Financial Statements

BANK OF THE BAHAMAS LIMITED

Year ended June 30, 2026

BANK OF THE BAHAMAS LIMITED

Financial Statements

Year ended June 30, 2026

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Independent auditors' report

To the Shareholders of Bank of The Bahamas Limited

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Bank of The Bahamas Limited (the Bank) as at June 30, 2026, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards.

What we have audited

The Bank's financial statements comprise:

- the statement of financial position as at June 30, 2026;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, comprising material accounting policy information 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 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.

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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) as applicable to audits of financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Our audit approach

Overview



Overall materiality: $2,430,000 which represents approximately 1% of net assets

In addition to determining materiality, we also assessed, amongst other factors, the following in designing our audit:

- the risk of material misstatement in the financial statements
- significant accounting estimates
- the risk of management override of internal controls

- Completeness of recorded banking transactions of the Bank's core banking system upgrade
- Determination of forward-looking information and valuation of collateralised real estate used in the expected credit losses model for loans and advances to customers

Audit scope

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the 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.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the 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.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the 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 financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the 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 financial statements as a whole.

Overall materiality	$2,430,000
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 Board Committee that we would report to them misstatements identified during our audit above $121,000, 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 judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the 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
Completeness of recorded banking transactions of the Bank's core banking system upgrade Refer to Note 13 to the financial statements for disclosures of related balances. During 2026, the Bank implemented a system upgrade to its core banking system that processes the underlying transactions for all banking customers. The upgrade included data migration, system reconfiguration and the introduction of additional modules. The implementation resulted in temporary service disruptions, which affected the timeliness and completeness of processing certain customers' transactions. As part of the Bank's post-implementation procedures, management performed reconciliations to validate the completeness and accuracy of migrated data and the operation of key system functionalities. Adjustments were made where discrepancies were identified. We have identified this as a key audit matter due to the critical importance of the core banking system to the Bank's transaction processing and financial reporting processes, combined with the high volume and value of transactions processed through the upgraded system.	Our approach to addressing the matter, with the assistance of our internal IT specialists included the following procedures amongst others: • Obtained an understanding and evaluated the end-to-end implementation and upgrade, including the governance framework and the roles and responsibilities of those involved. • Obtained and tested management's data migration reconciliations as at the system migration date and agreed the opening balances to the legacy system. • Obtained the year end bank reconciliations prepared by management and performed the following procedures: o tested the completeness and accuracy of the inputs used in the reconciliations by agreeing them to the relevant source records; o on a sample basis, tested the validity of reconciling items by agreeing them to supporting documentation such as transaction ledger, customers instructions, external clearing house reports, external bank statements, and, where applicable, evidence of subsequent clearance, settlement, or resolution; and o from our sample selection, tested whether the reconciling items were cleared to the appropriate customers' accounts, external bank statements and recognised in the appropriate reporting period. • Obtained suspense account detailed listings and related management reconciliations as at year end and performed the following procedures: o tested the completeness and accuracy of the inputs used in the reconciliations by agreeing them to the general ledger;

Key audit matter	How our audit addressed the key audit matter
	○ on a sample basis, tested the validity of items recorded in suspense accounts by agreeing them to underlying supporting documentation such as checks, customer's correspondence, external bank statements, external settlement reports and external clearing statements; ○ from our sample selection, inspected evidence supporting the investigation and resolution, including subsequent reclassifications, settlements, or clearances, where applicable; and ○ tested whether suspense account items were ultimately recorded in the appropriate general ledger accounts and recognised in the appropriate reporting period. • Obtained a listing of customer-initiated transactions from the system migration date to the year end and transactions processed up until three months subsequent to year end, and performed the following procedures: ○ tested the completeness and accuracy of the listings by agreeing the total transactions to the general ledger; and ○ on a sample basis, agreed the customer initiated transactions to supporting documentation such as customer instructions, external bank statements, external clearing house reports, and customers statements, and determined whether they were appropriately recorded in the relevant customers' accounts, and recognised in the correct reporting period. • Obtained and inspected customer complaint logs arising from the system migration through three months post year end to identify matters that could have a financial impact and affect the financial statements. Where a monetary impact was identified, we evaluated management's investigation, resolution of the complaint, and assessed whether any related financial statement adjustments were required.

Key audit matter	How our audit addressed the key audit matter

Determination of forward-looking information and valuation of collateralised real estate used in the expected credit losses model for loans and advances to customers

Refer to Notes 4(d), 7 and 31 to the financial statements for disclosures of related accounting policies and balances.

Loans and advances to customers of $630 million represent 49% of the Bank's total assets at the statement of financial position date. The Bank has recorded allowance for expected credit losses (ECL) in the amount of $33 million on the loans and advances to customers. The ECL model requires significant management judgements in determining the relevant assumptions. These assumptions include the following:

Forward-looking information: Management incorporates forward-looking information into the ECL model by considering the unemployment rate and applying probability weightings to the forecast scenarios.

Collateralised loans: For Stage 3, mortgage loans are collateralised by real estate. Management uses significant judgement in determining the valuation of real estate property pledged as collateral for these mortgage loans. This is the most significant repayment source for impaired collateralised mortgage loans. Due to the expertise and judgements required to value the collateral, management engages several independent experts on a periodic basis. Management's experts predominately 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 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.

