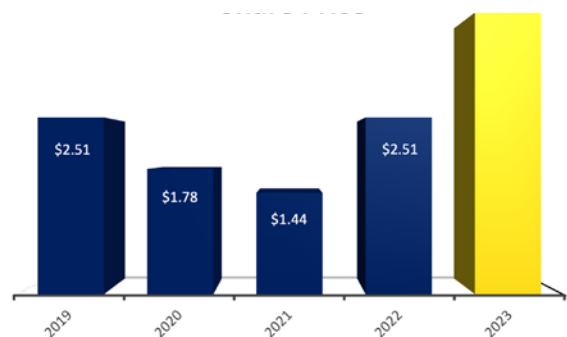
This MD&A should be read in conjunction with the audited *consolidated financial statements* of the Bank included in this Annual Report.

MANAGEMENT DISCUSSION AND ANALYSIS (MD&A) OF FINANCIAL POSITION AND RESULTS OF OPERATIONS FOR FINANCIAL YEAR END JUNE 30, 2023

Overview

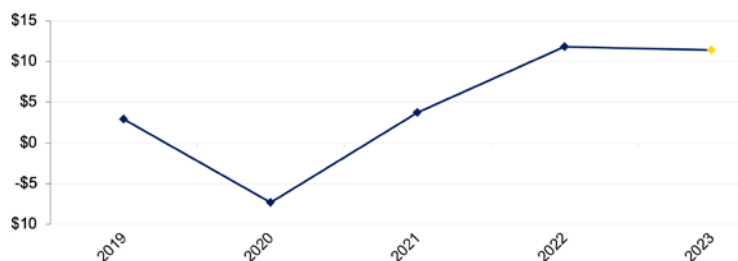
After three years since the onset of the COVID-19 pandemic, the return to pre-pandemic conditions is becoming more evident in the domestic economy with the strengthening of the tourism sector and ongoing improvement in employment conditions, primarily concentrated in the construction and tourism sectors. However, inflation is expected to remain high in the near-term due to uncertainty in international energy prices and supply chain shortages. According to summarized remarks in Central Bank of The Bahamas' publication on Monthly Economic and Financial Developments July 2023, "The growth trajectory of the domestic economy persisted, as the recovery from the COVID-19 pandemic neared completion."

Alongside this positive outlook, Bank of The Bahamas



SHARE CLOSING PRICE

\$4
DOLLARS PER SHARE



NET INCOME/(LOSS)

\$11.4
In millions (Dollars)

(the "Bank") made remarkable strides in maintaining profitability and closed this fiscal year with a consecutive milestone year of financial success. During the current fiscal year, the Bank has maintained liquidity and capital ratios of more than double the minimum requirements and produced consistent operational results. Also noteworthy is the opening of a new branch and the launch of certain initiatives to provide efficiencies to the Bank's processes and by extension, to its customers. This was not an easy feat but with teamwork, the Bank recognized net income of \$11.4 million compared to \$11.8 million in the prior year. The Bank also recorded higher operating expenses and impairment losses, but this is expected when growing and streamlining operations within the banking industry.

Interest and Similar Income

Interest and similar income for the year ended June 30, 2023 was \$2.8 million or 6.85% higher than prior year. This is attributed to the Bank's investment of its excess liquidity in Treasury bills, government registered stocks, and higher interest-bearing nostro accounts arising from increasing rates in the US market.

Interest and Similar Expense

Interest and similar expense decreased by \$1.0 million or 17.92% owing to an observed shift in deposit products with shorter terms/lower interest rates that are more readily available to the depositors.

Net Non-Interest Income

Net non-interest income consists of the Bank's fees and commission income and expense from its cards, deposits and credit services, including other income. These auxiliary revenue streams posted a positive variance of \$2.6 million or 18.98% year to date, primarily on fees associated with our merchant and card services as the Bank continues to promote, and consumers gradually embrace the transition to a cashless environment.

Net Impairment Losses

Net impairment losses of \$3.2 million was recorded year to date compared to \$0.4 million during the prior fiscal year, an increase of \$2.8 million. For the fiscal year ended June 30, 2023, the Bank's net impairment losses consisted of net credit loss expense on loans and advances of \$0.8 million and impairment losses on other financial assets of \$2.4 million. While in the prior year, the net credit loss expense on loans and advances was significantly reduced by net impairment reversals on other financial assets.

Net credit loss expense on loans and advances

Net credit loss expense year to date consisted of total credit loss expense of \$5.8 million, reduced by \$5.0 million in recoveries. The credit loss expense was \$0.6 million or 9.47% lower than prior fiscal year primarily due to improvements in the unemployment rate and the continuous increase in the tourism sector, thereby resulting in enhanced credit asset quality. Total recoveries during the year were stable compared to prior year, reflecting just a slight decrease by \$0.2 million or 3.35% mainly due to the concerted efforts of the Bank's credit risk and delinquency management teams. The remediation and recovery efforts continue to be a focal point for the Bank.

Impairment losses on other financial assets

Impairment losses of \$2.4 million was recorded during the current year, compared to impairment reversals of \$0.9

million in the prior year as The Bahamas' credit rating was downgraded by Moody's during October 2022. As a result, the Bank's note receivable and sovereign investments were negatively impacted. However, management continues to be optimistic that the country's credit rating will improve.

Operating Expenses

Total operating expenses of \$40.9 million was \$4.0 million or 10.72% higher than prior year. This was mostly attributable to increases in depreciation/amortisation due to the purchase of new ATMs to expand the Bank's footprint and the opening of the new JFK branch to better serve our customers. Additional increases were also recorded in information technology to support customer service initiatives and enhance core banking processes, as well as staff costs due to incentive measures. Licenses and other fees were higher as additional banking license fees were levied by the government.

Efficiency ratio improved from 75.23% in the prior year to 73.70% for the year ended June 30, 2023. Management continues to seek and employ cost control measures and expand revenue streams in line with the Bank's strategic goals and plans to achieve further gains in operational efficiency.

Total Assets

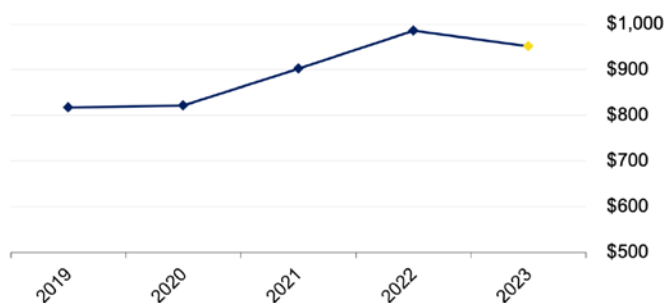
Total assets stood at \$952.0 million, a decrease of \$33.3 million or 3.37% compared to the prior year's total assets of \$985.3 million. This decrease was largely owing to a decrease in Cash and account with the Central Bank by \$69.0 million or 38.52%, a portion of which is attributable to the Bank's expansion efforts and ongoing upgrades to its core banking systems and processes. Cash equivalents also decreased by \$19.8 million or 24.24% as a segment of the Bank's excess liquidity was used to fund the growth in its operations. The Note receivable, net decreased by \$3.3 million or 1.94% due to higher impairment losses from the country's downgrade and lower accrued interest receivable due to the timing of the interest payments.

Investment securities increased by \$33.0 million or 44.66% as a result of increased purchases in low risk and conservative investments. Due from banks increased by \$10.6 million or 14.49% and Other assets increased by \$9.0 million or 69.47% largely due to prepayment for a subscription in a bond fund as part of the Bank's investment strategy plan. During January 2023, the Bank expanded its physical presence and opened its new JFK branch, thereby resulting in an increase in Right-of-use assets by \$2.1 million or 58.04%. The Bank's loans and advances to customers, net increased by \$3.7 million in line with the Bank's credit growth strategy. Furthermore, during the latter part of the year, Central Bank lifted the moratorium on the Bank's participation in commercial lending.



GROSS REVENUE

\$60.4
In millions (Dollars)



TOTAL ASSETS

\$952.0
In millions (Dollars)

Total Liabilities

Total liabilities stood at \$771.2 million, a decrease of \$44.4 million or 5.45% compared to prior year's total liabilities of \$815.6 million. Deposits from customers and banks, which account for approximately 95.72% of total liabilities, decreased by \$21.9 million or 2.88% from \$760.0 million as at June 30, 2022 to \$738.2 million as at June 30, 2023. The Bank noted significant decreases in demand products and term deposits, while savings reflected an increase during the year. Given the increased costs of business operations and the rise in inflation, both the corporate and individual customer base is having to expend funds with increased frequency and therefore are more inclined to having their funds readily available. Also reflecting a decrease is Other liabilities by \$24.8 million or 50.58% mainly due to timing of the remittance of funds from the government guaranteed hurricane loan collections and lower prepaid cardholder liability balance as the recipients utilized the benefit amounts.

Total Shareholders' Equity

The Bank's total equity closed at \$180.9 million, \$11.2 million or 6.58% higher than the prior year balance of \$169.7 million, primarily attributable to the \$11.4 million net income during the year. We are pleased to report three consecutive years of net income and as a token of gratitude to our shareholders for their loyalty and support, the Bank declared and paid dividends to its common shareholders for the first time in eleven years. On another positive note, the Bank's share price increased from \$2.51 in the prior year and closed at \$4.00 as at June 30, 2023, an increase of 59.36%.

The Bank's key capital ratios remained strong and compliant with regulatory requirements, with the Bank's CET1 ratio at 44.7% (2022: 38.9%), well above the Central Bank's minimum requirement of 18%.

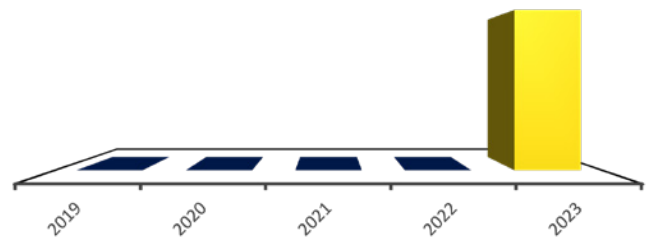
Conclusion

During the fiscal year 2023, the team at Bank of The Bahamas has demonstrated their commitment to ensuring the Bank's success, rising above extreme challenges and soaring to unexpected results. Sustainable growth continues to be a primary focus of the Bank, along with continued digital innovation and customer-centric initiatives. The Bank's journey is by no means near completion but speaks volumes as to its resilience and resolve. We are grateful to our employees, customers and stakeholders, and remain dedicated to increasing value for all.



SHAREHOLDERS' EQUITY

\$180.9
In millions (Dollars)



TOTAL DIVIDENDS PAID

\$0.4
In millions (Dollars)

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

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Independent auditors' report

To the Shareholders of Bank of The Bahamas Limited

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Bank of The Bahamas Limited and its subsidiaries (together 'the Bank') as at June 30, 2023, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Bank's consolidated financial statements comprise:

- the consolidated statement of financial position as at June 30, 2023;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.


Independence

We are independent of the Bank in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

PricewaterhouseCoopers, 2 Bayside Executive Park, West Bay Street & Blake Road, P.O. Box N-3910, Nassau, Bahamas T: + 1 242 302 5300, F: + 1 242 302 5350, www.pwc.com/bs

Our audit approach

Overview

	<ul style="list-style-type: none"> • Overall group materiality: \$1,797,000 which represents approximately 1% of net assets. • The consolidated group consists of Bank of The Bahamas Limited and its wholly owned subsidiaries Multi-Card Services Ltd., West Bay Property Holdings Ltd. and BOB Property Holdings Ltd., all incorporated and registered in The Bahamas. The audit engagement team was the auditor for Bank of The Bahamas Limited and its subsidiaries. • A full scope audit was performed on all entities in the group. • Inputs and assumptions used in the Stage 1 and Stage 2 expected credit loss (ECL) model. • Credit impaired (Stage 3) real estate collateralised loans.
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Audit scope

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including, among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Bank, the accounting processes and controls, and the industry in which the Bank operates. All audit procedures were performed by PricewaterhouseCoopers Bahamas.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.



Overall group materiality	\$1,797,000
How we determined it	Approximately 1% of net assets
Rationale for the materiality benchmark applied	We chose net assets as the benchmark because, in our view, it is the benchmark against which the performance of the Bank is most commonly measured by users, and is a generally accepted benchmark. We chose 1% which is within a range of acceptable benchmark thresholds.

We agreed with the Audit & Finance Committee that we would report to them misstatements identified during our audit above \$89,900, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p>Inputs and assumptions used in the Stage 1 and Stage 2 expected credit loss (ECL) model</p> <p><i>Refer to notes 4(d), 7, and 32 to the consolidated financial statements for disclosures of related accounting policies and balances.</i></p> <p>As at June 30, 2023, the Bank reported total Stage 1 and Stage 2 gross loans and advances to customers of \$351.1 million, with an allowance for expected credit losses of \$9.2 million. The Bank's ECL model requires significant management judgements in determining the relevant assumptions. These assumptions include:</p> <ul style="list-style-type: none"> Probabilities of default (PD): This represents the likelihood that the borrower will default on its obligation over the next twelve months or over the remaining lifetime of the obligation. To determine the PD for loans and advances to customers, the Bank uses the historical days past due data to develop a transition 	<p>With the assistance of our internal experts, we performed the following procedures, amongst others, over the inputs and assumptions used in the Stage 1 and Stage 2 ECL model:</p> <ul style="list-style-type: none"> Obtained an understanding of management's ECL model including the relevant data inputs, assumptions and methodology. Evaluated the appropriateness of the Bank's ECL model methodology, data integrity and model performance in comparison to the Bank's accounting policy and the relevant International Financial Reporting Standards. Evaluated the design and tested the operating effectiveness of the relevant controls, including the automated calculation of days past due used to determine the PD rate in the ECL model. On a sample basis, tested the date of default and the maturity date to the terms of the underlying contracts and recalculated the number of days past due.

- matrix by product type, which is adjusted by forward looking information.
- Loss given default (LGD): LGD represents the Bank's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support.
 - Forward-looking assumptions: Management's determination of the forward-looking assumptions incorporates unemployment rates and Gross Domestic Product (GDP) growth rates as well as the probability weightings applied to them.

We focused on this area as a result of the complexity and estimation uncertainty in the above assumptions, which form part of management's judgement and significantly impacts the result of the ECL model.

- Assessed the competence and objectivity of management's appointed real estate appraisers to determine whether they are appropriately qualified and independent of the Bank.
- On a sample basis, compared the collateral values recorded by management to the independent valuation appraisal reports.
- Compared the key assumptions used by management's real estate appraisers, being comparable sales, to actual comparable sales.
- Agreed unemployment rates and GDP growth rates used by management in the forward-looking information to externally published data.
- Recalculated the probability weightings used by management and evaluated them by comparison to industry practice and our underlying knowledge of the portfolio.
- Tested, on a sample basis, the appropriateness of the model design and formulae used by reperforming management's model calculations on selected loans.

The results of our procedures indicated that the inputs and assumptions used by management for determining the Stage 1 and Stage 2 ECL were not unreasonable.

Credit impaired (Stage 3) real estate collateralised loans

Refer to notes 4(d), 7 and 32 to the consolidated financial statements for disclosures of related accounting policies and balances.

The Stage 3 ECL for defaulted mortgages totalled \$23.3 million as at June 30, 2023 with a gross carrying amount of \$41.4 million.

We focused on management's impairment assessment for Stage 3 loans collateralised by real estate as management uses significant judgement in determining the valuation of real estate property pledged as collateral for loans and advances. This is the most significant repayment source for

With the assistance of our real estate expert, we performed the following procedures, amongst others:

- Assessed the competence and objectivity of management's appointed real estate appraisers to determine whether they are appropriately qualified and independent of the Bank.
- On a sample basis, compared the collateral values recorded by management to the independent valuation appraisal reports.
- Compared the key assumptions used by management's real estate appraisers, being comparable sales, to actual comparable sales.



impaired collateralised loans. Due to the expertise and judgements required to value the collateral, management engages a number of independent experts on a periodic basis. Management's experts predominately have used the comparable sales approach to determine the fair value of collateral held.

Further, management makes assumptions to discount certain collateral values based on the age of the experts report and the area the collateral is situated, which increases the estimation uncertainty surrounding the cash flows. The valuation of collateral is also impacted by estimated costs and time to sell.

- On a sample basis, calculated the cost to sell and time to sell based on historical sales.
- On a sample basis, evaluated management's applied discounts used on appraisal reports by reference to the movement in historical and current appraised values.
- Recalculated the Stage 3 provision for collateralised loans and compared to the amounts recorded in the consolidated financial statements.

The results of our procedures indicated that management's assumptions used in the Stage 3 provision for collateralised loans and advances were not unreasonable.

Other information

Management is responsible for the other information. The other information comprises the Bank's Annual Report 2023 (but does not include the consolidated financial statements and our auditors' report thereon), which is expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Bank's Annual Report 2023, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the consolidated 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 consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Bank to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Myra Lundy-Mortimer.