Our approach to addressing the matter, with the assistance of our valuation specialists and external expert included the following procedures amongst others:

- Updated our understanding of management's ECL model including any changes to the source data and assumptions.
- Evaluated the appropriateness of the Bank's ECL model methodology in comparison to the Bank's accounting policies and the relevant IFRS Accounting Standards.
- On a sample basis, tested the completeness and accuracy of the underlying loan and collateral data used in the ECL model, such as maturity date, interest rate, last payment date and collateral values, by agreeing the information to the underlying loan contracts, appraisal reports and customer statements.
- Using an independently developed model, recalculated the allowance for ECL and compared the results against management's model.
- Agreed unemployment rates used by management in the forward-looking information to externally published data and performed a sensitivity analysis.
- Recalculated the probability weightings used by management and evaluated them by comparison to industry practice and our underlying knowledge of the portfolio.
- Assessed the competence and objectivity of management's appointed real estate appraisers to determine whether they are appropriately qualified and independent of the Bank.

Key audit matter	How our audit addressed the key audit matter
We focused on these areas as a result of the complexity and estimation uncertainty in the above assumptions, which form part of management's judgement and significantly impact the result of the ECL model.	• Compared the key assumptions used by management's appointed real estate appraisers, being comparable sales, to publicly available sales listings. • On a sample basis, compared the collateral values recorded by management to the independent valuation appraisal reports. • Evaluated management's applied discounts by independently recalculating the discounts based on external historical market sales data and the cost and time-to-sell based on historical collateral sales data. • Recalculated the Stage 3 ECL by applying independently observed discount rates, as well as costs and time-to-sell, and compared to the results of management.

Other information

Management is responsible for the other information. The other information comprises the Bank's Annual Report 2026 (but does not include the 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 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 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 financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Bank's Annual Report 2026, 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 financial statements

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

In preparing the 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 financial statements

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

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

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

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 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
November 6, 2026

BANK OF THE BAHAMAS LIMITED

(Incorporated under the laws of the Commonwealth of The Bahamas)
Statement of Financial Position

As at June 30, 2026
(Expressed in Bahamian Dollars)

	Notes	2026	2025
		$	$
ASSETS			
Cash and account with the Central Bank	5, 25	108,038,099	82,407,295
Cash equivalents - Treasury Bills, net	5, 25	81,514,986	54,811,907
Due from banks, net	5	124,421,802	76,736,877
Investment securities, net	6, 25	167,771,635	129,150,616
Loans and advances to customers, net	7, 25	597,459,759	497,607,630
Note receivable, net	8, 25	166,013,686	166,837,512
Investment property	9	7,112,000	6,744,000
Other assets	10, 25	17,269,482	13,038,842
Property and equipment, net	11	15,631,837	16,287,524
Right-of-use assets, net	12, 25	5,238,351	5,207,497
Computer software, net	13	4,931,811	5,551,503
TOTAL ASSETS		**1,295,403,448**	**1,054,381,203**
LIABILITIES			
Deposits from customers and banks	14, 25	1,013,122,214	799,533,582
Other liabilities	15, 25	20,026,678	16,626,151
Lease liabilities	12, 25	5,377,597	5,363,242
Deferred loan fees		5,528,052	4,365,753
Total liabilities		**1,044,054,541**	**825,888,728**
EQUITY			
Share capital	16	43,194,515	43,194,515
Share premium	16	81,950,384	81,950,384
Treasury shares	17	(1,318,224)	(1,318,224)
Special retained earnings	8	172,122,932	172,122,932
Accumulated deficit		(44,600,700)	(67,457,132)
Total equity		**251,348,907**	**228,492,475**
TOTAL LIABILITIES AND EQUITY		**1,295,403,448**	**1,054,381,203**

These financial statements were approved by the Board of Directors on November 6, 2026 and are signed on its behalf by:



Director



Director

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

BANK OF THE BAHAMAS LIMITED

Statement of Comprehensive Income

For the Year ended June 30, 2026
(Expressed in Bahamian Dollars)

	Notes	2026	2025*
		$	$
Interest and similar income	18, 25	60,311,338	53,699,526
Interest and similar expense	18, 25	(4,354,634)	(4,347,284)
Net interest income		55,956,704	49,352,242
Fees and commission income	19, 25	16,393,843	14,319,646
Fees and commission expense		(368,999)	(419,820)
Net fees and commission income		16,024,844	13,899,826
Other operating income	20	5,125,596	5,064,180
Total operating income		77,107,144	68,316,248
Operating expenses	21, 25	(49,339,744)	(40,708,678)
Impairment (losses)/reversals, net	22, 25	(1,044,613)	2,947,220
Net income, being total comprehensive income for the year		**26,722,787**	**30,554,790**
Earnings per share			
Basic and diluted earnings per ordinary share	28	0.62	0.71

*Refer to Note 2.

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

BANK OF THE BAHAMAS LIMITED

Statement of Changes in Equity

For the Year ended June 30, 2026
(Expressed in Bahamian Dollars)

	Share Capital	Share Premium	Treasury Shares	Special Retained Earnings	Accumulated Deficit	Total Equity
	$	$	$	$	$	$
Balance, June 30, 2024	**43,194,515**	**81,950,384**	**(1,318,224)**	**172,122,932**	**(96,293,542)**	**199,656,065**
Total comprehensive income:						
Net income for the year	-	-	-	-	30,554,790	30,554,790
Transactions with owners of the Bank:						
Dividends paid to common shareholders (Note 28)	-	-	-	-	(1,718,380)	(1,718,380)
Balance, June 30, 2025*	**43,194,515**	**81,950,384**	**(1,318,224)**	**172,122,932**	**(67,457,132)**	**228,492,475**
Total comprehensive income:						
Net income for the year	-	-	-	-	26,722,787	26,722,787
Transactions with owners of the Bank:						
Dividends paid to common shareholders (Note 28)	-	-	-	-	(3,866,355)	(3,866,355)
Balance, June 30, 2026	**43,194,515**	**81,950,384**	**(1,318,224)**	**172,122,932**	**(44,600,700)**	**251,348,907**

*Refer to Note 2.