PricewaterhouseCoopers
Chartered Accountants
Nassau, Bahamas

September 29, 2023

BANK OF THE BAHAMAS LIMITED

(Incorporated under the laws of the Commonwealth of The Bahamas)

Consolidated Statement of Financial Position

Year ended June 30, 2023

(Expressed in Bahamian Dollars)

	Notes	2023	2022
ASSETS			
Cash and account with the Central Bank	5, 26	\$ 110,194,110	\$ 179,225,867
Cash equivalents - Treasury Bills, net	5, 26	61,818,157	81,594,321
Due from banks, net	5	83,779,906	73,177,766
Investment securities, net	6, 26	106,899,357	73,898,709
Loans and advances to customers, net	7, 26	372,306,886	368,588,734
Note receivable, net	8, 26	166,876,244	170,171,425
Investment property	9	6,744,000	6,463,000
Other assets	10, 26	22,061,992	13,018,251
Property and equipment, net	11	9,566,513	8,857,598
Right-of-use assets, net	12, 26	5,677,575	3,592,575
Computer software, net	13	6,093,477	6,680,392
TOTAL ASSETS		\$ 952,018,217	\$ 985,268,638
LIABILITIES			
Deposits from customers and banks	14, 26	\$ 738,168,202	\$ 760,038,263
Other liabilities	15, 26	24,212,364	48,992,393
Lease liabilities	12, 26	5,906,532	3,927,893
Deferred loan fees	26	2,876,542	2,623,836
Total liabilities		771,163,640	815,582,385
EQUITY			
Share capital	16	43,194,515	42,610,505
Share premium	16	81,950,384	81,950,384
Treasury shares	17	(1,318,224)	(1,318,224)
Net gain on investments at FVOCI	18	-	2,880,297
Special retained earnings	8	172,122,932	172,122,932
Accumulated deficit		(115,095,030)	(128,559,641)
Total equity		180,854,577	169,686,253
TOTAL LIABILITIES AND EQUITY		\$ 952,018,217	\$ 985,268,638

These consolidated financial statements were approved by the Board of Directors on September 21, 2023 and are signed on its behalf by:

Neil T. Strachan

Director

[Signature]

Director

The accompanying notes are an integral part of these consolidated financial statements.

BANK OF THE BAHAMAS LIMITED

Consolidated Statement of Comprehensive Income

Year ended June 30, 2023
(Expressed in Bahamian Dollars)

	Notes	2023	2022
Interest and similar income	19, 26	\$ 43,758,848	\$ 40,955,214
Interest and similar expense	19, 26	(4,561,157)	(5,556,738)
Net interest income		39,197,691	35,398,476
Fees and commission income	20, 26	10,729,398	9,681,776
Fees and commission expense		(303,959)	(204,416)
Net fees and commission income		10,425,439	9,477,360
Other operating income	21	5,872,064	4,220,584
Total operating income		55,495,194	49,096,420
Operating expenses	22, 26	(40,898,169)	(36,937,006)
Impairment losses, net	23, 26	(3,215,806)	(359,087)
Net income		11,381,219	11,800,327
Other comprehensive income			
<i>Items that will not be reclassified to net income</i>			
Movement in fair value: equity investments at FVOCI	6, 18	216,700	(582,017)
Total comprehensive income for the year		\$ 11,597,919	\$ 11,218,310
Earnings per share			
Basic income per ordinary share	29	\$ 0.26	\$ 0.27

The accompanying notes are an integral part of these consolidated financial statements.

BANK OF THE BAHAMAS LIMITED

Consolidated Statement of Changes in Equity

Year ended June 30, 2022
(Expressed in Bahamian Dollars)

	Share Capital	Share Premium	Treasury Shares	Net gain on Investments at FVOCI	Special Retained Earnings	Accumulated Deficit	Total Equity
Balance, 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 (Notes 6, 18)	-	-	-	(582,017)	-	-	(582,017)
Balance, 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 (Note 18)	-	-	-	(3,096,997)	-	3,096,997	-
<i>Total comprehensive income:</i>							
Net income for the year	-	-	-	-	-	11,381,219	11,381,219
Movement in fair value: equity investments at FVOCI (Notes 6, 18)	-	-	-	216,700	-	-	216,700
<i>Transactions with owners of the Bank:</i>							
Transfer of preference shares issuance costs (Note 16)	584,010	-	-	-	-	(584,010)	-
Dividends paid to common shareholders (Note 29)	-	-	-	-	-	(429,595)	(429,595)
Balance, June 30, 2023	\$ 43,194,515	\$ 81,950,384	\$ (1,318,224)	\$ -	\$ 172,122,932	\$ (115,095,030)	\$ 180,854,577

The accompanying notes are an integral part of these consolidated financial statements.

BANK OF THE BAHAMAS LIMITED

Consolidated Statement of Cash Flows

Year ended June 30, 2023
(Expressed in Bahamian Dollars)

	Notes	2023	2022
Cash flows from operating activities:			
Net income		\$ 11,381,219	\$ 11,800,327
Adjustments for:			
Interest income	19	(43,758,848)	(40,955,214)
Interest expense	12,19	4,561,157	5,556,738
Depreciation and amortisation	22	4,585,145	3,378,038
Gain on sale of investment securities	6	(3,403)	-
Gain on revaluation of investment property	21	(281,000)	-
Loss on disposal of property and equipment	11	233,135	67,558
Impairment losses, net	23	3,215,806	359,087
Interest received		45,302,784	40,580,146
Interest paid		(4,439,680)	(5,642,497)
		20,796,315	15,144,183
(Increase)/decrease in loans and advances to customers, net		(4,397,908)	18,255,692
(Decrease)/increase in deposits from customers and banks		(21,991,539)	64,268,436
Increase in other assets		(9,043,741)	(255,416)
(Decrease)/increase in other liabilities		(24,780,029)	6,409,796
Increase/(decrease) in deferred loan fees		252,707	(208,697)
(Increase)/decrease in reserve deposit		(1,415,250)	340,380
Net cash (used in)/provided by operating activities		(40,579,445)	103,954,374
Cash flows from investing activities:			
Acquisition of property and equipment	11	(2,459,039)	(2,855,753)
Acquisition of computer software	13	(850,312)	(1,536,638)
Purchase of investment securities	6	(49,020,200)	(21,773,700)
Proceeds from maturity of investment securities	6	12,194,500	20,955,000
Proceeds from sale of investment securities	6	3,323,089	-
Net cash used in investing activities		(36,811,962)	(5,211,091)
Cash flows from financing activities:			
Payment of lease liabilities, net	12	(1,737,290)	(1,206,205)
Dividends paid on common shares	29	(429,595)	-
Net cash used in financing activities		(2,166,885)	(1,206,205)
Net (decrease)/increase in cash and cash equivalents		(79,558,292)	97,537,078
Cash and cash equivalents, beginning of year		306,782,737	209,245,659
Cash and cash equivalents, end of year	5	\$ 227,224,445	\$ 306,782,737

The accompanying notes are an integral part of these consolidated financial statements.

BANK OF THE BAHAMAS LIMITED

Notes to Consolidated Financial Statements

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 (the “Central Bank”) to carry on banking business in The Bahamas under the provisions of the Banks and Trust Companies Regulations Act, 2020. The Bank is also 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 June 30, 2023 and 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 Cloughton House, corner of Shirley Street and Charlotte Street, Nassau, The Bahamas. The registered office is located at Sassoon House, corner of Shirley Street and Victoria Avenue, Nassau, The Bahamas.

The Bank, along with its subsidiaries (together, the “Bank”) (Notes 2b and 33), services include the provision of commercial and retail banking services, private banking and the issuance of Visa branded stored value, prepaid and credit cards. The Bank is also an agent for American Express. As at June 30, 2023, the Bank had twelve branches (2022: twelve): 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. Basis of preparation

The Bank’s consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

These consolidated financial statements are presented in Bahamian Dollars, which is the Bank’s functional currency. All amounts have been rounded to the nearest dollar, except when otherwise indicated.

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. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

(a) Going concern

These consolidated financial statements are prepared on a going concern basis, as the Bank’s directors and management are satisfied that the Bank has the resources to continue in business for the foreseeable future. In making this assessment, a range of information relating to present and future conditions has been considered, including projections of profitability, cash flows and capital requirements.

BANK OF THE BAHAMAS LIMITED

Notes to Consolidated Financial Statements

Year ended June 30, 2023
(Expressed in Bahamian Dollars)

2. Basis of preparation *(continued)*

(b) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries (Note 33) as at June 30, 2023 and 2022. ‘Subsidiaries’ are entities controlled by the Bank. The Bank ‘controls’ an entity if it is exposed to, or has rights, to variable returns from its involvement with the entity (investee) and has the ability to affect those returns through its power over the investee. Specifically, the Bank controls an investee if and only if the Bank has:

- power over the investee, namely, existing rights that give it the current ability to direct the relevant activities of the investee;
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

When the Bank has less than a majority of the voting or similar rights of an investee, the Bank considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Bank’s voting rights and potential voting rights.

The Bank re-assesses whether it has control if there are changes to one or more of the elements of control. Consolidation of a subsidiary begins when the Bank obtains control over the subsidiary and ceases when the Bank loses control of the subsidiary. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between the Bank and its subsidiaries are eliminated in full on consolidation.

When the Bank loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any non-controlling interest and other components of equity.

Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

BANK OF THE BAHAMAS LIMITED

Notes to Consolidated Financial Statements

Year ended June 30, 2023
(Expressed in Bahamian Dollars)

2. Basis of preparation *(continued)*

(c) New standards, amendments and interpretations

Standards, amendments and interpretations adopted by the Bank

Standards, amendments and interpretations to published standards that became effective for the Bank's financial year beginning on July 1, 2022 were either not relevant or not significant to the Bank's operations and accordingly did not have a material impact on the Bank's accounting policies or consolidated financial statements.

New standards, amendments and interpretations not yet adopted by the Bank

Except as disclosed below, the application of new standards, amendments and interpretations to existing standards that have been published but are not yet effective are not expected to have a material impact on the Bank's accounting policies or consolidated financial statements in the financial period of initial application.

Amendments to IAS 8: Definition of Accounting Estimates

The amendment to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* (IAS 8) clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, whereas changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period. The amendment is effective for periods beginning on or after January 1, 2023. The amendment is not expected to have a significant impact on the Bank's consolidated financial statements.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued a narrow-scope amendment to IAS 1 *Presentation of Financial Statements* (IAS 1) which clarifies that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g., the receipt of a waiver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability. The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity. They must be applied retrospectively in accordance with the normal requirements in IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* (IAS 8). The amendment is effective for periods beginning on or after January 1, 2024. The amendment is not expected to have a significant impact on the Bank's consolidated financial statements.

BANK OF THE BAHAMAS LIMITED

Notes to Consolidated Financial Statements

Year ended June 30, 2023
(Expressed in Bahamian Dollars)

3. Critical accounting judgments and key sources of estimation uncertainty

Certain amounts included in or affecting the consolidated financial statements and related disclosures must be estimated, requiring management to make assumptions with respect to values or conditions that cannot be known with certainty at the time the consolidated financial statements are prepared. A “critical accounting estimate” is one that is both important to the presentation of the Bank’s financial position and results of operations and requires management’s most difficult, subjective or complex judgments, often because of the need to make estimates about the effect of matters that are inherently uncertain.

The information presented below provides an overview of the areas that involve a higher degree of judgement or complexity, and major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment within the next financial year. Detailed information about each of these estimates and judgements is included in the related notes together with information about the basis of calculation for each affected line item in the consolidated financial statements.

Impairment of financial assets

The allowance for loan impairment represents management’s estimate of an asset’s Expected credit losses (“ECL”).

The measurement of the ECL allowance for financial assets is an area that requires the use of complex models and significant assumptions about the future economic conditions and credit behavior (e.g., the likelihood of customers defaulting and the resulting losses).

ECL is defined as the weighted expected probable value of the discounted credit loss (principal and interest) determined by evaluating a range of possible outcomes and future economic conditions. It represents the present value of the difference between the contractual cash flows and the expected cash flows (including principal and interest).

The process for determining the allowance involves significant quantitative and qualitative assessments. Particularly, a number of significant judgments is also required in applying the accounting requirements for measuring ECL, such as:

- i. Determining criteria for significant increase in credit risk;
- ii. Choosing appropriate models and assumptions for the measurement of ECL;
- iii. Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL;
- iv. Assessing the risk rating and impaired status of loans;
- v. Estimating cash flows and realisable collateral values;
- vi. Developing default and loss rates based on historical data;
- vii. Estimating the impact on this historical data by changes in policies, processes and credit strategies;
- viii. Assessing the current credit quality based on credit quality trends; and
- ix. Determining the current position in the economic cycle.

BANK OF THE BAHAMAS LIMITED

Notes to Consolidated Financial Statements

Year ended June 30, 2023
(Expressed in Bahamian Dollars)

3. Critical accounting judgments and key sources of estimation uncertainty *(continued)*

Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in Note 32.

Recognition and measurement of provisions and contingencies

Management uses key assumptions about the likelihood and magnitude of an outflow of resources to determine adequate provisions or disclosures in the consolidated financial statements as discussed in Note 24.

Valuation of investment property

The Bank carries its investment property at fair value, with changes in fair value being recognised in the consolidated statement of comprehensive income. The Bank assesses the fair value of its investment property through the use of independent real estate and valuation expert on a periodic basis, performing management assessments in the intervening years. Investment property was valued by reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location, and the condition of the respective property. Key assumptions used to determine the fair value of the investment property are discussed in Note 9.

4. Significant accounting policies

(a) Revenue and expense recognition

Interest income and expense are recognised in the consolidated statement of comprehensive income for all financial instruments measured at amortised cost as they accrue using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- The gross carrying amount of the financial asset; or
- The amortised cost of the financial liability.

BANK OF THE BAHAMAS LIMITED

Notes to Consolidated Financial Statements

Year ended June 30, 2023
(Expressed in Bahamian Dollars)

4. Significant accounting policies *(continued)*

(a) Revenue and expense recognition *(continued)*

The calculation of the effective interest rate includes transaction costs and fees received that are an integral part of the effective interest rate. The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability.

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate. Other fees and commission income is recognised as the related services are performed. Other fees and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

(b) Cash and cash equivalents

For purposes of the consolidated statement of cash flows, cash and cash equivalents comprise of cash on hand, short-term deposits and treasury bills with less than three months' maturity from the date of acquisition, including cash with The Central Bank of The Bahamas and amounts due from banks.

(c) Financial instruments

Recognition and initial measurement

The Bank initially recognises loans and advances and deposits on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Bank becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue.

Classification

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost, fair value through other comprehensive income ("FVOCI") or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI").

BANK OF THE BAHAMAS LIMITED

Notes to Consolidated Financial Statements

Year ended June 30, 2023
(Expressed in Bahamian Dollars)

4. Significant accounting policies (continued)

(c) Financial instruments (continued)

Classification (continued)

Financial assets (continued)

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The Bank makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Bank's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how managers of the business are compensated (e.g., whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

BANK OF THE BAHAMAS LIMITED

Notes to Consolidated Financial Statements

Year ended June 30, 2023
(Expressed in Bahamian Dollars)

4. Significant accounting policies (continued)

(c) Financial instruments (continued)

Business model assessment (continued)

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment of whether contractual cash flows are SPPI

For the purposes of this assessment, ‘principal’ is defined as the fair value of the financial asset on initial recognition. ‘Interest’ is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g., liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Bank’s claim to cash flows from specified assets (e.g., non-recourse loans); and
- features that modify consideration of the time value of money (e.g., periodical reset of interest rates).

The Bank holds a portfolio of long-term fixed-rate loans for which the Bank has the option to revise the interest rate at periodic reset dates. These reset rights are limited to the market rate at the time of revision. The borrowers have an option to either accept the revised rate or redeem the loan at par without penalty. The Bank has determined that the contractual cash flows of these loans are SPPI because the option varies the interest rate in a way that is consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Bank changes its business model for managing financial assets.

BANK OF THE BAHAMAS LIMITED

Notes to Consolidated Financial Statements

Year ended June 30, 2023
(Expressed in Bahamian Dollars)

4. Significant accounting policies (continued)

(c) Financial instruments (continued)

Modification

If the terms of a financial asset are modified, the Bank evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of the eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit or loss as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximize recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Bank plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place. This approach impacts the result of quantitative evaluation and means that the derecognition criteria are usually not met in such cases.

Financial liabilities

Financial liabilities include deposits from customers and banks, cardholders' liabilities and accounts payable and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Cardholders' liabilities relate to deposits received by the Bank for prepaid VISA cards and are recorded at the fair value of the proceeds received.

(d) Impairment of financial assets

The Bank recognises loss allowance for ECL on financial assets measured at amortised cost and measures impairment losses at an amount equal to 12-month ECL or lifetime ECL, depending on the stage in which the asset is classified. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial asset. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECL is the maximum contractual period over which the Bank is exposed to credit risk.

BANK OF THE BAHAMAS LIMITED

Notes to Consolidated Financial Statements

Year ended June 30, 2023
(Expressed in Bahamian Dollars)

4. Significant accounting policies (continued)

(d) Impairment of financial assets (continued)

As an exception, for certain financial instruments, such as credit cards and overdrafts, that may include both a loan and an undrawn commitment component, the Bank measures ECL over the period that the Bank is exposed to credit risk based on historical experience, that is, until the ECL would be mitigated by credit risk management actions, even if that period extends beyond the maximum contractual period. This is because contractual ability to demand repayment and cancel the undrawn commitment does not limit the exposure to credit losses to such contractual notice period.

Impairment of financial assets is recognised in three stages:

Stage 1 – When a financial asset is originated, ECLs resulting from default events that are possible within the next 12 months are recognised and a loss allowance is established. On subsequent reporting dates, 12-month ECL also applies to existing financial assets with no significant increase in credit risk since their initial recognition.

Stage 2 - If the credit quality subsequently significantly deteriorates for a particular portfolio or transaction, the Bank recognises the full lifetime ECL.

Stage 3 - At a later date, once one or more default events have occurred on the transaction or on a counterparty resulting in an adverse effect on the estimated future cash flows, the Bank recognises the full lifetime ECL. At this stage, the financial asset is credit-impaired.

The calculation of ECL of a collateralised financial asset reflects the cash flows that may result from foreclosures less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

In determining whether a significant increase in credit risk has occurred since initial recognition, and when estimating ECLs, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank's historical experience and informed credit assessment and forward-looking information.

A significant increase in credit risk of investment securities measured at amortised cost is defined as a significant deterioration in credit quality represented by a financial asset's credit rating migrating from investment grade to non-investment grade or, in the case of a financial asset that is below investment grade, a two-notch downward movement in credit rating.

The assessment of whether an asset is in stage 1 or 2 considers the relative change in the probability of default occurring over the expected life of the instrument and is not assessed based on the change in the amount of the ECL. This involves setting quantitative tests combined with additional indicators such as credit risk classification and other observable inputs. Assets that are more than 30 days past due, but not credit-impaired, are classed as stage 2.

BANK OF THE BAHAMAS LIMITED

Notes to Consolidated Financial Statements

Year ended June 30, 2023
(Expressed in Bahamian Dollars)

4. Significant accounting policies (continued)

(d) Impairment of financial assets (continued)

Changes in credit loss, including the impact of movements between the first stage (12-month ECL) and the second stage (lifetime ECL), are recorded in the consolidated statement of comprehensive income.

IFRS 9 *Financial Instruments (IFRS 9)* requires the use of forward-looking information including reasonable and supportable forecasts of future economic conditions. The requirement to consider a range of economic scenarios and their possible impact on impairment allowances is a subjective feature of the IFRS 9 ECL model. The Bank continues to assess the number of economic scenarios and capture the impact on credit losses to ensure the overall ECL represents a reasonable distribution of economic outcomes.

In our assessment of economic scenarios, we considered tourism projections and those sectors impacted by the pandemic as part of our forward-looking information (Note 32).

The Bank considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank through actions such as realising security (if any held);
- The financial asset is more than 90 days past due; or
- The borrower is on principal only repayment terms.

Impairment losses for financial assets measured at amortised cost are deducted from the gross carrying amount of assets through the use of an allowance account.

Write-off of loans and advances

A loan (and the related impairment allowance account) is normally written off, either partially or in full, when there is no realistic prospect of recovery of the principal amount and, for a collateralised loan, when the proceeds from realising the security have been received. Consumer installment and credit card loans are written-off after principal and/or interest payments become 270 days and 180 days contractually in arrears, respectively.

Recovery of previously written-off loans

Recoveries of principal and/or interest on previously written off loans are recognised in provisions for credit losses, net in the consolidated statement of comprehensive income on a cash basis or when the loan is rewritten on normal terms prevailing at the time of the rewrite.

Restructured loans

Loans subject to impairment assessment, whose terms have been restructured, are subject to ongoing review to determine whether they remain impaired or should be considered past due. The carrying amount of loans that have been classified as restructured are eligible for reclassification after six consecutive months of payments.

BANK OF THE BAHAMAS LIMITED

Notes to Consolidated Financial Statements

Year ended June 30, 2023
(Expressed in Bahamian Dollars)

4. Significant accounting policies *(continued)*

(e) Derecognition of financial assets and financial liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The contractual rights to receive cash flows from the financial asset have expired; or
- The Bank has transferred its rights to receive the contractual cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement; and either:
 - The Bank has transferred substantially all the risks and rewards of ownership of the financial asset, or
 - The Bank has neither transferred nor retained substantially all the risks and rewards of ownership and it does not retain control of the financial asset.

When the Bank has transferred its rights to receive cash flows from an asset or has entered a pass-through arrangement and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Bank’s continuing involvement in the asset. In that case, the Bank also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

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 derecognised) and the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit and loss.

Financial liabilities

A financial liability is derecognised when its contractual obligations are discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

(f) Foreign currency

The reporting and functional currency of the Bank is the Bahamian dollar (“B\$”). Transactions in foreign currencies are converted to B\$ at the rates of exchange prevailing at the dates of the transactions.

BANK OF THE BAHAMAS LIMITED

Notes to Consolidated Financial Statements

Year ended June 30, 2023
(Expressed in Bahamian Dollars)

4. Significant accounting policies (continued)

(f) Foreign currency (continued)

Foreign currency monetary assets and liabilities are converted to B\$ at rates of exchange prevailing on the reporting date. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in the foreign currency translated at the spot exchange rate at the end of the year. Realised and unrealised foreign exchange gains and losses are included in the consolidated statement of comprehensive income.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at historical cost or amortised cost are recorded at the exchange rates ruling at the dates of transaction.

(g) Property and equipment

Items of property and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical costs include expenditure that is directly attributable to the acquisition of the items. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. Work in progress is transferred to the relevant asset class when ready to be placed in use.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank, and the cost of the item can be measured reliably. Repairs and maintenance are charged to the consolidated statement of comprehensive income during the financial period in which they are incurred.

Any gain or loss on disposal of an item of property and equipment is recognised within the consolidated statement of comprehensive income.

Depreciation is calculated using the straight-line method to write down the cost of property and equipment less their estimated residual values over their estimated useful lives and is generally recognised in the consolidated statement of comprehensive income. The estimated useful lives are as follows:

Building	50 years
Leasehold improvements	3-5 years
Furniture, fixtures and equipment	3-10 years

Leasehold improvements are amortised over the shorter of the economic useful life of the asset, the lease term or five years and taking into consideration any extension of the lease term if there is reasonable expectation of renewal. Land is not depreciated.

Property and equipment are derecognised on disposal or when no future economic benefits are expected from their use. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the consolidated statement of comprehensive income.

BANK OF THE BAHAMAS LIMITED

Notes to Consolidated Financial Statements

Year ended June 30, 2023
(Expressed in Bahamian Dollars)

4. Significant accounting policies (continued)

(h) Impairment of non-financial assets

At each reporting date, the Bank reviews the carrying amount of non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The 'recoverable amount' is the greater of an asset's fair value less costs to sell and value in use. 'Value in use' is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For impairment testing, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(i) Provisions

Provisions are recognised when the Bank has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Bank expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of comprehensive income net of any reimbursement.

(j) Related parties

Related parties include all Ministries and Departments of the Government, Government Corporations, Subsidiaries and Agencies as well as directors and key management personnel, entities that are controlled, jointly controlled or significantly influenced by key management personnel of the Bank and entities noted earlier.

(k) Employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated statement of financial position.

The Bank operates a defined contribution plan (the "Plan") where the Bank pays fixed contributions into a separate entity. The Bank has no legal or constructive payment obligations once contributions have been paid. The Plan's costs are charged to staff costs and are funded as incurred.

BANK OF THE BAHAMAS LIMITED

Notes to Consolidated Financial Statements

Year ended June 30, 2023
(Expressed in Bahamian Dollars)

4. Significant accounting policies *(continued)*

(k) Employee benefits *(continued)*

The Bank operates an Employee Share Ownership Plan (“ESOP”) where the Bank matches employees’ share purchases up to 25%. The matching contributions vest over 5 years. The costs of the ESOP are charged to staff costs.

(l) Earnings per share

Basic earnings per share is computed by dividing the net income attributable to common shareholders by the weighted average number of shares outstanding during the year.

(m) Fiduciary activities

The Bank acts as trustee and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets and income arising therefrom are excluded from these consolidated financial statements, as they are not assets of the Bank.

(n) Taxes

Under the current laws in the Commonwealth of The Bahamas, the Bank is a value-added tax (“VAT”) registrant and required to collect and remit VAT. The standard rate for VAT was 10%, charged on all goods and services that are not zero-rated or exempt as prescribed by the Value Added Tax Act.

(o) Investment property

Investment property is initially measured at cost including transaction costs and subsequently at fair value based on an appraisal by a local real estate appraiser. Additions to investment property are also recorded at cost. On an annual basis, the investment property is assessed for impairment with gains and losses arising from changes in the fair value of the investment property included in the consolidated statement of comprehensive income for the period in which they arise. The impairment assessment is based on fair values as determined by an independent appraisal performed every three years, and as determined by management in intervening years.

Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in the consolidated statement of comprehensive income or loss.

When the use of property changes such that it is reclassified as property and equipment, its fair value at the date of classification becomes its cost for subsequent accounting.

BANK OF THE BAHAMAS LIMITED

Notes to Consolidated Financial Statements

Year ended June 30, 2023
(Expressed in Bahamian Dollars)

4. Significant accounting policies *(continued)*

(p) Computer software

Acquired computer software costs and licenses are capitalised based on the costs incurred to acquire and bring to use the specific software. These costs are amortised using the straight-line basis of accounting over the expected useful life. Software has expected useful life of 5 to 10 years. Work in progress is transferred to the relevant asset class when ready to be placed in use.

(q) Share capital

(i) *Share issue costs*

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

(ii) *Dividends on shares*

Dividends on common and preferred shares are recognised in equity in the period in which they are approved by the Bank's Directors and Regulator. Dividends that are proposed and declared after the consolidated statement of financial position are disclosed as a subsequent event note to the consolidated financial statements.

(iii) *Treasury shares*

Where the Bank has purchased its own equity share capital, the consideration paid is deducted from total shareholders' equity as treasury shares until they are cancelled. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity.

(r) Leases

Bank as a lessee

The Bank applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Bank recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Bank recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

BANK OF THE BAHAMAS LIMITED

Notes to Consolidated Financial Statements

Year ended June 30, 2023
(Expressed in Bahamian Dollars)

4. Significant accounting policies (*continued*)

(r) Leases (*continued*)

Lease liabilities

At the commencement date of the lease, the Bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Bank, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Bank:

- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held the Bank, which does not have recent third-party financing, and
- makes adjustments specific to the lease, e.g., term, country, currency and security

(s) Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. As at June 30, 2023 and 2022, there were no master netting agreements outstanding. Therefore, any related assets and liabilities are presented gross in the consolidated statement of financial position.

(t) Financial guarantees

'Financial guarantees' are contracts that require the Bank to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument. In the ordinary course of business, the Bank gives financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognised in the consolidated financial statements (within 'Other liabilities') at fair value, being the premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the consolidated statement of comprehensive income and an ECL allowance.

BANK OF THE BAHAMAS LIMITED

Notes to Consolidated Financial Statements

Year ended June 30, 2023
(Expressed in Bahamian Dollars)

4. Significant accounting policies *(continued)*

(t) Financial guarantees *(continued)*

The premium received is recognised in the consolidated statement of comprehensive income in 'Net fees and commission income' on a straight-line basis over the life of the guarantee.

(u) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, which is the person or group responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Committee of the Bank.

Income and expenses directly associated with each segment are included in determining operating segment performance. The Bank has identified its sole operating and reportable segment as retail banking which incorporates the following services lending, depository, credit and debit cards and their related services. Segment assets and liabilities comprise operating assets and liabilities, representing the consolidated statement of financial position. The Bank's operations, income and assets are all based in The Bahamas.

BANK OF THE BAHAMAS LIMITED

Notes to Consolidated Financial Statements

Year ended June 30, 2023
(Expressed in Bahamian Dollars)

5. Cash and cash equivalents

	2023	2022
Cash	\$ 15,311,876	\$ 13,916,719
Deposits with the Central Bank, non-interest bearing (Note 26)	94,882,234	165,309,148
Cash and account with the Central Bank	110,194,110	179,225,867
Cash equivalents - Treasury Bills (Note 26)	61,879,290	81,603,814
Due from banks	83,795,835	73,182,596
Cash, cash equivalents and due from banks (Note 32)	255,869,235	334,012,277
Less: mandatory reserve deposits with the Central Bank	28,644,790	27,229,540
Cash and cash equivalents	\$ 227,224,445	\$ 306,782,737

The statutory reserve account with the Central Bank of \$28,644,790 (2022: \$27,229,540) is not included in cash and cash equivalents. Mandatory reserve deposits represent the Bank's regulatory requirement to maintain a percentage of deposit liabilities as cash or deposits with the Central Bank. These funds are not available to finance the Bank's day-to-day operations. All balances with the Central Bank are non-interest bearing. Government issued Treasury Bills are presented in the consolidated statement of financial position, net of \$61,133 (2022: \$9,493) allowance for impairment losses and have maturity dates extending through to September 2023 (2022: September 2022). Money market placements included in due from banks amount to \$15,806,024 (2022: \$7,394,398) and are presented in the consolidated statement of financial position, net of \$15,929 (2022: \$4,830) allowance for impairment losses. Money market placements have maturity dates extending through to August 2023 (2022: August 2022).

BANK OF THE BAHAMAS LIMITED

Notes to Consolidated Financial Statements

Year ended June 30, 2023
(Expressed in Bahamian Dollars)

6. Investment securities, net

Investment securities comprise equity and debt securities classified into the following categories:

		FVOCI	Amortised cost	Total
Bahamas Registered Stock (Notes 26, 32)	\$	-	\$ 98,312,800	\$ 98,312,800
Money Market Placements (Note 32)		-	8,700,000	8,700,000
Equity Securities (Note 30)		-	-	-
Accrued interest receivable (Notes 26, 32)		-	946,033	946,033
Less: Allowance for impairment loss (Notes 26, 32)		-	(1,059,476)	(1,059,476)
At June 30, 2023	\$	-	\$ 106,899,357	\$ 106,899,357

		FVOCI	Amortised cost	Total
Bahamas Registered Stock (Notes 26, 32)	\$	-	\$ 70,187,100	\$ 70,187,100
Equity Securities (Note 30)		3,102,986	-	3,102,986
Accrued interest receivable (Notes 26, 32)		-	725,078	725,078
Less: Allowance for impairment loss (Notes 26, 32)		-	(116,455)	(116,455)
At June 30, 2022	\$	3,102,986	\$ 70,795,723	\$ 73,898,709

As at year end, government securities mainly comprise Bahamas Registered Stock which are fixed and variable rate bonds tied to the Bahamian \$ Prime Rate issued by The Bahamas Government with interest rates ranging from 3.13% to 5.65% per annum (2022: from 3.10% to 5.65% per annum) and scheduled maturities between 2023 and 2049 (2022: between 2022 and 2049). Money market placements have interest rates ranging from 4.90% to 5.00% per annum (2022: \$Nil) and scheduled maturities between 2023 and 2025 (2022: \$Nil).

BANK OF THE BAHAMAS LIMITED

Notes to Consolidated Financial Statements

Year ended June 30, 2023
(Expressed in Bahamian Dollars)

6. Investment securities, net (continued)

The movements in the categories of investment securities are as follows:

	FVOCI	Amortised cost	Total
At July 1, 2022	\$ 3,102,986	\$ 70,795,723	\$ 73,898,709
Additions	-	49,020,200	49,020,200
Maturities	-	(12,194,500)	(12,194,500)
Proceeds from sale of equity investments	(3,323,089)	-	(3,323,089)
Movement in fair value: equity investments			
at FVOCI (Note 18)	216,700	-	216,700
Gain on sale of equity investments	3,403	-	3,403
Movement in accrued interest receivable	-	220,955	220,955
Less: Impairment losses (Notes 23, 26, 32)	-	(943,021)	(943,021)
At June 30, 2023	\$ -	\$ 106,899,357	\$ 106,899,357

	FVOCI	Amortised cost	Total
At July 1, 2021	\$ 3,685,003	\$ 69,617,587	\$ 73,302,590
Additions	-	21,773,700	21,773,700
Maturities	-	(20,955,000)	(20,955,000)
Movement in fair value: equity investments			
at FVOCI (Note 18)	(582,017)	-	(582,017)
Premium amortisation	-	(21,840)	(21,840)
Movement in accrued interest receivable	-	(9,539)	(9,539)
Add: Impairment reversals (Notes 23, 26, 32)	-	390,815	390,815
At June 30, 2022	\$ 3,102,986	\$ 70,795,723	\$ 73,898,709

On July 28, 2022, the Bank sold its investment in equity shares (Note 18) and net proceeds amounted to \$3.3 million.

BANK OF THE BAHAMAS LIMITED

Notes to Consolidated Financial Statements

Year ended June 30, 2023
(Expressed in Bahamian Dollars)

7. Loans and advances to customers, net

	2023		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 (Note 26)		37,790,781		36,299,812
Credit cards		2,513,798		1,693,979
Business overdrafts		779,587		619,184
Personal overdrafts		143,059		141,687
	\$	414,702,055	\$	419,724,982

Provisions for loan losses are as follows:

	2023		2022	
Less: Provision for loan losses				
At July 1	\$	52,846,015	\$	64,030,099
Amount written-off/charged-off		(9,420,835)		(12,467,409)
Credit loss expense, net (Note 23)		847,115		1,283,325
At June 30		44,272,295		52,846,015
Accrued interest receivable, net (Note 26)		1,877,126		1,709,767
Loans and advances to customers, net	\$	372,306,886	\$	368,588,734

	2023		2022	
Provision for loan losses				
Mortgage residential loans	\$	25,154,055	\$	27,266,185
Mortgage commercial loans		539,416		829,525
Commercial loans		7,369,553		8,721,013
Consumer loans		10,340,252		15,689,084
Government (Note 26)		527,761		86,606
Credit and prepaid cards		341,258		253,602
	\$	44,272,295	\$	52,846,015

BANK OF THE BAHAMAS LIMITED

Notes to Consolidated Financial Statements

Year ended June 30, 2023
(Expressed in Bahamian Dollars)

7. Loans and advances to customers, net (continued)

Included in the provision for loan losses on mortgage commercial, commercial and consumer loans are specific provisions for certain business and personal overdrafts.