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

BANK OF THE BAHAMAS LIMITED

Statement of Cash Flows

Year ended June 30, 2026
(Expressed in Bahamian Dollars)

	Notes	2026	2025*
		$	$
Cash flows from operating activities:			
Net income		26,722,787	30,554,790
Adjustments for:			
Interest income	18	(60,311,338)	(53,699,526)
Interest expense	18	4,354,634	4,347,284
Depreciation and amortisation	21	6,069,929	6,054,445
Reversal for legal provision	23	-	(6,874,132)
Gain on revaluation of investment securities FVTPL	6,20	(473,942)	(393,011)
Revaluation gain on investment property	9,20	(368,000)	-
Loss on disposal of property and equipment	11	3,356	-
Impairment losses/(reversals), net	22	1,044,613	(2,947,220)
		(22,957,961)	(22,957,370)
Changes in:			
Loans and advances to customers, net		(102,402,930)	(92,723,561)
Deposits from customers and banks		213,746,351	31,425,948
Other assets		(4,230,640)	4,902,212
Other liabilities		3,400,527	1,120,211
Deferred loan fees		1,162,299	745,301
Reserve deposit		(4,571,550)	(1,905,420)
		107,104,057	(56,435,309)
Interest received		59,784,978	53,591,746
Interest paid		(4,512,353)	(4,508,059)
Net cash provided/(used in) by operating activities		**139,418,721**	**(30,308,992)**
Cash flows from investing activities:			
Acquisition of property and equipment	11	(1,641,940)	(8,550,558)
Acquisition of computer software	13	(1,127,116)	(2,283,547)
Purchase of investment securities	6	(104,300,000)	(41,600,218)
Proceeds from disposal of property and equipment	11	5,700	-
Proceeds from maturities of investment securities	6	66,273,218	45,491,200
Repayment of notes receivable		2,278,147	1,012,510
Proceeds from sale of investment securities	6	428,276	394,933
Net cash used in investing activities		**(38,083,715)**	**(5,535,680)**
Cash flows from financing activities:			
Principal payments of lease liabilities	12	(2,051,049)	(2,235,331)
Dividends paid on common shares	28	(3,866,355)	(1,718,380)
Net cash used in financing activities		**(5,917,404)**	**(3,953,711)**
Net increase/(decrease) in cash and cash equivalents		95,417,602	(39,798,383)
Cash and cash equivalents, beginning of year		183,430,852	223,229,235
Cash and cash equivalents, end of year	5	**278,848,454**	**183,430,852**

*Refer to Note 2.

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

1. Corporate information

Bank of The Bahamas Limited (the "Bank") is incorporated under the laws of The Commonwealth of The Bahamas and is licensed by The Central Bank of The Bahamas to 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 authorised 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, 2026 and 2025, The Government of the Commonwealth of The Bahamas (the "Government") and The National Insurance Board ("NIB") owned approximately 82.6% of the issued common shares. The remaining common shares are owned by approximately 3,000 Bahamian shareholders.

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

The Bank's services include the provision of commercial and retail banking services, private banking and the issuance of Visa branded stored value, prepaid, debit and credit cards.

On May 1, 2025, the Board of Directors approved the dissolution of all the Bank's wholly-owned subsidiaries, which were inactive and held no significant operations, transactions, or material balances.

Effective August 1, 2025, the Bank discontinued its acceptance and processing of American Express cardholder payments under the card remittance service agreement. The discontinuation of this agreement had no material financial impact. During the fiscal year 2025, the Bank established agency banking in Abaco.

As at June 30, 2026, the Bank had twelve branches (2025: 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 financial statements have been prepared in accordance with IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

During the prior year, on May 1, 2025, the Board of Directors approved the dissolution of all of the Bank's wholly owned subsidiaries, which were inactive and had no significant operations, transactions, or material balances. The dissolution was approved by the relevant regulatory authority and the Registrar General's Department, and the subsidiaries were formally dissolved on June 30, 2025. As the subsidiaries had no significant activities or material balances, the dissolution did not have a material impact on the Bank's financial position, results of operations, or cash flows. The comparative information includes amounts relating to the former consolidated group for the period prior to the dissolution of the subsidiaries.

These 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 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 financial statements are disclosed in Note 3.

These financial statements have been prepared on the historical cost basis, except for investment property and investment securities classified as at fair value through profit or loss ("FVTPL"), which are measured at fair value.

(a) Going concern

These financial statements are prepared on a going concern basis, as the Bank's Board of 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.

2. Basis of preparation *(continued)*

(b) New standards, amendments and interpretations

New standards, amendments and interpretations adopted by the Bank

Standards and amendments and interpretations to published standards that became effective for the Bank's financial year beginning on July 1, 2025 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 financial statements.

New standards, amendments and interpretations issued but not yet effective

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 financial statements in the financial period of initial application.

a) IFRS 18 *Presentation and Disclosure in Financial Statements*

IFRS 18 will replace IAS 1 *Presentation of financial statements*, introducing new requirements that will help to achieve comparability of the financial performance of similar entities and provide more relevant information and transparency to users. Even though IFRS 18 will not impact the recognition or measurement of items in the financial statements, its impacts on presentation and disclosure are expected to be pervasive, in particular those related to the statement of financial performance and providing management-defined performance measures within the financial statements.