	2023	2022
Provisions as a percentage of the net loan portfolio	11.89%	14.34%
Provisions as a percentage of non-accrual loans	67.34%	73.55%

Non-performing (impaired) loans are as follows:

	2023	2022
Mortgage residential loans	\$ 32,876,929	\$ 38,985,892
Mortgage commercial loans	8,476,604	1,080,497
Commercial loans and overdrafts	17,937,885	19,035,510
Consumer loans and overdrafts	6,430,476	12,732,207
Credit cards	17,860	21,189
	<u>\$ 65,739,754</u>	<u>\$ 71,855,295</u>
Percentage of loan portfolio (net)	17.66%	19.49%
Percentage of total assets	6.91%	7.29%

The following is an analysis of the concentration of loans and advances to customers by outstanding balances:

	2023		2022	
	Value	No. of Loans and Overdrafts	Value	No. of Loans and Overdrafts
\$0 - \$ 10,000	\$ 9,628,733	8,223	\$ 9,174,234	6,360
\$10,001 - \$ 25,000	18,915,178	1,085	18,380,409	1,058
\$25,001 - \$ 50,000	57,077,730	1,544	57,770,860	1,561
\$50,001 - \$ 100,000	64,713,081	991	62,001,942	950
\$100,001 - \$ 300,000	137,994,489	807	142,731,223	833
Over \$ 300,000	126,372,844	95	129,666,314	101
	<u>\$ 414,702,055</u>	<u>12,745</u>	<u>\$ 419,724,982</u>	<u>10,863</u>

BANK OF THE BAHAMAS LIMITED

Notes to Consolidated Financial Statements

Year ended June 30, 2023
(Expressed in Bahamian Dollars)

7. Loans and advances to customers, net (continued)

The following is an analysis of loans and advances by credit quality:

	2023		2022	
In (\$000s)				
Mortgage residential loans				
Neither past due nor impaired	\$	126,188	\$	126,981
Past due but not impaired		20,989		21,712
Impaired		32,877		38,986
	\$	180,054	\$	187,679
Mortgage commercial loans				
Neither past due nor impaired	\$	3,075	\$	11,251
Past due but not impaired		250		311
Impaired		8,477		1,080
	\$	11,802	\$	12,642
Commercial loans and overdrafts				
Neither past due nor impaired	\$	37,101	\$	35,806
Past due but not impaired		767		5,314
Impaired		17,938		19,036
	\$	55,806	\$	60,156
Consumer loans and overdrafts				
Neither past due nor impaired	\$	114,313	\$	103,044
Past due but not impaired		5,992		5,478
Impaired		6,430		12,732
	\$	126,735	\$	121,254
Government				
Neither past due nor impaired	\$	37,791	\$	36,300
Past due but not impaired		-		-
Impaired		-		-
	\$	37,791	\$	36,300
Credit cards				
Neither past due nor impaired	\$	2,423	\$	1,582
Past due but not impaired		73		91
Impaired		18		21
	\$	2,514	\$	1,694

In the opinion of management, the credit quality of the majority of loans and advances to customers that are neither past due nor impaired is satisfactory.

BANK OF THE BAHAMAS LIMITED

Notes to Consolidated Financial Statements

Year ended June 30, 2023
(Expressed in Bahamian Dollars)

7. Loans and advances to customers, net (continued)

2023, In (\$000s)	Principal	Restructured	Total
Mortgage residential loans	\$ 149,192	\$ 30,862	\$ 180,054
Mortgage commercial loans	3,328	8,474	11,802
Commercial loans and overdrafts	26,374	29,432	55,806
Consumer loans and overdrafts	121,881	4,854	126,735
Government	37,791	-	37,791
Credit cards	2,514	-	2,514
	\$ 341,080	\$ 73,622	\$ 414,702

2022, In (\$000s)	Principal	Restructured	Total
Mortgage residential loans	\$ 158,264	\$ 29,415	\$ 187,679
Mortgage commercial loans	3,900	8,742	12,642
Commercial loans and overdrafts	28,992	31,164	60,156
Consumer loans and overdrafts	118,058	3,196	121,254
Government	36,300	-	36,300
Credit cards	1,694	-	1,694
	\$ 347,208	\$ 72,517	\$ 419,725

The analysis of the age of loans and advances to customers that were past due but not impaired is as follows:

2023						
In (\$000s)	Mortgage Residential	Mortgage Commercial	Commercial and overdrafts	Consumer and overdrafts	Credit Cards	Total
Past due 1 to 29 days	\$ 17,903	\$ 250	\$ 591	\$ 4,597	\$ -	\$ 23,341
Past due 30 - 59 days	2,341	-	176	601	48	3,166
Past due 60 - 89 days	745	-	-	794	25	1,564
	\$ 20,989	\$ 250	\$ 767	\$ 5,992	\$ 73	\$ 28,071

2022						
In (\$000s)	Mortgage Residential	Mortgage Commercial	Commercial and overdrafts	Consumer and overdrafts	Credit Cards	Total
Past due up to 29 days	\$ 15,544	\$ 205	\$ 888	\$ 4,011	\$ -	\$ 20,648
Past due 30 - 59 days	4,251	106	934	739	70	6,100
Past due 60 - 89 days	1,917	-	3,492	728	21	6,158
	\$ 21,712	\$ 311	\$ 5,314	\$ 5,478	\$ 91	\$ 32,906

BANK OF THE BAHAMAS LIMITED

Notes to Consolidated Financial Statements

Year ended June 30, 2023
(Expressed in Bahamian Dollars)

8. Note receivable, net and special retained earnings

During October 2014, the Government created a special purpose vehicle, Bahamas Resolve Limited (“Resolve”), that is owned and controlled by the Government. At that time, the Bank sold to Resolve certain of its non-performing loans with a face value of \$100 million and a net book value of approximately \$45.4 million in consideration for \$100 million in unsecured promissory notes (the “Notes”). The difference between the Notes received and net book value of the assets sold, approximately \$54.6 million, was recognised directly in equity as Special Retained Earnings. The Notes which had a final maturity of October 30, 2024 were redeemed during the financial year ended June 30, 2018.

Also, during the financial year ended June 30, 2018, the Bank sold to Resolve another portfolio of non-performing loans with aggregate face value of \$134.5 million and net book value of approximately \$50.6 million, together with accrued (but suspended) interest on the loans of \$33.2 million, in consideration for an unsecured promissory note in the amount of \$167.7 million. The difference between the promissory note received and the net book value of the loans and accrued interest transferred to Resolve, amounting to approximately \$117.1 million, was credited to Special Retained Earnings. An additional \$0.4 million in fees and charges were recognised in Special Retained Earnings. The promissory note had a maturity date of August 31, 2022 and bore interest at a fixed rate of 3.5% per annum, payable semi-annually on the 28th day of February and the 31st day of August.

During the financial year, this promissory note with the original maturity date of August 31, 2022 was extended by three years to August 31, 2025, at a 4% fixed interest rate, with quarterly interest payments at the end of November, February, May and August.

The Bank has transferred all of its rights relating to the non-performing loans to Resolve and will have no rights to future cash flows from the non-performing loans. Resolve, and not the Bank, will bear all the risks and rewards of the non-performing loans subsequent to the transaction and Resolve, and not the Bank, will control the non-performing loans. The Bank will not have any continuing involvement in servicing the non-performing loans, and the Bank’s only rights will relate to the cash flows associated with the promissory note. Further, the Bank will not be providing any form of future direct or indirect financing to the customers whose loans were transferred to Resolve, and these customers will no longer be customers of the Bank.

As a part of the transaction, the Bank received an irrevocable Letter of Support from the Government. The Letter of Support pledged the Government’s financial support of Resolve to enable it to satisfy its obligations under the promissory note and confirms that, in the event of default by Resolve, the Bank can seek to recover outstanding balances from the Government.

BANK OF THE BAHAMAS LIMITED

Notes to Consolidated Financial Statements

Year ended June 30, 2023
(Expressed in Bahamian Dollars)

8. Note receivable, net and special retained earnings (continued)

	2023	2022
Note receivable (Notes 26, 32)	\$ 167,700,000	\$ 167,700,000
Accrued interest receivable (Notes 26, 32)	559,000	2,491,250
Less: Allowance for impairment loss (Note 26)	(1,382,756)	(19,825)
	<u>\$ 166,876,244</u>	<u>\$ 170,171,425</u>

9. Investment property

Investment Property comprises land owned by the Bank. The land is located on West Bay Street, Nassau Bahamas.

The Bank engaged the services of an independent real estate and valuation expert who holds a recognised and relevant professional qualification and who has recent experience in the location and category of the investment property being valued. The fair value of the investment property of \$6,744,000 as at June 30, 2023 (\$6,463,000 June 2022) is based on the independent valuation from the appraisal performed in March 2023.

This investment property has been classified as Level 3 in the fair value measurement hierarchy and there were no transfers from or to Level 3 during the year. The fair value of the investment property reflects the current market conditions and is based on the appraised value using the sales comparison approach where the average sales price approximated \$1,200,000 per acre. Management believes that the appraised value continues to appropriately reflect the fair value of the investment property.

10. Other assets

	2023	2022
Prepaid assets	\$ 18,549,579	\$ 6,682,638
Cheques and other items in transit, net	1,149,389	534,012
Accounts receivable	1,209,996	4,997,513
Other assets, net	1,153,028	804,088
	<u>\$ 22,061,992</u>	<u>\$ 13,018,251</u>

As at June 30, 2023, prepaid assets included subscription paid in advance of \$10 million (2022: \$Nil). Included in accounts receivable is \$1.0 million (2022: \$4.3 million) of real property taxes with corresponding accounts payable (Notes 15 and 26). Included in Other assets, net are the Bank's investments in the Bahamas Automated Clearing House Limited in the amount of \$182,512 (2022: \$192,681). Included in Clearing and other items in transit, net is a balance for B\$ cheque clearing of \$1.1 million (2022: \$490,313) with allowance for unresolved items of \$4,143 (2022: \$4,143). Included in Other assets, net is a balance for B\$ suspense items of \$585,648 (2022: \$358,856) with a provision allowance of \$358,856 (2022: \$358,856).

BANK OF THE BAHAMAS LIMITED

Notes to Consolidated Financial Statements

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11. Property and equipment, net

	Land and Building	Leasehold Improvements	Furniture, Fixtures and Equipment	Work in Progress	Total
Cost					
Balance as at June 30, 2021	\$ 1,164,360	\$ 5,935,063	\$ 11,930,200	\$ 3,239,478	\$ 22,269,101
Additions	-	-	63,081	2,792,672	2,855,753
Disposal/write-off	-	-	(345,330)	-	(345,330)
Transfers	1,975,422	-	1,661,463	(3,636,885)	-
Balance as at June 30, 2022	3,139,782	5,935,063	13,309,414	2,395,265	24,779,524
Additions	-	132,424	572,281	1,754,334	2,459,039
Disposal/write-off	-	(390,694)	(828,306)	-	(1,219,000)
Transfers	639,107	68,889	2,558,016	(3,266,012)	-
Balance as at June 30, 2023	\$ 3,778,889	\$ 5,745,682	\$ 15,611,405	\$ 883,587	\$ 26,019,563
Accumulated Depreciation					
Balance as at June 30, 2021	\$ 734,840	\$ 5,844,157	\$ 8,510,202	\$ -	\$ 15,089,199
Depreciation (Note 22)	12,346	24,293	1,073,860	-	1,110,499
Disposal/write-off	-	-	(277,772)	-	(277,772)
Balance as at June 30, 2022	747,186	5,868,450	9,306,290	-	15,921,926
Depreciation (Note 22)	51,036	43,389	1,422,564	-	1,516,989
Disposal/write-off	-	(376,504)	(609,361)	-	(985,865)
Balance as at June 30, 2023	\$ 798,222	\$ 5,535,335	\$ 10,119,493	\$ -	\$ 16,453,050
Net book value:					
Balance as at June 30, 2023	\$ 2,980,667	\$ 210,347	\$ 5,491,912	\$ 883,587	\$ 9,566,513
Balance as at June 30, 2022	\$ 2,392,596	\$ 66,613	\$ 4,003,124	\$ 2,395,265	\$ 8,857,598

Land in the amount of \$44,565 (2022: \$44,565) is included in land and building.

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(Expressed in Bahamian Dollars)

12. Right-of-use assets and lease liabilities

	Right-of-use assets		Lease liabilities	
July 1, 2022	\$	3,592,575	\$	3,927,893
Additions		3,510,260		3,510,260
Renewals		205,669		205,669
Depreciation expense (Note 22)		(1,630,929)		-
Interest expense (Note 19)		-		345,648
Lease payments		-		(2,082,938)
June 30, 2023	\$	5,677,575	\$	5,906,532

	Right-of-use assets		Lease liabilities	
July 1, 2021	\$	3,066,020	\$	3,267,261
Renewals		1,866,837		1,866,837
Depreciation expense (Note 22)		(1,340,282)		-
Interest expense (Note 19)		-		373,537
Lease payments		-		(1,579,742)
June 30, 2022	\$	3,592,575	\$	3,927,893

As at June 30, 2023, the current portion of the lease liabilities amounted to \$2,148,570 (2022: \$1,305,736).

13. Computer software, net

	Computer software		Work in Progress		Total
Cost					
Balance as at June 30, 2021	\$	10,750,753	\$	2,201,074	\$ 12,951,827
Additions		45,257		1,491,381	1,536,638
Transfers		1,966,095		(1,966,095)	-
Balance as at June 30, 2022		12,762,105		1,726,360	14,488,465
Additions		117,199		733,113	850,312
Transfers		1,413,333		(1,413,333)	-
Balance as at June 30, 2023	\$	14,292,637	\$	1,046,140	\$ 15,338,777

Accumulated Amortisation					
Balance as at June 30, 2021	\$	6,880,816	\$	-	\$ 6,880,816
Amortisation (Note 22)		927,257		-	927,257
Balance as at June 30, 2022		7,808,073		-	7,808,073
Amortisation (Note 22)		1,437,227		-	1,437,227
Balance as at June 30, 2023	\$	9,245,300	\$	-	\$ 9,245,300

Net book value:					
Balance as at June 30, 2023	\$	5,047,337	\$	1,046,140	\$ 6,093,477
Balance as at June 30, 2022	\$	4,954,032	\$	1,726,360	\$ 6,680,392

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14. Deposits from customers and banks

	2023	2022
Term deposits	\$ 243,532,696	\$ 250,076,359
Demand deposits	298,708,065	330,650,094
Savings accounts	194,018,573	177,524,420
	736,259,334	758,250,873
Accrued interest payable	1,908,868	1,787,390
	\$ 738,168,202	\$ 760,038,263

The following is an analysis of the concentration of deposits from customers and banks by size of deposits:

	2023		2022	
	Value	No. of Deposits	Value	No. of Deposits
\$0 - \$ 10,000	\$ 52,570,483	93,590	\$ 47,970,928	85,786
\$10,001 - \$ 25,000	40,233,689	2,596	37,044,659	2,399
\$25,001 - \$ 50,000	40,442,966	1,156	37,252,069	1,065
\$50,001 - \$100,000	50,840,944	749	46,800,142	685
\$100,001 - \$300,000	83,258,724	526	76,522,668	479
Over \$300,000	468,912,528	339	512,660,407	333
	\$ 736,259,334	98,956	\$ 758,250,873	90,747

In 1999, The Central Bank established the Deposit Insurance Corporation (the "Corporation"). The Bank paid an annual premium of \$259,989 (2022: \$237,062) to the Corporation, which insures the funds of all individual Bahamian dollar depositors of the Bank up to a maximum of \$50,000 per depositor.

15. Other liabilities

	2023	2022
Accounts payable (Note 24)	\$ 13,215,522	\$ 29,793,812
Cardholders liability	6,259,927	11,752,047
Cheques and other items in transit	3,896,532	3,992,507
Clearing in transit	627,720	108,729
Deferred revenue	212,663	185,985
Other liabilities	-	3,159,313
	\$ 24,212,364	\$ 48,992,393

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16. Share capital

	2023	2022
Authorized:		
45,000 Preference shares of B\$1,000 each	\$ 45,000,000	\$ 45,000,000
105,000,000 Voting common shares of B\$1 each	105,000,000	105,000,000
10,000,000 Non-voting common shares of B\$1 each	10,000,000	10,000,000
	\$ 160,000,000	\$ 160,000,000
Issued and fully paid:		
37,171,570 Voting common shares of B\$1 each	\$ 37,171,570	\$ 37,171,570
6,022,945 Non-voting common shares of B\$1 each	6,022,945	6,022,945
Less: Cost of preference shares	-	(584,010)
	\$ 43,194,515	\$ 42,610,505

Preference shares

The Bank's shareholders approved resolutions to increase the authorised share capital of the Bank and allow the issuance of non-voting cumulative preference shares, redeemable at the discretion of the Board of Directors. On June 30, 2006 and May 7, 2009, the Bank issued a total of B\$15,000,000 and B\$20,000,000 in redeemable preference shares at a rate of 2.00% and 2.50% above the Bahamian dollar prime rate. In accordance with IFRS, the preference shares were classified as equity. Costs totaling \$235,010 and \$349,000 related to the preference share offering respectively were netted against the proceeds. In fiscal year 2023, the preference share offering costs were transferred to retained earnings.

From fiscal years 2014 to 2017, the Bank redeemed \$3,400,000 of preference shares annually and \$6,150,000 by fiscal year 2018, with the final redemption of \$15,250,000 during fiscal year 2019.

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16. Share capital (continued)

Voting common shares

Effective January 2006, the Bank had a rights offering resulting in the increase in voting common shares from \$12,000,000 to \$15,600,000 and share premium from \$7,589,064 to \$28,587,866.

On April 15, 2016, the Bank's shareholders approved the reclassification of the authorised and unissued preference shares of the Bank comprising 80,000 shares having a par value of \$1,000 per share into 80,000,000 voting common shares having a par value of \$1.00 per share. The total authorised capital of the Bank remained unchanged at \$160,000,000.

During the period from September 6 - 12, 2016, the Bank entered into a common shares' rights offering for an aggregate amount of \$40 million for 14,814,814 voting common shares. For each 1.44 common shares held as at record date of September 5, 2016, shareholders had the right to purchase an additional 1 share. At the end of the offer period, the Government subscribed for the majority of the offering, and the Bank issued a total of 39,517,333 in voting common shares to its shareholders at a price of \$2.70 per share. Costs totaling \$482,667 related to this common share offering were netted against the proceeds and resulted in additional share premium of \$24,702,519.

During the period December 31, 2016 to February 28, 2017, the Bank offered a private placement of \$30 million at 3.125% Fixed Rate Perpetual Contingent Convertible Bonds to accredited investors only. This private placement was offered in three tranches of \$10 million each. As at December 31, 2016, the first tranche was subscribed by and issued to the Government. Effective June 30, 2017, this bond in the amount of \$10 million was converted to 6,756,756 voting common shares at a price of \$1.48 per share which resulted in additional share premium of \$3,243,244.

Non-voting common shares

During 2013, the Bank's shareholders approved resolutions to increase the authorised share capital of the Bank and allow for the issuance of a separate class of B\$10,000,000 non-voting common shares. On June 28, 2013 the Bank issued a total of 6,022,945 Class B non-voting common shares to NIB at a share price of \$5.23. Costs totaling \$60,300 related to this common share offering were netted against the proceeds and resulted in additional share premium of \$25,416,755.

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17. Treasury shares

During each of the fiscal years 2011 and 2013, the Bank's Board of Directors approved the repurchase of \$750,000 of the Bank's own shares. The implementation of the share repurchase plan was a strategy to enhance the shareholder value of then existing shareholders. There have not been any repurchase of shares since fiscal 2013.

The balance in treasury shares at year end is as follows:

	No. of Shares	Value
Balance as at June 30, 2023 and 2022	235,021	\$ 1,318,224

18. Net gain on investments at FVOCI

	2023	2022
Balance at July 1	\$ 2,880,297	\$ 3,462,314
Movement in fair value: equity investments at FVOCI (Note 6)	216,700	(582,017)
Transfer of FVOCI on equity investments	(3,096,997)	-
Balance at June 30	\$ -	\$ 2,880,297

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19. Net interest income

	2023	2022
Interest and similar income		
Loans and advances to customers	\$ 29,629,137	\$ 30,418,650
Notes receivable	6,568,250	5,869,500
Investment securities	3,274,069	2,748,674
Cash and short term investments	4,287,392	1,918,390
	<u>43,758,848</u>	<u>40,955,214</u>
Interest and similar expense		
Banks and customers	(4,215,509)	(5,183,201)
Lease liabilities (Note 12)	(345,648)	(373,537)
	<u>(4,561,157)</u>	<u>(5,556,738)</u>
Total net interest income	\$ 39,197,691	\$ 35,398,476

20. Fees and commission income

	2023	2022
Deposit services fees and commission	\$ 5,201,705	\$ 4,960,351
Card services fees and commission	4,742,508	3,816,413
Credit services fees and commission	255,566	246,805
Other fees and commission	529,619	658,207
Total fees and commission income	<u>\$ 10,729,398</u>	<u>\$ 9,681,776</u>

21. Other operating income

	2023	2022
Foreign exchange	\$ 3,090,750	\$ 2,824,548
Revaluation gain on investment property (Note 9)	281,000	-
Other	2,500,314	1,396,036
Total other operating income	<u>\$ 5,872,064</u>	<u>\$ 4,220,584</u>

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22. Operating expenses

	2023	2022
Staff costs (Note 27)	\$ 20,494,344	\$ 18,522,666
Licenses and other fees	6,127,488	5,640,237
Information technology	4,108,239	3,840,855
Occupancy (Note 25)	2,542,196	2,565,262
Other administrative expenses	2,045,128	2,095,592
Telecommunication and postage	513,237	512,548
Advertising, marketing and donations	331,168	280,513
Travel and entertainment	151,224	101,295
Operating expenses before depreciation and amortisation	\$ 36,313,024	\$ 33,558,968
Depreciation of property and equipment (Note 11)	1,516,989	1,110,499
Depreciation of right-of-use assets (Note 12)	1,630,929	1,340,282
Amortisation of software (Note 13)	1,437,227	927,257
Depreciation and amortisation	4,585,145	3,378,038
Total operating expenses	\$ 40,898,169	\$ 36,937,006

23. Impairment losses, net

	2023	2022
Loans and advances to customers, net (Notes 7, 26)	\$ 847,115	\$ 1,283,325
Note receivable (Notes 8, 26)	1,362,931	(518,887)
Investment securities (Notes 6, 26)	943,021	(390,815)
Cash equivalents - Treasury Bills (Note 5, 26)	51,640	(965)
Money market placements (Note 5)	11,099	(13,571)
Impairment losses/(reversals) during the year	\$ 3,215,806	\$ 359,087

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24. Contingencies

To meet the financial needs of customers, the Bank enters various irrevocable commitments and contingent liabilities. These consist of financial guarantees, letters of credit and other undrawn commitments to lend. Letters of credit and guarantees (including standby letters of credit) commit the Bank to make payments on behalf of customers in the event of a specific act.

Legal claims

Litigation is a common occurrence in the banking industry due to the nature of the business undertaken. As a result of the litigation risk inherent in its operations, 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 makes adjustments to account for any adverse effects which the claims may have on its financial standing and/or discloses amounts in accordance with its accounting policies.

As at year end, the Bank had several ongoing legal claims. Various legal proceedings are pending that challenge certain actions of the Bank. Most of these proceedings are loan-related and are reactions to steps taken by the Bank to collect delinquent loans and enforce its rights against collateral securing such loans.

In fiscal year 2019, the Bank was made aware of a significant legal claim against the Bank in respect of a judgment in default and related damages of approximately \$6 million plus interest and costs for which the Bank recorded provision as at June 30, 2019. The Bank has filed the necessary applications to set aside the default judgment and to set aside the said damages. The Bank has also filed papers to stay the enforcement of damages and in certain circumstances to strike out enforcement steps. In fiscal year 2020, the Bank was successful in having the judgement in default of defense set aside. In fiscal year 2022, the Bank was successful again in the Supreme Court appeal brought about by the plaintiff. In fiscal year 2023, an appeal was filed at the Court of Appeal which was subsequently withdrawn by the Plaintiffs as the requisite certificate was not obtained by them. The Plaintiffs thereafter filed an application to obtain the certificate in an attempt to pursue the appeal against the Bank once again. As at June 30, 2023, the Bank maintained the related provision recorded since June 2019 while we await the ruling for the certificate. Management considers that adequate provision has been made in these consolidated financial statements, included in accounts payable (Note 15), for any loss that might ultimately be determined (Note 3).

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25. Commitments

The approximate minimum rental commitments (exclusive of the effect of escalation clauses relating to taxes, maintenance, etc.) for the years ended June 30, 2023 and 2022 are as follows:

	2023		2022	
No later than 1 year	\$	1,776,503	\$	884,788
Later than 1 year and no later than 5 years		3,715,491		1,638,774
Total	\$	5,491,994	\$	2,523,562

The commitments for loans and advances at June 30, 2023 were \$10,076,990 (2022: \$5,843,369).

The Bank has a commitment for future capital expenditure of \$232,158 (2022: \$1,524,861).

The Bank has letters of credit and guarantees outstanding of \$3,370,119 (2022: \$3,462,229).

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26. Transactions and balances with related parties

The allowance for impairment loss against any of the related party balances as at June 30, 2023 amounted to \$2,953,200 (2022: \$232,380).

	Government	Other Government Entities	Key Management	Total 2023	Total 2022
Assets					
Deposits with the Central Bank (Note 5)	\$ -	\$ 94,882,234	\$ -	\$ 94,882,234	\$ 165,309,148
Treasury bills, net (Note 5)	61,818,157	-	-	61,818,157	81,594,321
Investment securities, net (Note 6)	98,249,600	-	-	98,249,600	70,795,723
Loans and advances to customers, net	37,717,327	-	3,164,760	40,882,087	39,673,795
Note receivable, net (Note 8)	-	166,876,244	-	166,876,244	170,171,425
Right-of-use assets, net (Note 12)	586,981	-	-	586,981	880,472
Other assets	958,552	2,210,564	-	3,169,116	6,464,073
Total	\$ 199,330,617	\$ 263,969,042	\$ 3,164,760	\$ 466,464,419	\$ 534,888,957
Liabilities					
Deposits from customers and banks	\$ 81,105,186	\$ 86,027,627	\$ 1,711,411	\$ 168,844,224	\$ 169,997,459
Other liabilities	5,422,974	175,000	46,250	5,644,224	28,946,038
Lease liabilities (Note 12)	716,386	-	-	716,386	1,053,685
Deferred loan fees	304,031	-	-	304,031	22,176
Total	\$ 87,548,577	\$ 86,202,627	\$ 1,757,661	\$ 175,508,865	\$ 200,019,358
Revenues					
Interest Income	\$ 7,102,771	\$ 7,203,759	\$ 119,606	\$ 14,426,136	\$ 12,879,759
Fees and commission income	385,787	-	-	385,787	391,634
Total	\$ 7,488,558	\$ 7,203,759	\$ 119,606	\$ 14,811,923	\$ 13,271,393
Expenses and Impairment losses					
Interest Expense	\$ 136,517	\$ 291,326	\$ 16,325	\$ 444,168	\$ 860,915
Directors fees	-	-	244,500	244,500	204,611
Impairment losses/(reversals)	1,435,815	1,362,931	-	2,798,746	(1,288,863)
Other operating expenses	1,748,911	5,023,870	-	6,772,781	6,111,477
Short-term employee benefits	-	-	3,056,766	3,056,766	2,832,330
Pension expense	-	-	181,462	181,462	163,547
Termination benefits	-	-	-	-	3,923
Total	\$ 3,321,243	\$ 6,678,127	\$ 3,499,053	\$ 13,498,423	\$ 8,887,940

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27. Employee benefits

The Bank has a defined contribution plan (the “Plan”) in which eligible employees (those having attained 18 years of age and employed on a full-time basis for a continuous period of twelve months) contribute a minimum of 3.50% of their annual salaries and the Bank contributes 6.50%. Employees become fully vested after 5 years of plan membership. The Plan is managed by two Trustees that are independent of the Bank. The Trustees appointed an independent third-party investment manager to manage the assets of the Plan. Contributions for the year ended June 30, 2023 totaled \$831,346 (2022: \$800,015) recorded as staff costs (Note 22).

The Plan’s investment strategy is fully employed on a low risk and conservative bond fund.

As at June 30, 2023, the Plan had deposits totaling \$Nil (2022: \$Nil) with the Bank.

28. Assets under administration

The Bank has assets under administration for clients in the Bank’s fiduciary capacity as follows:

	2023	2022
Government guaranteed hurricane relief loans	\$ 3,433,461	\$ 3,769,824

The Bank recognised fees totaling \$48,605 (2022: \$95,978) for the administration of the Government Guaranteed Hurricane Relief Loans program.

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29. Dividends and earnings per share

Dividends to the Bank's shareholders are recognised 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 dividends in the amount of \$0.01 per share for shareholders of record on May 12, 2023 and paid dividends on June 15, 2023 in the amount of \$429,595 to its common shareholders (2022: \$Nil).

	2023	2022
Net income attributable to ordinary shareholders	\$ 11,381,219	\$ 11,800,327
Weighted average number of ordinary shares outstanding	42,959,494	42,959,494
Basic earnings per ordinary share	\$ 0.26	\$ 0.27

30. Fair value of assets and liabilities

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The best evidence of fair value is the quoted price in an active market.

IFRS 13 requires that the classification of financial assets and liabilities at fair value be determined by reference to the source of inputs used to derive the fair value. This classification uses the following three-level hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. This level includes listed equity securities and debt instruments on exchanges.
- Level 2 – Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3 – Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

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30. Fair value of assets and liabilities *(continued)*

The following methods and assumptions have been used in determining fair value:

Cash and cash equivalents, other assets and other liabilities

Due to their short-term maturity, the carrying values of these financial instruments approximate their fair values.

Investment securities

The estimated fair values of the Bank's investments are determined based on quoted market prices, when available. If quoted market prices are not available, management's best estimate of the fair value is based on significant market observable inputs disclosed in Note 6. The Bank's debt investments are subsequently measured at amortised cost and are tied to the Bahamian \$ Prime Rate issued by The Bahamas Government and therefore the carrying values of these financial instruments approximate their fair values.

As of June 30, 2023, the Bank held equity securities as FVOCI totaling \$Nil (2022: \$3,102,986) classified as Level 1 investment (Notes 6 and 34). No transfers were made during the year for any investments between the hierarchies.

Loan and advances to customers

Loans and advances to customers bear interest at floating rates tied to the Bahamian dollar prime rate and are therefore subject to re-pricing within a short period of time. As such, fair values are assumed to be equal to their carrying values and are disclosed in Note 7.

Deposits from customers

The estimated fair values of deposits from customers were determined by valuing the deposits based on current market interest rates relative to the Bank's interest rates. Given that deposits are principally short term in nature and have interest rates that reset to market rates, the fair values of deposit from customers approximate their carrying values.

Investment property

The fair value of investment property was determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair values of the Bank's investment property portfolio every three years.

The fair value measurements for the investment property has been categorised as Level 3 fair value measurements. The valuation model used is the Sales Comparison Approach to estimate the Market Value of the subject site. The model considered three comparable transactions which were adjusted for the sales price for differences in location and size. Investment property has been classified as Level 3 (Note 9).

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31. Regulatory capital

The 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 ("CET1") 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 44.7% as at June 30, 2023 (June 30, 2022: 38.9%) and a leverage ratio of 17.2% as at June 30, 2023.

Capital regulatory requirements for subsidiary companies are managed through the Bank. The Bank maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Bank's capital is monitored using, among other measures, the rules and ratios established by The Central Bank. As at June 30, 2023 and 2022, the Bank was compliant with all of the externally imposed capital ratio requirements.

Capital risk management

The primary objectives of the Bank's capital management are to comply with externally imposed capital requirements, maintain strong capital ratios to support its business and to maximize shareholders' value.

The Bank typically manages its capital structure and adjusts it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities.

The capital structure is designed to provide optimal risk absorption consistent with the risk profile of the Bank's consolidated statement of financial position. The capital mix is intended to maximize the return for shareholders. The Bank utilizes equity issuances to achieve an ideal capital structure.

At June 30, 2023 and 2022, the capital structure of the Bank consists of equity held by common shareholders, including issued capital, share premium, special retained earnings and accumulated deficit. Ongoing capital management includes the payment of dividends, common share issuances, maintenance of reserves and special retained earnings.

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32. Risk management

There are a number of risks inherent in banking that the Bank manages on an ongoing basis. Among these risks, the more significant are credit, operational, currency, liquidity, capital and interest rate risks.

Credit risk

Credit risk arises from the failure of a counterparty to perform according to the terms of the contract. From this perspective, the Bank's significant exposure to credit risk is primarily concentrated in cash and due from banks, investments, notes receivable and loans. Cash, due from banks and investments are predominantly in Bahamian and United States dollars and have been placed with high quality institutions. The Bank maintains deposits in foreign currencies with a minimum of lower medium grade rated correspondent banks in the United States, Canada and the United Kingdom.

The Bank evaluates the concentration of risk with respect to the note receivable in the same manner as balances with the Government, as the interest and principal sum is payable by Bahamas Resolve Limited ("Resolve"), which is a company wholly owned and controlled by the Government. The Bank recognises an ECL based on the credit rating of the Government, given that the Government has undertaken to support Resolve, as more fully described in Note 8.

Credit risk arising from loans is mitigated through the employment of a credit risk management regime that sets limits for sector concentration, as well as single and related party exposure. The Board of Directors approves credit granting limits. In addition, the credit policies provide for credit facilities to be reviewed regularly by the Bank's credit risk management department, internal audit department and annual review by credit officers. Most of the Bank's loans are collateralized and guaranteed, thus providing further mitigation of credit risk. The Bank's procedures are designed to ensure collateral is appropriately managed, is legally enforceable, conservatively valued by a Bank approved independent appraiser and adequately insured for the full replacement value, where possible.

The Bank assesses credit exposure on loans by utilizing risk ratings. The ratings are categorized into a variety of segments such as minimal risk, moderate risk, high risk and non-performing. The purpose of credit rating is to provide a simple, but effective and ongoing system of credit risk gradation by which relative credit worthiness of borrowers may be identified and accordingly the level of credit enhancements, degree of monitoring, frequency of reviews, level of provisioning, and pricing can be determined. The credit rating would reflect both the likelihood of default and the potential extent of loss given default.