Management is currently assessing the detailed implications of applying the new standard on the Bank's financial statements. From the preliminary assessment performed, the following potential impacts have been identified:

- Although the adoption of IFRS 18 will have no impact on the Bank's net income, the Bank expects that grouping items of income and expenses in the statement of comprehensive income into the new categories will impact how net income is calculated and reported.
- The line items presented on the primary financial statements might change as a result of the application of the concept of 'useful structured summary' and the enhanced principles on aggregation and disaggregation.
- From a cash flow statement perspective, narrow-scope amendments have been made to IAS 7 *Statement of Cash Flows*, which include changing the starting point for determining cash flows from operations under the indirect method, from 'Net income' to 'operating profit or loss' and removing the optionality around classification of cash flows from dividends and interest.

2. Basis of preparation *(continued)*

(b) New standards, amendments and interpretations *(continued)*

New standards, amendments and interpretations issued but not effective *(continued)*

a) IFRS 18 *Presentation and Disclosure in Financial Statements (continued)*

- The Bank does not expect there to be a significant change in the information that is currently disclosed in the notes because the requirement to disclose material information remains unchanged; however, the way in which the information is grouped might change as a result of the aggregation/disaggregation principles. In addition, there will be significant new disclosures required for:
  - management-defined performance measures;
  - a break-down of the nature of expenses for line items presented by function in the operating category of the statement of comprehensive income – this break-down is only required for certain nature expenses; and
  - for the first annual period of application of IFRS 18, a reconciliation for each line item in the statement of comprehensive income between the restated amounts presented by applying IFRS 18 and the amounts previously presented applying IAS 1.

The Bank will apply the new standard from its mandatory effective date of January 1, 2027. Retrospective application is required, and so the comparative information for the financial year ending June 30, 2027 will be restated in accordance with IFRS 18.

b) Amendments to IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments*: *Disclosure*

The IASB issued amendments to the Classification and Measurement of Financial Instruments to respond to recent questions arising in practice, and to include new requirements not only for financial institutions but also for corporate entities. These amendments:

- clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system;
- clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion;
- add new disclosures for certain instruments with contractual terms that can change cash flows (such as some financial instruments with features linked to the achievement of environment, social and governance targets); and
- update the disclosures for equity instruments designated at fair value through other comprehensive income (FVOCI).

The amendments to IFRS 9 and IFRS 7 will be effective for annual reporting periods beginning on or after January 1, 2026, with early application permitted subject to any endorsement process. Accordingly, for the Bank, these amendments will be applicable for the financial year ending June 30, 2027, unless early adopted. The Bank is still assessing the impact of the adoption of these amendments and does not expect these amendments to have a material impact on its operations or financial statements.

3. Critical accounting judgments and key sources of estimation uncertainty

Certain amounts included in or affecting the 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 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 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 ECL 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 the ECL allowance;
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.

Explanation of the inputs, assumptions and estimation techniques used in measuring the ECL allowance is further detailed in Note 31.

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

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 financial statements as discussed in Note 23.

Valuation of investment property

The Bank carries its investment property at fair value, with changes in fair value being recognised in the 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. Material accounting policies

(a) Revenue and expense recognition

Interest income and expense are recognised in the 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 (when the asset is not credit-impaired); or
- The amortised cost of the financial asset or financial liability (for credit-impaired financial assets and financial liabilities).

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), and to the amortised cost of the financial asset (when the asset is credit-impaired), and to the amortised cost of the financial 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 over time as the related services are performed and revenue related to transactions is recognised at a point in time when the transaction takes place. Other fees and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

4. Material accounting policies *(continued)*

(b) Cash and cash equivalents

For purposes of the 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 amounts due from banks and cash deposits with The Central Bank of The Bahamas less mandatory reserve deposit.

(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 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").

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 FVOCI. This election is made on an investment-by-investment basis.

4. Material accounting policies *(continued)*

(c) Financial instruments *(continued)*

Recognition and initial measurement *(continued)*

Classification *(continued)*

Financial assets *(continued)*

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.

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.

4. Material accounting policies *(continued)*

(c) Financial instruments *(continued)*

Assessment of whether contractual cash flows are SPPI (continued)

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.

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.

4. Material accounting policies *(continued)*

(c) Financial instruments *(continued)*

Modification (continued)

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise 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 an 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.

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.

4. Material accounting policies *(continued)*

(d) Impairment of financial assets *(continued)*

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 for collateralised financial assets considers the cash flows expected from foreclosure, adjusted for discounts based on the location of the collateral and the estimated costs and time to obtain and sell the collateral. Independent appraisers are engaged periodically and predominantly use the comparable sales approach to determine the fair value of the collateral.

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 29 days past due, but not credit-impaired, are classed as Stage 2.

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

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 the assessment of economic scenarios, tourism projections and those sectors impacted by the ongoing warfare in the Eastern hemisphere, and the resulting global economic fallout were considered as part of the forward-looking information (Note 31).

4. Material accounting policies *(continued)*

(d) Impairment of financial assets *(continued)*

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 89 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.

Charge-off of loans and advances

Loans that become 270 days past due and are unsecured is charged-off and recorded to an off-balance sheet loan account. Loans secured by real estate or tangible security are also charged-off at 270 days provided that all efforts have been exhausted to dispose of the underline collateral security. Credit cards are charged-off at 180 days past due.

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 impairment reversals, net in the 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.

(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

4. Material accounting policies *(continued)*

(e) Derecognition of financial assets and financial liabilities *(continued)*

Financial assets (continued)

- 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. Transactions in foreign currencies are converted to Bahamian dollar at the rates of exchange prevailing at the dates of the transactions. Foreign currency monetary assets and liabilities are converted to Bahamian dollar at rates of exchange prevailing on the reporting date.

4. Material accounting policies *(continued)*

(f) Foreign currency (continued)

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 statement of comprehensive income. Foreign currency differences arising on trading foreign currency assets and liabilities are generally recognised in the statement of comprehensive income.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at historical cost or amortised cost are translated at the exchange rates at the dates of the transactions.