The credit worthiness of most borrowers is not constant over time. For this reason, changes in ratings must reflect changes in the relative strength of the borrowers and in their obligations. Appropriate credit ratings must be assigned to every borrowing relationship. A rating must be assigned at the time of credit extension and reviewed and updated in each periodic review or if the situation warrants a change at any other time.

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32. Risk management (continued)

Credit risk (continued)

A rating change highlights a change in credit worthiness or corrects a previous rating that did not fully reflect the quality of the credit. Because of their very nature, changes are to be expected more frequently among credits with lower ratings than among credits of higher ratings. Typically loans within the retail credit portfolio which are performing are not assessed for changes in ratings, unless the customer approaches the Bank for additional credit.

The assigning of a risk rating calls for professional judgment and can involve subjective elements. When a credit rating is assigned, all relevant information concerning the risk profile of the borrower is considered, including but not limited to, industry trends, economic climate, business environment and earnings track record. Consideration is given to much less quantifiable items such as opinion of management, perception of trustworthiness and character, hidden reserves and other factors.

The Bank conducts an impairment assessment on each of its loans. The main considerations for the loan impairment assessment include whether any payments of principal or interest are overdue or there are any known difficulties in the cash flows of counterparties, credit rating downgrades, or infringement of the original terms of the contract. The Bank addresses impairment on an individual and portfolio basis. In managing credit risk, the Bank takes a holistic approach in assessing its impact and implications from a regulatory standpoint and potential consequences for liquidity and its capital.

Concentration of risks and financial assets with credit risk exposure are as follows:

In (\$000s)	2023	2022
Cash, cash equivalents and due from banks (Note 5)		
Neither past due nor impaired	\$ 240,557	\$ 320,096
Investment securities (Note 6)		
Neither past due nor impaired	\$ 107,959	\$ 70,912
Loans and advances to customers (Note 7)		
Neither past due nor impaired	\$ 320,891	\$ 314,964
Past due but not impaired	28,071	32,906
Impaired	65,740	71,855
Accrued interest receivable	1,877	1,710
	\$ 416,579	\$ 421,435
Note receivable (Note 8)		
Neither past due nor impaired	\$ 167,700	\$ 167,700
Accrued interest receivable	559	2,491
	\$ 168,259	\$ 170,191

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32. Risk management *(continued)*

Credit risk *(continued)*

Financial assets are past due when a counterparty has failed to make a payment when contractually due.

Expected Credit Loss Measurement

ECL is measured on either a 12-month (12M) or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. ECL are the discounted product of probability of default (PD), exposure at default (EAD), and loss given default (LGD), defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.
- EAD is based on the amounts the Bank expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). For example, for a revolving commitment, the Bank includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.
- LGD represents the Bank's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e., the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The Lifetime PD is developed by applying a maturity profile to the current 12M PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis.

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32. Risk management (continued)

Credit risk (continued)

Expected Credit Loss Measurement (continued)

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type. The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. These vary by product type.

The Bank uses a Point-in-Time (“PIT”) analysis while having regard to historical loss data and forward looking macro-economic data.

Incorporation of forward-looking information

The Bank incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL. The Bank has performed historical analysis and identified the key economic variables impacting credit risk ECL for each portfolio. The Bank formulates three economic scenarios (base case, upside and downside). Once an ECL calculation has been developed for each scenario, a weight is applied to each estimate based on the likelihood of occurrence to arrive at a final weighted ECL.

The weighting assigned to each economic scenario as at June 30, 2023 was as follows:

	Base scenario	Upside scenario	Downside scenario
Sovereign exposures (Investments and Note Receivable)	91.00%	8.00%	1.00%
Loans and advances to customers	85.00%	8.00%	7.00%

The weighting assigned to each economic scenario as at June 30, 2022 was as follows:

	Base scenario	Upside scenario	Downside scenario
Sovereign exposures (Investments and Note Receivable)	91.00%	8.00%	1.00%
Loans and advances to customers	80.00%	13.00%	7.00%

The provision for loan losses reflects the Bank’s economic outlook as of June 30, 2023. Subsequent changes to these forecasts and related estimates will be reflected in the provision for loan losses in future periods. The Bahamian economy continued its growth trajectory, although at a slower pace, recovering from the COVID-19 pandemic. Tourism output continued its strong growth with the increase in air and sea arrivals. This trend continues as at June 30, 2023. Allowance for impairment losses on investment securities recorded reversals of impairment due to the International Monetary Fund’s (“IMF”) anticipated GDP growth rate.

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Notes to Consolidated Financial Statements

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32. Risk management (continued)

Credit risk (continued)

Incorporation of forward-looking information (continued)

The Bank considered for its loan portfolio the appropriate economic factors to be the Bahamas' unemployment rate. When considering its macroeconomic factors, Management applied a uniform unemployment rate to the entire portfolio. This rationale was similar to the Bank's assessment for 2022.

The Bank determined its forward-looking economic factors for the purposes of the ECL calculation based on its expectation of the performance of the Bahamian economy. The assumptions are based on a continuation of the economy returning to normalcy.

Base Case Scenario

The Bank determined that the IMF's forecast for 2024 to be slightly optimistic and therefore determined the rate of unemployment to be the average of the IMF's 2023 and 2024 forecasts. This was considered for the entire loan portfolio.

Upside Scenario

The Bank considered the upside scenario in reference to published data from the IMF. It considered the IMF's 2024 forecast.

Downside Scenario

The Bank considered the IMF's 2020 unemployment rate, which is the highest observed rate for The Bahamas.

Unemployment Rate	2023	2022
	Total	Total
	Portfolio	Portfolio
Base	11.8%	13.3%
Upside	11.7%	12.7%
Downside	25.6%	25.6%

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32. Risk management (continued)

Credit risk (continued)

Maximum Exposure to Credit Risk

For financial assets recognised on the consolidated statement of financial position, the exposure to credit risk equals their carrying amount. For standby letters of credit, the maximum exposure to credit risk is the maximum amount that the Bank would have to pay if the standby letters of credit are called upon. For mortgage commitments and revolving credit lines that are irrevocable over the life of the respective facilities, the maximum exposure to credit risk is the full amount of the committed facilities. The maximum exposure to standby letters of credit and loan commitments are disclosed in Note 25. The following table contains an analysis of the credit risk exposure of financial assets for which an ECL allowance is recognised. The gross carrying amount of the financial assets represents the Bank's maximum exposure to the credit risk of these assets.

	Stage 1	Stage 2	Stage 3	Total 2023	Total 2022
Loans and accrued interest receivable	\$ 288,030,196	\$ 59,942,243	\$ 65,383,002	\$ 413,355,441	\$ 418,886,492
Overdrafts and accrued interest receivable	605,924	27,264	338,892	972,080	854,143
Credit cards	1,540,978	954,960	17,860	2,513,798	1,693,979
	\$ 290,177,098	\$ 60,924,467	\$ 65,739,754	\$ 416,841,319	\$ 421,434,614
Note receivable	\$ -	\$ 168,259,000	\$ -	\$ 168,259,000	\$ 170,191,250
Investment securities	\$ 8,727,683	\$ 99,231,150	\$ -	\$ 107,958,833	\$ 70,912,178

Transfers between Stages

At each reporting date, the Bank assesses whether the credit risk on its financial assets has increased significantly since initial recognition. The assessment of whether an asset is in Stage 1 or 2 considers the relative change in the PD occurring over the expected life of the instrument and is not assessed based on the change in the amount of the ECL. This involves setting quantitative tests combined with additional indicators such as credit risk classification and other observable inputs.

Transfers between Stages 1 and 2 are based on the assessment of significant increases in credit risk relative to initial recognition. The impact of moving from 12-month ECL to lifetime ECL, or vice versa, varies by portfolio and is dependent on the expected remaining life at the date of the transfer. Stage transfers may result in significant fluctuations in the Bank's ECL. Transfers from Stage 3 are addressed in the Bank's Non-Accrual Provisioning and Write-off Policy. Transfers from Stage 3 to lower stages is not automatic but is rather subject to an assessment or review period. The facility must meet the contractual repayments for six (6) consecutive months before reclassification.

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Notes to Consolidated Financial Statements

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32. Risk management *(continued)*

Credit risk *(continued)*

Movement in Impairment Allowances by Stage

The impairment allowance recognised in the period is impacted by a variety of factors, including but not limited to:

- Transfers between Stage 1 and 2 or 3 due to financial assets experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent “step up” (or “step down”) between 12-month and lifetime ECL;
- There is an exception for Stage transfers for Credit Cards. If a credit card moves to Stage 2 or 3 and is subsequently brought current the Stage status does not revert to Stage 1. Rather, the status remains at Stage 2 for its lifetime ECL.
- Additional allowances for new financial assets recognised during the period, as well as releases for financial assets derecognised in the period;
- Impact on the measurement of ECL due to changes in PDs, EADs, and LGDs in the period, arising from regular refreshing of inputs to the model;
- Impact on the measurement of ECL due to changes made to the model and assumptions; and
- Financial assets derecognised during the period and write-offs of allowances related to the assets that were written off during the period.

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32. Risk management (continued)

Credit risk (continued)

The following table explains the changes in the impairment allowance by portfolio between the beginning and the end of the annual period due to these factors.

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total 2023	Total 2022
Investment securities at amortised cost:					
Gross carrying amount	\$ 8,727,683	\$ 99,231,150	\$ -	\$ 107,958,833	\$ 70,912,178
Loss allowance	(77,926)	(981,550)	-	(1,059,476)	(116,455)
Carrying amount	\$ 8,649,757	\$ 98,249,600	\$ -	\$ 106,899,357	\$ 70,795,723

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total 2023	Total 2022
Investment securities at amortised cost:					
Gross carrying amount as at July 1, 2022	\$ 42,085,667	\$ 28,826,511	\$ -	\$ 70,912,178	\$ 70,124,858
Transfers:					
Transfer from Stage 1 to Stage 2	(31,954,872)	31,954,872	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-	-
Transfer from Stage 2 to Stage 1	-	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-	-
New financial assets originated or purchased	8,727,683	40,584,849	-	49,312,532	21,887,928
Financial assets fully derecognized during the year	(10,130,795)	(2,136,689)	-	(12,267,484)	(21,078,768)
Changes in principal and interest	-	-	-	-	(21,840)
Foreign exchange adjustment	-	1,607	-	1,607	-
Gross carrying amount as at June 30, 2023	\$ 8,727,683	\$ 99,231,150	\$ -	\$ 107,958,833	\$ 70,912,178

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	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total 2023	Total 2022
Investment securities at amortised cost:					
Loss allowance as at July 1, 2021	\$ 24,384	\$ 92,071	\$ -	\$ 116,455	\$ 507,271
Transfers:					
Transfer from Stage 1 to Stage 2	(22,042)	22,042	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-	-
Transfer from Stage 2 to Stage 1	-	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-	-
New financial assets originated or purchased	77,926	272,922	-	350,848	10,517
Financial assets fully derecognized during the year	(2,047)	(418)	-	(2,465)	(21,930)
Changes to inputs used in ECL calculation	-	594,986	-	594,986	(379,403)
Foreign exchange adjustment	(295)	(53)	-	(348)	-
Loss allowance as at June 30, 2022	\$ 77,926	\$ 981,550	\$ -	\$ 1,059,476	\$ 116,455

Mortgage residential and mortgage commercial loans					
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total 2023	Total 2022
Loans and advances to customers at amortised cost:					
Gross carrying amount	\$ 147,228,399	\$ 3,859,044	\$ 41,353,533	\$ 192,440,976	\$ 200,881,677
Loss allowance	(2,017,981)	(440,484)	(23,270,943)	(25,729,408)	(28,095,710)
Carrying amount	\$ 145,210,418	\$ 3,418,560	\$ 18,082,590	\$ 166,711,568	\$ 172,785,967

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32. Risk management (continued)

Credit risk (continued)

Mortgage residential and mortgage commercial loans					
	Stage 1	Stage 2	Stage 3	Total	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	2023	2022
Loans and advances to customers at amortised cost:					
Gross carrying amount as at July 1, 2022	\$ 146,423,730	\$ 14,391,558	\$ 40,066,389	\$ 200,881,677	\$ 215,794,511
Transfers:					
Transfer from Stage 1 to Stage 2	(2,351,583)	2,351,583	-	-	-
Transfer from Stage 1 to Stage 3	(396,312)	-	396,312	-	-
Transfer from Stage 2 to Stage 1	4,084,589	(4,084,589)	-	-	-
Transfer from Stage 2 to Stage 3	-	(923,814)	923,814	-	-
Transfer from Stage 3 to Stage 1	778,739	-	(778,739)	-	-
Transfer from Stage 3 to Stage 2	-	185,470	(185,470)	-	-
New financial assets originated or purchased	12,393,664	458,480	7,846,690	20,698,834	22,090,654
Financial assets fully derecognized during the year	(6,380,742)	(8,316,743)	(7,462,336)	(22,159,821)	(29,475,662)
Changes in principal and interest	(7,323,686)	(202,901)	546,873	(6,979,714)	(7,527,826)
Gross carrying amount as at June 30, 2023	147,228,399	3,859,044	41,353,533	192,440,976	\$ 200,881,677

Mortgage residential and mortgage commercial loans					
	Stage 1	Stage 2	Stage 3	Total	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	2023	2022
Loans and advances to customers at amortised cost:					
Loss allowance as at July 1, 2022	\$ 1,594,058	\$ 2,719,171	\$ 23,782,481	\$ 28,095,710	\$ 34,962,002
Transfers:					
Transfer from Stage 1 to Stage 2	(13,924)	13,924	-	-	-
Transfer from Stage 1 to Stage 3	(2,992)	-	2,992	-	-
Transfer from Stage 2 to Stage 1	693,932	(693,932)	-	-	-
Transfer from Stage 2 to Stage 3	-	(133,644)	133,644	-	-
Transfer from Stage 3 to Stage 1	30,558	-	(30,558)	-	-
Transfer from Stage 3 to Stage 2	-	60,870	(60,870)	-	-
New financial assets originated or purchased	42,919	132	-	43,051	1,788,906
Financial assets fully derecognized during the year	(110,172)	(1,682,222)	(4,563,047)	(6,355,441)	(3,335,737)
Changes to inputs used in ECL calculation	(216,398)	156,185	4,006,301	3,946,088	(5,319,461)
Loss allowance as at June 30, 2023	2,017,981	\$ 440,484	23,270,943	25,729,408	\$ 28,095,710

BANK OF THE BAHAMAS LIMITED

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32. Risk management (continued)

Credit risk (continued)

Commercial loans, overdrafts and Government					
	Stage 1	Stage 2	Stage 3	Total	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	2023	2022
Loans and advances to customers at amortised cost:					
Gross carrying amount	\$ 21,933,142	\$ 54,574,933	\$ 17,937,886	\$ 94,445,961	\$ 97,023,341
Loss allowance	(171,602)	(999,998)	(6,856,892)	(8,028,492)	(8,807,619)
Carrying amount	21,761,540	53,574,935	\$ 11,080,994	\$ 86,417,469	\$ 88,215,722

Commercial loans, overdrafts and Government					
	Stage 1	Stage 2	Stage 3	Total	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	2023	2022
Loans and advances to customers at amortised cost:					
Gross carrying amount as at July 1, 2022	\$ 31,753,392	\$ 46,234,439	\$ 19,035,510	\$ 97,023,341	\$ 110,841,193
Transfers:					
Transfer from Stage 1 to Stage 2	(5,267,841)	5,267,841	-	-	-
Transfer from Stage 1 to Stage 3	(51,408)	-	51,408	-	-
Transfer from Stage 2 to Stage 1	1,168,938	(1,168,938)	-	-	-
Transfer from Stage 2 to Stage 3	-	(395,664)	395,664	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-	-
Transfer from Stage 3 to Stage 2	-	35	(35)	-	-
New financial assets originated or purchased	3,038,644	17,967,626	9,546	21,015,816	11,344,744
Financial assets fully derecognized during the year	(6,874,128)	(6,198,807)	(801,888)	(13,874,823)	(15,896,402)
Changes in principal and interest	(1,834,455)	(7,131,599)	(752,319)	(9,718,373)	(9,266,194)
Gross carrying amount as at June 30, 2023	\$ 21,933,142	\$ 54,574,933	\$ 17,937,886	\$ 94,445,961	\$ 97,023,341

Commercial loans, overdrafts and Government					
	Stage 1	Stage 2	Stage 3	Total	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	2023	2022
Loans and advances to customers at amortised cost:					
Loss allowance as at July 1, 2022	\$ 199,644	\$ 781,187	\$ 7,826,788	\$ 8,807,619	\$ 10,218,637
Transfers:					
Transfer from Stage 1 to Stage 2	(3,436)	3,436	-	-	-
Transfer from Stage 1 to Stage 3	(4,632)	-	4,632	-	-
Transfer from Stage 2 to Stage 1	105,998	(105,998)	-	-	-
Transfer from Stage 2 to Stage 3	-	(5)	5	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-	-
Transfer from Stage 3 to Stage 2	-	35	(35)	-	-
New financial assets originated or purchased	51,056	443,808	9,546	504,410	106,324
Financial assets fully derecognized during the year	(4,398)	(447,460)	(735,388)	(1,187,246)	(221,507)
Changes to inputs used in ECL calculation	(172,630)	324,995	(248,656)	(96,291)	(1,295,835)
Loss allowance as at June 30, 2023	171,602	999,998	6,856,892	\$ 8,028,492	\$ 8,807,619

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32. Risk management (continued)

Credit risk (continued)

Consumer loans, overdrafts and credit cards					
	Stage 1	Stage 2	Stage 3	Total	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	2023	2022
Loans and advances to customers at amortised cost:					
Gross carrying amount	\$ 121,015,557	\$ 2,490,490	\$ 6,448,335	\$ 129,954,382	\$ 123,529,596
Loss allowance	(4,730,380)	(865,398)	(5,180,755)	(10,776,533)	(15,942,686)
Carrying amount	\$ 116,285,177	\$ 1,625,092	\$ 1,267,580	\$ 119,177,849	\$ 107,586,910

Consumer loans, overdrafts and credit cards					
	Stage 1	Stage 2	Stage 3	Total	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	2023	2022
Loans and advances to customers at amortised cost:					
Gross carrying amount as at July 1, 2022	\$ 108,820,906	\$ 1,955,294	\$ 12,753,396	\$ 123,529,596	\$ 126,034,533
Transfers:					
Transfer from Stage 1 to Stage 2	(1,508,209)	1,508,209	-	-	-
Transfer from Stage 1 to Stage 3	(2,463,249)	-	2,463,249	-	-
Transfer from Stage 2 to Stage 1	227,904	(227,904)	-	-	-
Transfer from Stage 2 to Stage 3	-	(237,736)	237,736	-	-
Transfer from Stage 3 to Stage 1	411,835	-	(411,835)	-	-
Transfer from Stage 3 to Stage 2	-	2,704	(2,704)	-	-
New financial assets originated or purchased	40,708,248	384,193	210,088	41,302,529	28,742,121
Financial assets fully derecognized during the year	(18,279,026)	(1,125,410)	(8,603,083)	(28,007,519)	(23,678,168)
Changes in principal and interest	(6,902,852)	231,140	(198,512)	(6,870,224)	(7,568,890)
Gross carrying amount as at June 30, 2023	\$ 121,015,557	\$ 2,490,490	\$ 6,448,335	\$ 129,954,382	\$ 123,529,596

Consumer loans, overdrafts and credit cards					
	Stage 1	Stage 2	Stage 3	Total	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	2023	2022
Loans and advances to customers at amortised cost:					
Loss allowance as at July 1, 2022	\$ 4,742,380	\$ 730,632	\$ 10,469,674	\$ 15,942,686	\$ 18,849,460
Transfers:					
Transfer from Stage 1 to Stage 2	(89,879)	89,879	-	-	-
Transfer from Stage 1 to Stage 3	(124,649)	-	124,649	-	-
Transfer from Stage 2 to Stage 1	86,425	(86,425)	-	-	-
Transfer from Stage 2 to Stage 3	-	(103,740)	103,740	-	-
Transfer from Stage 3 to Stage 1	153,390	-	(153,390)	-	-
Transfer from Stage 3 to Stage 2	-	2,704	(2,704)	-	-
New financial assets originated or purchased	1,543,647	112,079	147,160	1,802,886	1,566,339
Financial assets fully derecognized during the year	(911,225)	(440,668)	(7,194,788)	(8,546,681)	(12,608,364)
Changes to inputs used in ECL calculation	(669,709)	560,937	1,686,414	1,577,642	8,135,251
Loss allowance as at June 30, 2023	\$ 4,730,380	\$ 865,398	\$ 5,180,755	\$ 10,776,533	\$ 15,942,686

BANK OF THE BAHAMAS LIMITED

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32. Risk management (continued)

Credit risk (continued)

ECL sensitivity analysis

Set out below are changes to the Bank's ECL as at June 30, 2023 and 2022 that would result from reasonably possible changes in these parameters from the actual assumptions used by the Bank as key ECL drivers.

	2023 ECL Impact of		
	Change in	Increase in	Decrease in ECL
	threshold	ECL allowance	allowance
Collateral haircut			
Loans and advances to customers	(+/- 5)%	\$ 2,575,695	\$ 1,672,301
Unemployment rate	(+/- 5)%	2,766,669	1,801,825

	2022 ECL Impact of		
	Change in	Increase in	Decrease in ECL
	threshold	ECL allowance	allowance
Collateral haircut			
Loans and advances to customers	(+/- 5)%	\$ 2,989,385	\$ 2,256,674
Unemployment rate	(+/- 5)%	2,519,655	1,738,515

BANK OF THE BAHAMAS LIMITED

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32. Risk management (continued)

Foreign exchange risk

The Bank holds assets and liabilities denominated in currencies other than Bahamian dollars, the measurement currency of the Bank. Consequently, the Bank is exposed to foreign exchange risk since the values of the assets and liabilities denominated in other currencies will fluctuate due to changes in exchange rates. The Bank manages these positions by matching assets with liabilities wherever possible. The table below summarizes the Bank's exposure to foreign currency exchange risk at June 30, 2023 and 2022. Included in the table are the Bank's financial instruments at carrying amounts, categorized by currency.

Concentrations of currency risk

In (\$000s)	2023					
	BS	US\$	CAD\$	GBP£	Other	Total
Assets						
Cash and account with the Central Bank	\$ 107,130	\$ 3,063	\$ -	\$ 1	\$ -	\$ 110,194
Cash equivalents - Treasury Bills, net	61,818	-	-	-	-	61,818
Due from banks, net	580	83,200	-	-	-	83,780
Investment securities, net	98,249	8,650	-	-	-	106,899
Loans and advances to customers, net	364,849	7,458	-	-	-	372,307
Note receivable, net	166,876	-	-	-	-	166,876
Other assets	3,051	234	-	-	-	3,285
Total financial assets	\$ 802,553	\$ 102,605	\$ -	\$ 1	\$ -	\$ 905,159
Liabilities						
Deposits from customers and banks	\$ 694,717	\$ 43,088	\$ -	\$ 17	\$ 346	\$ 738,168
Other liabilities	15,454	1,587	44	12	2	17,099
Lease liabilities	5,907	-	-	-	-	5,907
Total financial liabilities	\$ 716,078	\$ 44,675	\$ 44	\$ 29	\$ 348	\$ 761,174
Net financial position	\$ 86,475	\$ 57,930	\$ (44)	\$ (28)	\$ (348)	\$ 143,985
Loan commitments, credit lines and guarantees	\$ 13,447	\$ -	\$ -	\$ -	\$ -	\$ 13,447

In (\$000s)	2022					
	BS	US\$	CAD\$	GBP£	Other	Total
Total financial assets	\$ 862,927	\$ 89,592	\$ 244	\$ 1	\$ -	\$ 952,764
Total financial liabilities	765,906	36,242	133	98	334	802,713
Net financial position	\$ 97,021	\$ 53,350	\$ 111	\$ (97)	\$ (334)	\$ 150,051
Loan commitments, credit lines and guarantees	\$ 8,995	\$ 311	\$ -	\$ -	\$ -	\$ 9,306

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32. Risk management *(continued)*

Operational risk

Operational risk relates to the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. It is mitigated by documented policies and procedures, staff training and a risk-based internal audit regime.

Interest rate risk

Interest rate risk is the potential for a negative impact on the consolidated statement of financial position and/or consolidated statement of comprehensive income or loss arising from adverse changes in the value of financial instruments as a result of changes in interest rates.

Interest rate sensitivity or interest rate risk results from differences in the maturities or repricing dates of assets and liabilities. Interest rate risk exposures or “gaps” may produce favorable or unfavorable effects on interest margins depending on the nature of the gap and the direction of interest rate movement and/or the expected volatility of those interest rates. Interest rate gaps are carefully monitored, and scenario tests are performed to determine the potential impact of various gap exposures. When assets have a shorter average maturity than liabilities, an increase in interest rates would have a positive impact on net interest margins, and conversely, if more liabilities than assets mature or are repriced in a particular time interval then a negative impact on net interest margin would result. The consolidated gap position shows more assets than liabilities repriced in periods greater than one year. This is a typical position for a financial institution with a large personal customer base.

The Bank analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration changes in interest rates. Based on these scenarios, the Bank calculates the impact on profit and loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. Based on the simulations performed, the impact on net income and consequently shareholders’ equity of a 100-basis point shift would be a maximum increase or decrease of \$1.6 million (2022: \$1.8 million).

BANK OF THE BAHAMAS LIMITED

Notes to Consolidated Financial Statements

Year ended June 30, 2023
(Expressed in Bahamian Dollars)

32. Risk management (continued)

Interest rate risk (continued)

The table below summarizes the Bank's financial instruments at carrying amounts, categorized by the interest rate sensitivity.

In (\$000s)	2023							Total
	Immediate repricing	Within 3 months	Over 3-12 months	Over 1-5 years	Over 5 years	Non-interest bearing		
Assets								
Cash and account with the Central Bank	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 110,194	\$ 110,194
Cash equivalents - Treasury Bills, net	61,818	-	-	-	-	-	-	61,818
Due from banks, net	83,780	-	-	-	-	-	-	83,780
Investment securities, net	33,160	-	2,759	69,335	1,645	-	-	106,899
Loans and advances to customers, net	372,307	-	-	-	-	-	-	372,307
Note receivable, net	166,876	-	-	-	-	-	-	166,876
Other assets	-	-	-	-	-	-	3,285	3,285
Total financial assets	\$ 717,941	\$ -	\$ 2,759	\$ 69,335	\$ 1,645	\$ 113,479	\$ 905,159	
Liabilities								
Deposits from customers and banks	\$ 736,263	\$ -	\$ 1,505	\$ 400	\$ -	\$ -	\$ -	\$ 738,168
Other liabilities	-	-	-	-	-	-	17,099	17,099
Lease liabilities	5,907	-	-	-	-	-	-	5,907
Total financial liabilities	\$ 742,170	\$ -	\$ 1,505	\$ 400	\$ -	\$ 17,099	\$ 761,174	
Interest repricing gap	\$ (24,229)	\$ -	\$ 1,254	\$ 68,935	\$ 1,645	\$ 96,380	\$ 143,985	

In (\$000s)	2022							Total
	Immediate repricing	Within 3 months	Over 3-12 months	Over 1-5 years	Over 5 years	Non-interest bearing		
Total financial assets	\$ 764,328	\$ -	\$ -	\$ -	\$ -	\$ 188,436	\$ 952,764	
Total financial liabilities	761,094	29	198	2,645	-	38,747	802,713	
Interest repricing gap	\$ 3,234	\$ (29)	\$ (198)	\$ (2,645)	\$ -	\$ 149,689	\$ 150,051	

BANK OF THE BAHAMAS LIMITED

Notes to Consolidated Financial Statements

Year ended June 30, 2023
(Expressed in Bahamian Dollars)

32. Risk management *(continued)*

Liquidity risk

Liquidity risk is the potential for loss if the Bank is unable to meet financial commitments in a timely manner at reasonable prices as they fall due. Financial commitments include liabilities to depositors and suppliers, and lending, pledging and investment commitments. Managing liquidity and funding risk is essential to maintaining both depositor confidence and stability in earnings.

The Bank maintains a portion of its deposits in cash and other liquid assets to mitigate this risk. On a daily basis, the Bank monitors its cash and other liquid assets to check that they sufficiently meet the Bank's requirements. In addition, the Bank performs regular gap analyses showing the maturity exposure arising from the different maturity of assets and liabilities. As is the case throughout the sector, those gap analyses show that the Bank is liability-sensitive in the short term. Regular scenario tests are performed to determine the extent to which the Bank can withstand unforeseen withdrawals and the cost associated with meeting such demands should they arise.

Based on the Bank's liquidity position as at the date of authorization of these consolidated financial statements, management believes that the Bank has sufficient funding to meet its financial obligations.

BANK OF THE BAHAMAS LIMITED

Notes to Consolidated Financial Statements

Year ended June 30, 2023
(Expressed in Bahamian Dollars)

32. Risk management (continued)

Liquidity risk (continued)

The following table summarises the undiscounted contractual amounts of financial assets and liabilities of the Bank into relevant maturity groupings based on the remaining period at the consolidated statement of financial position date to the contractual maturity date.

In (\$000s)	2023					Total
	Within 3 months	Over 3-12 months	Over 1-5 years	Over 5 years		
Cash and account with the Central Bank	\$ 110,194	\$ -	\$ -	\$ -	\$ -	110,194
Cash equivalents - Treasury Bills	62,310	-	-	-	-	62,310
Due from banks	98,979	9,450	-	-	-	108,429
Investment securities	2,136	16,848	81,442	10,122	-	110,548
Loans and advances to customers	68,109	53,701	227,766	280,206	-	629,782
Note receivable	1,677	5,031	9,503	-	-	16,211
Other assets	3,285	-	-	-	-	3,285
Total financial assets	\$ 346,690	\$ 85,030	\$ 318,711	\$ 290,328	\$ -	1,040,759

In (\$000s)	Within 3 months	Over 3-12 months	Over 1-5 years	Over 5 years	Total
Deposits from customers and banks	\$ 594,143	\$ 70,688	\$ 61,325	\$ 22,575	\$ 748,731
Other liabilities	17,099	-	-	-	17,099
Lease liabilities	446,128	1,330,375	3,715,491	-	5,491,994
Total financial liabilities	\$ 1,057,370	\$ 1,401,063	\$ 3,776,816	\$ 22,575	\$ 6,257,824

Net position	\$ (710,680)	\$ (1,316,033)	\$ (3,458,105)	\$ 267,753	\$ (5,217,065)
Loan commitments, credit lines and guarantees	\$ 13,447	\$ -	\$ -	\$ -	\$ 13,447

In (\$000s)	2022					Total
	Within 3 months	Over 3-12 months	Over 1-5 years	Over 5 years		
Total financial assets	\$ 581,461	\$ 65,616	\$ 285,079	\$ 302,812	\$ -	1,234,968
Total financial liabilities	661,634	81,599	44,658	28,996	-	816,887
Net position	\$ (80,173)	\$ (15,983)	\$ 240,421	\$ 273,816	\$ -	418,081
Loan commitments, credit lines and guarantees	\$ 9,306	\$ -	\$ -	\$ -	\$ -	9,306

BANK OF THE BAHAMAS LIMITED

Notes to Consolidated Financial Statements

Year ended June 30, 2023
(Expressed in Bahamian Dollars)

33. Subsidiaries

Subsidiaries of the Bank as at June 30, 2023 and 2022 are as follows:

Name	Place of Incorporation	Shareholding	Nature of business
Multi-Card Services Ltd.	Commonwealth of The Bahamas	100%	Card processing and services
West Bay Property Holdings Ltd.	Commonwealth of The Bahamas	100%	Investment Property
BOB Property Holdings	Commonwealth of The Bahamas	100%	Property Holding

“Excellence

is the unlimited ability to improve the quality of what we have to offer.”

- Rick Pitino

The following principles were adopted by the Board of Directors (“the Board”) of Bank of The Bahamas Limited (“the Bank”) and provide the framework for corporate governance of the Bank.

ROLE OF BOARD OF DIRECTORS

The Bank’s corporate governance structure seeks to protect the stakeholders of the Bank to ensure a lasting legacy for its shareholders, staff and the Bahamian community. The Board is ultimately responsible for the conduct of the Bank’s affairs and operations. In light of this mandate, the Board provides oversight of the risks identified and ensures that they are adequately monitored and managed. Whilst the management of the day-to-day operations are delegated to the Bank’s executives, the Board reviews policies and procedures and monitors the Bank’s activities to ensure that its operations are carried out in compliance with applicable laws and regulations and are consistent with sound banking practices.

The Bank’s “Directors & Officers Corporate Governance Handbook” addresses the powers, duties, responsibilities and roles of Directors such as:- the appointment of the Managing Director and all other Board appointments, approvals of the Budget, Strategic Plan, Remuneration Policies, assessing management’s performance against approved objectives and strategies and providing the annual certification of compliance with the Central Bank’s Corporate Governance Guidelines to the Inspector of Banks & Trust Companies.

BOARD COMMITTEES

The Board has implemented and maintains an effective corporate governance framework, which is facilitated by Board Committees, to ensure transparency and accountability to its stakeholders. These Committees assist the Board in carrying out its responsibilities and provide oversight to major functional areas. Each Committee is governed by a Mandate setting out matters relevant to the composition, responsibilities and administration of the Committee, and other matters that the Board may consider appropriate.

The Bank has six Board Committees, namely:-

- **Corporate Governance Committee**
- **Enterprise Risk Committee**
- **Operations Board Committee**
- **HR & Compensation Board Committee**
- **Audit & Finance Board Committee**
- **Credit Risk Management Board Committee**

Director Attestations

There are various policies that Directors are required to adhere to as members of the Board of a Bank. Therefore, on an annual basis, the Board completes attestations which determine their independence, whether any possible conflicts of interest may have arisen during the course of their term and attestations which seek to confirm their fiduciary responsibility to provide the necessary corporate governance oversight required.

Compensation of Directors

The total remuneration of the Board is approved by the shareholders at the Bank's Annual General Meeting ("AGM") and may be divided among members as they see fit.

Director Education

Each Director is expected to be knowledgeable about concepts discussed and to ensure that decisions made by the Board are reasonable. Toward this end, the Bank provides ongoing educational opportunities for its directors through seminars, trade publications and regulatory updates.