(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 the asset is ready for its intended 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 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 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 statement of comprehensive income. The estimated useful lives are as follows:

Building	40-45 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 statement of comprehensive income.

4. Material 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 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 Board of 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 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.

4. Material 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 in other fiduciary capacities that result in the holding of assets on behalf of other parties. These assets and income arising therefrom are excluded from these 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 is 10%, charged on all goods and services that are not zero-rated or exempt as prescribed by the Value Added Tax Act. The Bank also pays business licence fees at a rate of 2.25% in accordance with the Business Licence Act, 2023, as amended.

(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. Changes in fair value are recognised in the statement of comprehensive income in the period in which they arise. The fair value is 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 statement of comprehensive income.

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.

(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.

4. Material accounting policies *(continued)*

(q) Deferred loan fees

Loan origination fees for loans that are likely to be drawn down are deferred and recognised as an adjustment to the effective interest rate on the loans. The Bank is presenting deferred loan fees under liabilities in the statement of financial position.

(r) 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 Board of Directors and Regulator. Dividends that are proposed and declared after the statement of financial position are disclosed as a subsequent event note to the 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.

(s) 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.

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.

4. Material accounting policies *(continued)*

(s) Leases (continued)

Lease liabilities (continued)

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

(t) Credit card rewards program

The Bank participates in the Visa MyRewards program in which customers accumulate points, which entitle the customers to goods and services provided by third parties. Revenue from the points is recognised when the points are redeemed. The amount of the revenue is estimated based on the number of points redeemed relative to the total number expected to be redeemed. A contract liability is recognised for the amount of the fair value of points expected to be redeemed until they are actually redeemed or expire.

(u) Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount reported in the 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, 2026 and 2025, there were no master netting agreements outstanding. Therefore, any related assets and liabilities are presented gross in the statement of financial position.

(v) 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 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 statement of comprehensive income and an ECL allowance.

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

4. Material accounting policies *(continued)*

(w) 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 statement of financial position. The Bank's operations, income and assets are all based in The Bahamas.

The Bank provides a range of retail and commercial banking products and services, including deposit-taking, consumer and commercial lending, credit and debit card services, treasury activities, and other ancillary banking services. These activities are conducted through an integrated business model and are subject to common regulatory oversight by the Central Bank of The Bahamas. The Bank's operations are managed, monitored and reported on a combined basis, with financial information being reviewed principally at the bank-wide level rather than by individual product or service line. Accordingly, management has concluded that the Bank has a single reportable segment.

In assessing segment reporting requirements, management considered whether retail banking activities, including lending, card services and deposit-taking, represent separate operating segments. Management concluded that these activities do not meet the definition of separate operating segments because separate financial information is not regularly reviewed for resource allocation and performance assessment purposes. Accordingly, no aggregation of operating segments was applied and the disclosure requirements relating to aggregation judgements are not applicable.

(x) Corresponding figures

Certain prior-year balances included within other assets, other liabilities, and accrued interest receivable on non-performing (impaired) loans and advances to customers, as disclosed in Notes 7 and 31, have been adjusted to conform with the presentation adopted in the current year.

5. Cash and cash equivalents

	2026	2025
	$	$
Cash	22,014,826	18,068,713
Deposits with the Central Bank, non-interest bearing (Note 25)	86,023,273	64,338,582
Cash and account with the Central Bank	108,038,099	82,407,295
Cash equivalents - Treasury Bills (Note 25)	81,520,633	54,847,210
Due from banks	124,421,802	76,736,877
Cash, cash equivalents and due from banks	313,980,534	213,991,382
Less: mandatory reserve deposits with the Central Bank	35,132,080	30,560,530
Cash and cash equivalents	278,848,454	183,430,852

5. Cash and cash equivalents *(continued)*

The statutory reserve account with The Central Bank of The Bahamas ("the Central Bank") of $35,132,080 (2025: $30,560,530) 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 statement of financial position, net of $5,647 (2025: $35,303) allowance for impairment losses and have maturity dates extending through to September 2026 (2025: August 2025).

6. Investment securities, net

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

	FVTPL	Amortised cost	Total
	$	$	$
Bahamas Registered Stock (Notes 25, 31)	-	108,976,850	108,976,850
Money Market Placements (Note 31)	-	38,300,000	38,300,000
Mutual Funds (Note 29)	15,113,114	-	15,113,114
Investment in Preference Shares	-	4,000,000	4,000,000
Accrued interest receivable (Notes 25, 31)	-	1,727,204	1,727,204
Less: Allowance for impairment loss (Notes 25, 31)	-	(345,533)	(345,533)
At June 30, 2026	**15,113,114**	**152,658,521**	**167,771,635**

	FVTPL	Amortised cost	Total
	$	$	$
Bahamas Registered Stock (Notes 25, 31)	-	104,947,613	104,947,613
Money Market Placements (Note 31)	-	9,600,218	9,600,218
Mutual Funds (Note 29)	10,067,448	-	10,067,448
Investment in Preference Shares	-	4,000,000	4,000,000
Accrued interest receivable (Notes 25, 31)	-	1,209,049	1,209,049
Less: Allowance for impairment loss (Notes 25, 31)	-	(673,712)	(673,712)
At June 30, 2025	**10,067,448**	**119,083,168**	**129,150,616**

6. Investment securities, net *(continued)*

As at year end, Bahamas Registered Stock are fixed and variable rate bonds tied to the Bahamian Dollar Prime Rate issued by The Bahamas Government with interest rates ranging from 3.55% to 5.65% per annum (2025: from 3.31% to 5.65% per annum) and scheduled maturities between 2026 and 2049 (2025: between 2025 and 2049). Money market placements have interest rates ranging from 3.35% to 3.75% per annum (2025: at 3.4% per annum) and scheduled maturities are in January 2027 and June 2027 (2025: June 2026).