Independence of Directors

As part of its evaluation process, each candidate nominated to serve on the Board completes a document to determine their independence in accordance with best practices and within the Central Bank of The Bahamas' "Guidelines for the Corporate Governance of Banks and Trust Companies Licensed to do Business within and from within The Bahamas". We note that whilst a majority of the Board would not be considered independent according to the aforementioned Guidelines each member of the Board

seeks to conduct themselves in accordance with the prevailing laws of The Bahamas and evolving best practice standards. It is incumbent upon the Directors and Officers of the Bank to view their own actions and intentions objectively in that they are accountable not only to the Bank's shareholders and depositors, but also to the Bank's regulatory supervisors. Bank directors are required to exercise reasonable care in governing the Bank's affairs and must consider the Bank's interest before their own.

BOARD MEETINGS

Board Committee meetings held during fiscal 2023 is as follows: -

Summary of Board Committee Meetings Held for the Year Ended June 30, 2023

- 2 Corporate Governance Board Committee**
- 6 Audit & Finance Board Committee**
- 4 Operations Board Committee**
- 5 Human Resources & Compensation Board Committee**
- 4 Enterprise Risk Board Committee**
- 7 Credit Risk Management Committee**

Attendance at Meetings

Regular attendance at all Board meetings, together with Board Committee meetings and the Annual General Meeting, is expected of all Directors. Following is a record of attendance of Directors at the quarterly Board Meetings during the 2023 fiscal year:

BOD MEETINGS									
Director	August 30, 2022	October 7, 2022	December 6, 2022	December 15, 2022	March 14, 2023	April 5, 2022	June 6, 2023	June 26, 2023	
Donna Harding Lee									
Errol McKinney									
Kenrick L. Brathwaite, Sr.					n/a	n/a	n/a	n/a	
Neil T. Strachan	n/a	n/a	n/a	n/a					
Timothy Brown									
Whitney Patton									
Mitzie Turnquest									
Anastasia Ferguson-Pratt									
Taran Mackey									
Howard Thompson Jr									
Dywan Rodgers									

= PRESENT = APOLOGIES n/a = WAS NOT A DIRECTOR AT THE TIME

*Kenrick L. Brathwaite Sr. remitted office as Managing Director in March 2023

*Neil T. Strachan was appointed Acting Deputy Managing Director in March 2023 and Managing Director in June 2023.

Preparation for, and Business of, Meetings

The Chairman along with the Managing Director prepares the agenda for each meeting. In addition, the Management team provides reports on key issues to their respective Board Committees relative to the various units of the Bank. Directors may also request that certain items be added to the agenda for discussion at the Board level.

BOARD CERTIFICATION

Each year the Board is required to issue a Corporate Governance Statement to The Central Bank of The Bahamas (“CBOB”) in accordance with the Guidelines for the Corporate Governance of Banks and Trust Companies Licensed to do Business Within and from Within The Bahamas (“Corporate Governance Guidelines”). As part of this exercise, the Internal Audit Department conducts a Controls Assurance Audit, which tests the control environment of the Bank. The purpose of this audit is to validate the Bank’s compliance with the criteria as set out in the Corporate Governance Guidelines.

The Board provides oversight to management to seek remediation of issues that may be highlighted by the Central Bank. The Bank is generally in compliance with the laws, regulations, and guidelines to which it is subject. An action plan to implement the requirements or remedy the deficiencies stated in the most recent Central Bank reports was prepared and submitted to the Inspector, and the agreed remedial actions are being taken. In March 2023, the Central Bank of The Bahamas lifted its restriction, with some caveats, on corporate and commercial lending.



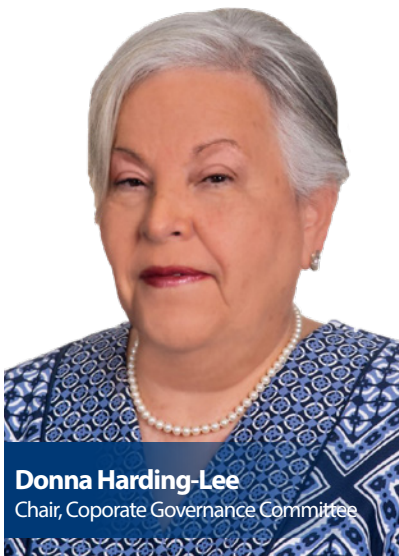
Following is a summary of Board Committee activities throughout the past fiscal year.

CORPORATE GOVERNANCE BOARD COMMITTEE

The Corporate Governance Committee is comprised of the Chairman of the Board, the Chairman of the HR & Compensation Board Committee and the Managing Director. This Committee provides oversight to ensure that Directors and Officers of the Bank conduct themselves in accordance with the Bank’s Articles of Association, its Directors & Officers Corporate Governance Handbook and guidelines as outlined by regulatory and supervisory bodies.

During the year, the Committee addressed the following matters:

- Reconstituted the Board Committees taking into consideration skill sets, knowledge and experience of members;
- Reviewed and amended Board Committee mandates;
- Reviewed and amended the Directors & Officers Corporate Governance Handbook;
- Organized Board Evaluation Sessions
- Arranged Corporate Governance and AML Training for Directors
- Provided oversight of the revision of Executive Reports to the Board to align with industry, local and international best practices and standards,
- Provided oversight to the succession planning relative to the office of the Managing Director and key executive positions.



Donna Harding-Lee
Chair, Corporate Governance Committee

OPERATIONS BOARD COMMITTEE

The Operations Board Committee is chaired by Mr. Howard Thompson, Jr. This Committee is primarily responsible for ensuring that the operations of the Bank are consistent with its business objectives and strategies, efficient and effective customer service and internal controls.

In order to achieve its vision, the Bank identified several strategic initiatives to drive its strategic objective “Accelerating Growth” process. To this end, we are pleased to report that the following initiatives were completed as of June 30, 2023:

- Relocation of the Bank’s Harrold Road location to the new facility at John F. Kennedy.
- Received the 2022 Straight Through Processing (STP) Award from JP Morgan for achieving a 99.57% accuracy score for straight through processing of international transfers.
- Launch of Newgen Account Opening module
- Completion of Freeport Branch renovations.
- Expansion of the branch and offsite ATM network.
- Extensive training drive to develop a well-trained work force.

As the strategic objective, “Accelerating Growth” continues, the Bank will continue its focus on the following operational initiatives:

- Implementation of a digital records management system.
- Further expansion of the branch and offsite ATM network.
- New/Improved facilities.
- Improved service delivery.
- Improved operating efficiency.
- Continued development of a well-trained work force.
- Focus on adding value to stakeholder expectations.



Howard Thompson Jr.
Chair, Operations Board

AUDIT AND FINANCE BOARD COMMITTEE

The Audit and Finance Board Committee’s primary purpose is to assist the Board in fulfilling its oversight responsibilities relating to financial reporting, external and internal audit functions, finance and compliance with legal and regulatory requirements. This Committee is chaired by Mrs. Anastasia Ferguson-Pratt.

During the fiscal year, the Audit & Finance Committee, amongst others, reviewed and addressed the following matters: -

- Considered the issues and findings presented by the internal and external audit teams during the fiscal year and satisfied itself that management had resolved, or is in the process of effectively resolving, any outstanding issues or concerns on a timely basis. Issues deemed unduly delayed were specifically highlighted and followed up.
- Reviewed the regulatory reporting requirements and ensured that all matters were effectively addressed.
- Reviewed and approved the publication of quarterly unaudited financial statements.
- Oversaw the relationship between the Bank and external auditors. Approved the strategic internal audit planning approach, ensuring that it was risk based and appropriately addressed the Board approved Strategic Plan; and quarterly reviewed the work of the internal audit function in executing the audit plan.
- Considered the requirements of the Central Bank’s Guidelines for Internal Auditors and Audit Committees to ensure the Bank’s policies, internal audit charter and Audit Committee Mandate were fully aligned.



Anastasia Pratt
Chair, Audit and Finance Board

CREDIT RISK MANAGEMENT BOARD COMMITTEE



Timothy Brown
Chair, Credit Risk Management

The Credit Risk Management Committee is chaired by Mr. Timothy Brown. This Committee provides guidance to the Board as to the credit risk appetite for the Bank and oversees the identification, assessment, monitoring and management of credit risk impacting the Bank.

The Committee is primarily responsible for providing oversight with respect to:

- Adequacy of credit policies;
- Establishment and approval of lending limits for the Bank and the adherence thereof;
- Ensuring that credit is extended in accordance with established policies and relevant laws, regulations, guidelines, accepted business practices and ethical standards;
- Ensuring that the credit process is managed appropriately and effectively;
- Authorizing and approving loans of credit applications in excess of the Board approved risk appetite delegated to the Adjudication Function but within the Credit Committee's lending limit upon recommendation by Credit Risk Management;
- Oversight of Management's administration of the Bank's credit portfolio and compliance with applicable credit risk related policies, procedures and tolerances.

During the past year the Committee focused on the following initiatives:

- Enhancing the Bank's Credit Risk Management, Residential Mortgage, and Collections Policies and Procedures;
- Strengthening the Credit Governance Structure of the Bank along with the Credit Risk appetite;
- Updating the Bank's provisioning processes, procedures and practices; and
- Implemented the Account opening and Retail Loan origination solutions.
- Provided oversight of a project to implement a comprehensive Commercial Loan Origination solution.

The Committee is focused on restoring the Bank's capacity to lend commercially as it seeks to regain market share.

HUMAN RESOURCES AND COMPENSATION BOARD COMMITTEE



Errol McKinney
Chair, HR and Compensation Board

The HR and Compensation Board Committee, under the leadership of Mr. Errol McKinney, exhibited exemplary vigilance throughout FY 2023. Our Human Resources & Training Department meticulously devised and implemented numerous strategies. Recognizing the critical role of leadership, substantial resources were allocated towards the development and nurturing of our leaders. One of our major achievements this year has been the enhancement of employee engagement. With the introduction of several initiatives, we have successfully fostered a deeper connection between our employees and the institution. Throughout FY 2023, our team remained vigilant, proactive, and strategically oriented.

Leadership Training and Development

Recognizing the crucial role of our leaders in guiding the Bank through these times, we have made significant investments in leadership training and development. Our programs focused on enhancing managerial competencies, driving operational excellence, and instilling a community of servant leadership. We are confident that, with continued efforts and resources, our leaders will be better equipped with the tools and perspectives required to navigate the ever-evolving business landscape.

Employee Engagement Activities

Engaged employees remain at the heart of our organizational success. Throughout FY 2023, we facilitated a variety of activities aimed at strengthening the connection between employees and the Bank. These activities not only fostered camaraderie but also provided avenues for employee development.

Fireside Chat Series

- **Career Edition:** This series provided a platform for employees to gain insights into various career opportunities within the Bank, aiding them in their personal career objectives.

- **Health Series:** Prioritizing the overall well-being of our employees, we organized health and wellness sessions on vital topics such as cancer, finances and domestic violence. These discussions promoted awareness, facilitated support networks, and underscored our commitment to the health and wellness of the Bank's workforce.

Direct HR Outreach

- Our HR representatives actively engaged with employees across all departments, seeking feedback and addressing concerns.

Training and Development Initiatives

- **Performance Management and Coaching:** Emphasizing the importance of continuous feedback and improvement, we conducted specialized training sessions for our leaders. These sessions were designed to strengthen our performance management practices and nurture a culture of consistent coaching.

- **Training on the Road:** Recognizing the importance of reaching our teams across various locations, we launched the "Training on the Road" initiative. This mobile training program enabled us to bring crucial learning opportunities directly to the employees, reinforcing our commitment to accessible and inclusive development.

Strengthened Communication

We are cultivating a more transparent environment where information is easily accessible, inquiries are welcomed, and feedback is appreciated.

Celebrations and Recognitions

- **End-of-Year Awards:** Our rewards and Recognition ceremony celebrated the FY23 dedication, achievements, and exemplary performance of our team members, boosting morale and incentivizing continued excellence.

- **Special Initiatives:** From commemorating Women's International Day to hosting an Employee Appreciation Week, we celebrated diverse occasions to underscore our commitment to an inclusive, vibrant, and respectful work environment.

- **BOB Tour of the Bahamas:** In honor of the Bahamas' 50th, we embarked on the BOB tour of the Bahamas. These

engagements allowed us to further connect with our roots and emphasize our allegiance to the nation and its people.

During FY 2023, we launched several initiatives and witnessed notable advancements in various areas. However, we recognize that some critical areas, despite our focused efforts, have not reached the desired milestones yet. We are aware of the significance of these areas and are committed to refining our strategies and actions.

- **Engagement and Retention:** Through continued enhanced engagement initiatives and tailored retention strategies, we aim to sustain our valuable talent pool.

- **Reinforcing Organizational Values:** As we transition into the future, embedding our core values and fostering a culture of innovation, and adaptability will be key to our long-term success.

- **Empowerment and Training:** Continued focus on the growth and development of our leaders will ensure that they are equipped with the skills and mindset to guide their teams effectively. We will be ramping up our leadership training programs to cater to this need.

- **Talent Mapping and Alignment:** Ensuring our team members are positioned in roles that align with their strengths and expertise will not only boost their individual productivity but also enhance our overall organizational output.

- **EAP Reinforcement:** While we have made strides in augmenting the EAP, a structured approach is integral for bank wide achievements.

- **Digital Recruitment Evolution:** As we move deeper into the digital era, harnessing social platforms for recruitment is paramount. We have initiated this journey, but there is more ground to cover.

- **Continual Learning:** The quest for employee education and career growth is ongoing. Despite several initiatives, there's ample room for further enhancement.

- **Process Refinement:** Maximizing efficiency, enhancing processes, and reinforcing employee retention initiatives.

- **Skillset Integration:** We are on a mission to seamlessly integrate technical and behavioral competencies throughout our organizational structure.

ENTERPRISE RISK BOARD COMMITTEE



Whitney Patton
Chair, Enterprise Risk

All Chairpersons are members of this committee, which is chaired by Mr. Whitney Patton. Its mandate is to provide guidance to the Board in defining the risk appetite for the Bank and overseeing the identification, assessment, monitoring and managing of all major risks that may impact the Bank. The responsibilities include:

- Review and recommend for Board approval, after consultation with Senior Management, the risk appetite of the Bank, the bank's inherent risks and tolerance levels, the bank's strategic direction and the overall risk management strategy.
- Oversee the management of key policies and procedures for an effective risk management strategy.
- Ensure that the Enterprise Risk Management framework is embedded into the Bank's culture.
- Ensure that the Bank's Strategic Priorities are reviewed and assessed at minimum annually.

The Bank has completed the assessment of its enterprise-related risks; inclusive of its Anti-Money Laundering, Countering the Financing of Terrorism and Proliferation Financing (AML/CFT/PF) risks. The comprehensive analysis and documentation of the Bank's AML/CFT/PF risk management framework embeds into the Bank's policies the following new and amended AML legislation, regulations and guidelines:

- I. Financial Transactions Reporting Act, 2018.
- II. Proceeds of Crime Act, 2018.
- III. Financial Transactions Reporting (wire transfer) Regulations, 2018.
- IV. Financial Transactions Reporting Regulations, 2018.
- V. Anti-Terrorism Act, 2018
- VI. Streamline Requirements for Account Opening, Provisions of Financial Services and Customer Identification.

During the year, the committee also reviewed and approved the Bank's existing Enterprise Risk Management Framework, including but not limited to, the Risk Appetite Framework, as developed by Senior Management; the Charter of Expectations relative to the Operational Risk Department (encompassing the monitoring of Credit Risk, Information Security and Operational Risk); significant policies and procedures relating to Enterprise Risk Management, Compliance and Legal Risks.

The Board Committee ensured that adequate attention was paid to the management of Compliance Risk, which represents risks related to the failure to comply with or to adapt to current and changing regulations and laws.



Laura Williams
Senior Manager, Corporate Affairs
Bank of The Bahamas Limited



Branch Locations

New Providence

Shirley Street Branch* (242) 397-3400
 Carmichael Road* (242) 461-3500
 JFK Drive* ** (242) 397-3200
 Village Road* (242) 396-6000

Grand Bahama

Freeport* (242) 350-3600

Andros

Kemp's Bay Branch* (242) 369-1787
 Mangrove Cay (242) 369-0502

Bimini

Alice Town* (242) 347-2106

Eleuthera

Rock Sound* (242) 334-2620

Inagua

Matthew Town* (242) 339-1264

San Salvador

Cockburn Town* (242) 331-2237

Cat Island

Knowles* (242) 342-2230

* ATM(s) at location

** Drive Through ATM at location

Offsite ATM Locations

New Providence

Ministry of Education Building
 Thompson Boulevard
 (University Drive)

Blue Marlin Esso Plaza
 (formerly Roker's; Carmichael Road)

The Island Luck Building
 (Cable Beach)

The Bahamas Development Bank
 (Robinson Road)

RUBiS
 (Gladstone Road)

Arawak Cay
 (West Bay Street)

Quality Home Centre
 (Prince Charles Drive)

Grand Bahama

FOCOL Service Station
 Queen's Highway, Eight-Mile-Rock

Customer Care

Local

(242) 225-5262 OR (242) 461-3510

Family Island Toll Free

(242) 300-0111

International Toll Free

(877) 204-5110

Email

bob.info@bankbahamas.com
card.center@bankbahamas.bs

Services

Auto Financing
 Consumer Financing
 Mortgage Financing
 Small Business Lending
 Commercial Lending
 Overdraft Facilities
 Online Banking
 Mobile Banking
 Wire Transfers
 Certificates Of Deposit
 B\$ Investment Certificates
 Savings Accounts
 Chequing Accounts
 Card Services
 Christmas Club Accounts
 Automated Teller Machines
 Merchant Services
 Payroll Services
 Safety Deposit Boxes
 Premier & Private Banking

NOTES



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Excellence



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We'd love to hear from you!



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