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

	FVTPL	Amortised cost	Total
	$	$	$
At July 1, 2025	10,067,448	119,083,168	129,150,616
Additions	5,000,000	99,300,000	104,300,000
Maturities	-	(66,273,218)	(66,273,218)
Redemption of investment securities	(428,276)	-	(428,276)
Movement in fair value: investment at FVTPL (Note 20)	473,942	-	473,942
Discount amortisation	-	(297,763)	(297,763)
Movement in accrued interest receivable	-	518,155	518,155
Add: Impairment reversals (Notes 22, 25, 31)	-	328,179	328,179
At June 30, 2026	**15,113,114**	**152,658,521**	**167,771,635**

	FVTPL	Amortised cost	Total
	$	$	$
At July 1, 2024	10,069,370	123,066,446	133,135,816
Additions	-	41,600,218	41,600,218
Maturities	-	(45,491,200)	(45,491,200)
Redemption of investment securities	(394,933)	-	(394,933)
Movement in fair value: investment at FVTPL (Note 20)	393,011	-	393,011
Discount amortisation	-	(17,077)	(17,077)
Movement in accrued interest receivable	-	(314,613)	(314,613)
Add: Impairment reversals (Notes 22, 25, 31)	-	239,394	239,394
At June 30, 2025	**10,067,448**	**119,083,168**	**129,150,616**

7. Loans and advances to customers, net

Loans and advances to customers are as follows:

	2026	2025
	$	$
Mortgage residential loans	222,085,256	216,895,833
Mortgage commercial loans	4,389,647	4,454,953
Commercial loans	109,988,268	74,867,291
Consumer loans	258,846,608	211,448,973
Government (Note 25)	24,948,192	16,393,800
Credit cards	4,076,753	3,808,623
Business overdrafts	2,910,698	1,768,258
Personal overdrafts	473,354	170,943
	627,718,776	**529,808,674**

Provision for loan losses are as follows:

	2026	2025
	$	$
Less: Provision for loan losses		
At July 1	34,155,901	37,537,890
Amount written-off/charged-off	(8,966,317)	(4,723,929)
Recoveries	4,473,489	4,522,183
Impairment loss (reversals), net (Note 22)	2,903,246	(3,180,243)
At June 30	32,566,319	34,155,901
Accrued interest receivable, net (Note 25)	2,307,302	1,954,857
Loans and advances to customers, net	**597,459,759**	**497,607,630**

	2026	2025
	$	$
Provision for loan losses		
Mortgage residential loans	17,466,390	20,455,169
Mortgage commercial loans	230,964	352,811
Commercial loans and overdrafts	1,824,927	1,885,786
Consumer loans and overdrafts	12,745,146	10,977,192
Government (Note 25)	8,278	134,233
Credit and prepaid cards	290,614	350,710
Accrued interest receivable	196,528	187,655
	32,762,847	**34,343,556**

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.

	2026	2025
Provisions as a percentage of gross loan portfolio	5.19%	6.45%
Provisions as a percentage of net loan portfolio	5.48%	6.86%
Impaired loan provisions as a percentage of impaired loans	69.09%	73.30%

Non-performing (impaired) loans are as follows:

	2026	2025
	$	$
Mortgage residential loans	22,388,025	27,884,556
Mortgage commercial loans	240,611	472,858
Commercial loans and overdrafts	1,662,810	961,274
Consumer loans and overdrafts	7,222,997	7,119,326
Credit cards	28,104	16,737
Accrued interest receivable	206,330	206,803
	31,748,877	36,661,554
Percentage of loan portfolio (net)	5.31%	7.33%
Percentage of loan portfolio (gross)	5.04%	6.88%
Percentage of total assets	2.45%	3.46%

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

	2026		2025	
	$	$		$
Loan and Overdraft Balance Band	Value	No. of Loans and Overdrafts	Value	No. of Loans and Overdrafts
0 - 10,000	16,935,812	13,281	15,725,486	14,540
10,001 - 25,000	31,555,761	1,843	26,676,624	1,566
25,001 - 50,000	80,046,743	2,250	70,973,685	1,958
50,001 - 100,000	138,259,799	1,905	120,236,086	1,687
100,001 - 300,000	153,535,722	936	144,790,205	841
Over 300,000	207,384,939	191	151,406,588	146
	627,718,776	20,406	529,808,674	20,738

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

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

In ($000s)	2026 $	2025 $
Mortgage residential loans		
Neither past due nor impaired	161,851	157,177
Past due but not impaired	37,846	31,834
Impaired	22,388	27,884
	222,085	216,895
Mortgage commercial loans		
Neither past due nor impaired	2,636	3,384
Past due but not impaired	1,513	598
Impaired	241	473
	4,390	4,455
Commercial loans and overdrafts		
Neither past due nor impaired	105,728	72,853
Past due but not impaired	5,508	2,821
Impaired	1,663	961
	112,899	76,635
Consumer loans and overdrafts		
Neither past due nor impaired	237,301	191,269
Past due but not impaired	14,796	13,232
Impaired	7,223	7,119
	259,320	211,620
Government		
Neither past due nor impaired	24,948	16,394
Past due but not impaired	-	-
Impaired	-	-
	24,948	16,394
Credit cards		
Neither past due nor impaired	4,030	3,683
Past due but not impaired	19	109
Impaired	28	17
	4,077	3,809
Accrued interest receivable		
Neither past due nor impaired	1,825	1,576
Past due but not impaired	472	361
Impaired	206	206
	2,503	2,143

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

2026, In ($000s)	Principal	Restructured	Total
	$	$	$
Mortgage residential loans	188,513	33,572	222,085
Mortgage commercial loans	3,815	575	4,390
Commercial loans and overdrafts	87,129	25,770	112,899
Consumer loans and overdrafts	251,770	7,550	259,320
Government	24,948	-	24,948
Credit cards	4,077	-	4,077
	560,252	67,467	627,719

2025, In ($000s)	Principal	Restructured	Total
	$	$	$
Mortgage residential loans	184,322	32,573	216,895
Mortgage commercial loans	3,981	474	4,455
Commercial loans and overdrafts	49,733	26,902	76,635
Consumer loans and overdrafts	204,931	6,689	211,620
Government	16,394	-	16,394
Credit cards	3,809	-	3,809
	463,170	66,638	529,808

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

	2026						
In ($000s)	Mortgage Residential	Mortgage Commercial	Commercial and overdrafts	Consumer and overdrafts	Credit Card	Accrued interest receivable	Total
	$	$	$	$	$	$	$
Past due 1 to 29 days	33,131	1,512	4,738	11,878	-	268	51,527
Past due 30 - 59 days	4,081	1	160	2,010	19	171	6,442
Past due 60 - 89 days	634	-	610	908	-	33	2,185
	37,846	1,513	5,508	14,796	19	472	60,154

	2025						
In ($000s)	Mortgage Residential	Mortgage Commercial	Commercial and overdrafts	Consumer and overdrafts	Credit Card	Accrued Interest receivable	Total
	$	$	$	$	$	$	$
Past due 1 to 29 days	29,916	598	2,818	11,474	-	252	45,058
Past due 30 - 59 days	1,296	-	2	1,172	74	88	2,632
Past due 60 - 89 days	622	-	1	586	35	21	1,265
	31,834	598	2,821	13,232	109	361	48,955

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 early during the fiscal year ended June 30, 2018.

During fiscal year ended 2018, the Bank sold to Resolve another portfolio of non-performing loans with an 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 and forms a part of the Bank's regulatory capital. An additional $0.4 million in fees and charges were recognised in Special Retained Earnings. Special Retained Earnings is considered as a reserve, non-distributable and are not available for the declaration of dividends to shareholders. The reserve will be transferred to regular retained earnings and become available for distribution only when the related restrictions cease to apply such as upon the settlement or realization of the underlying assets or release of all related obligations of the note receivable. 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 at the end of February and August. In December 2024, the interest rate was changed to 3.25% with semi-annual interest payment at the end of February and August.

During fiscal year June 2023, the original maturity date of August 31, 2022 was extended by two years along with changes to the interest rate and payment terms. In September 2023, the interest rate was changed to 3% with semi-annual interest payment at the end of February and August. In December 2024, the maturity date was further extended to August 31, 2027 and interest fixed at 3.25% with semi-annual interest payment at the end of February and August along with annual principal payments of $2.0 million commencing from November 30, 2025. During the year, early principal payments of $2.3 million were received.

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.

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

	2026	2025
	$	$
Note receivable (Notes 25, 31)	164,409,343	166,687,490
Accrued interest receivable (Notes 25)	1,764,788	1,811,266
Less: Allowance for impairment loss (Note 25)	(160,445)	(1,661,244)
At June 30	**166,013,686**	**166,837,512**

The movements in the note receivable are as follows:

	2026	2025
	$	$
Balance as at July 1	166,687,490	167,700,000
Principal payments	(2,278,147)	(1,012,510)
Balance as at June 30	**164,409,343**	**166,687,490**

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 $7,112,000 as at June 30, 2026 (2025: $6,744,000) is based on the independent valuation from the appraisal performed in April 2026. Management has assessed that this valuation continues to appropriately reflect fair value at the reporting date.

The movement of Investment property during the year is as follows:

	2026	2025
	$	$
Balance as at July 1	6,744,000	6,744,000
Revaluation gains (Note 20)	368,000	-
Balance as at June 30	**7,112,000**	**6,744,000**

9. Investment property *(continued)*

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 $1,265,000 per acre. Increases in sales prices would result in an increase in fair value, while decreases would result in a reduction in fair value. A 10% increase or decrease in sales prices would result in an increase of $708,000 (2025: $674,000) or a decrease of $713,000 (2025: $674,000), respectively, in the fair value of the investment property.

10. Other assets

	2026	2025
	$	$
Prepaid assets	9,337,514	8,831,111
Cheques and other items in transit, net	6,208,968	1,839,008
Accounts receivable	1,310,442	1,924,349
Other assets	412,558	444,374
	17,269,482	**13,038,842**

Included in accounts receivable is $0.8 million (2025: $1.0 million) of real property taxes with corresponding accounts payable (Notes 15 and 25). The accounts receivable is presented net of $156,773 (2025: $17,500) allowance for impairment losses. Included in Cheques and other items in transit, net is a balance for cheque clearing of $1,627,539 (2025: $197,653) and suspense items of $1,746,185 (2025: $2,813,304) with a provision allowance of $Nil (2025: $Nil). Included in other assets are the Bank's investments in the Bahamas Automated Clearing House Limited in the amount of $209,004 (2025: $197,034) and a balance for suspense items of $25,727 (2025: $29,763).

11. Property and equipment, net

	Land and Building	Leasehold Improvements	Furniture, Fixtures and Equipment	Work in Progress	Total
	$	$	$	$	$
Cost					
Balance as at June 30, 2024	3,778,889	5,790,176	16,809,550	1,730,301	28,108,916
Additions	6,688,688	24	463,455	1,398,391	8,550,558
Disposals/write-offs	-	-	(7,336)	-	(7,336)
Transfers	-	220,100	1,561,159	(1,781,259)	-
Balance as at June 30, 2025	10,467,577	6,010,300	18,826,828	1,347,433	36,652,138
Additions	-	-	472,189	1,169,751	1,641,940
Disposals/write-offs	-	-	(138,631)	-	(138,631)
Transfers	-	82,596	708,546	(791,142)	-
Balance as at June 30, 2026	**10,467,577**	**6,092,896**	**19,868,932**	**1,726,042**	**38,155,447**
Accumulated Depreciation					
Balance as at June 30, 2024	863,996	5,589,161	11,763,758	-	18,216,915
Depreciation (Note 21)	96,491	100,528	1,958,016	-	2,155,035
Disposals/write-offs	-	-	(7,336)	-	(7,336)
Balance as at June 30, 2025	960,487	5,689,689	13,714,438	-	20,364,614
Depreciation (Note 21)	157,925	119,589	2,011,057	-	2,288,571
Disposals/write-offs	-	-	(129,575)	-	(129,575)
Balance as at June 30, 2026	**1,118,412**	**5,809,278**	**15,595,920**	**-**	**22,523,610**
Net book value:					
Balance as at June 30, 2026	**9,349,165**	**283,618**	**4,273,012**	**1,726,042**	**15,631,837**
Balance as at June 30, 2025	**9,507,090**	**320,611**	**5,112,390**	**1,347,433**	**16,287,524**

Land in the amount of $1,586,474 (2025: $1,586,474) is included in land and building.

12. Right-of-use assets and lease liabilities

	Right-of-use assets	Lease liabilities
	$	$
July 1, 2025	5,207,497	5,363,242
Additions / Renewals	2,065,404	2,065,404
Depreciation expense (Note 21)	(2,034,550)	-
Interest expense (Note 18)	-	200,657
Lease payments	-	(2,251,706)
June 30, 2026	**5,238,351**	**5,377,597**

	Right-of-use assets	Lease liabilities
	$	$
July 1, 2024	4,186,746	4,574,180
Additions / Renewals	3,024,393	3,024,393
Depreciation expense (Note 21)	(2,003,642)	-
Interest expense (Note 18)	-	186,553
Lease payments	-	(2,421,884)
June 30, 2025	**5,207,497**	**5,363,242**

The Bank has elected to apply the short-term lease recognition exemption permitted by IFRS 16 for leases that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option. Lease payments associated with such arrangements are recognised as an expense in profit or loss on a straight-line basis over the lease term. During the year, the Bank recognised short-term lease expense of $278,796 (2025: $146,535).

During the year, management finalised plans to relocate certain of the Bank's operations to a new office location. To facilitate the transition, the Bank anticipates utilizing its existing premises under short-term lease arrangements that qualify for the recognition exemption under IFRS 16. Consequently, management expects short-term lease expenses to increase in the period immediately preceding the relocation and subsequently reduce once the Bank occupies its permanent premises.

As at June 30, 2026, the current portion of the lease liabilities amounted to $1,849,133 (2025: $1,494,667). In the statement of cash flows, the total cash outflow for leases amounted to $2,051,049 (2025: $2,235,331).

13. Computer software, net

	Computer software	Work in Progress	Total
	$	$	$
Cost			
Balance as at June 30, 2024	12,792,862	614,395	13,407,257
Additions	27,712	2,255,835	2,283,547
Transfers	305,378	(305,378)	-
Balance as at June 30, 2025	13,125,952	2,564,852	15,690,804
Additions	-	1,127,116	1,127,116
Transfers	3,272,073	(3,272,073)	-
Balance as at June 30, 2026	**16,398,025**	**419,895**	**16,817,920**
Accumulated Amortisation			
Balance as at June 30, 2024	8,243,533	-	8,243,533
Amortisation (Note 21)	1,895,768	-	1,895,768
Balance as at June 30, 2025	10,139,301	-	10,139,301
Amortisation (Note 21)	1,746,808	-	1,746,808
Balance as at June 30, 2026	**11,886,109**	**-**	**11,886,109**
Net book value:			
Balance as at June 30, 2026	**4,511,916**	**419,895**	**4,931,811**
Balance as at June 30, 2025	**2,986,651**	**2,564,852**	**5,551,503**

As at June 30, 2026, computer software included the Bank's previous core banking platform, implemented in 2020 at an original cost of $3,911,953, which was fully amortised. During the year, the Bank capitalised directly attributable costs of $2,621,376 relating to the implementation and upgrade of its core banking system. The upgraded system became available for use in May 2026 and is being amortised over an estimated useful life of 6.5 years.

Following the implementation, the Bank experienced temporary service disruptions and operational challenges affecting certain customer-facing banking services. These disruptions required additional efforts to restore and stabilise services.

14. Deposits from customers and banks

	2026	2025
	$	$
Term deposits	242,069,964	231,759,072
Demand deposits	487,473,194	327,508,703
Savings accounts	282,243,751	238,772,783
	1,011,786,909	798,040,558
Accrued interest payable	1,335,305	1,493,024
	1,013,122,214	**799,533,582**

As at June 30, 2026, the deposits from banks amounted to $218,393 (2025: $2,133,783).

14. Deposits from customers and banks *(continued)*

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

			2026		2025	
			$	$		$
		Deposit Balance Band	Value	No. of Deposits	Value	No. of Deposits
0	-	25,000	109,402,772	80,540	103,155,665	101,361
25,001	-	100,000	110,627,876	2,298	101,905,367	2,122
100,001	-	500,000	163,968,960	803	145,456,093	735
500,001	-	1,000,000	67,568,592	101	72,525,268	110
Over		1,000,000	560,218,709	148	374,998,165	124
			1,011,786,909	**83,890**	**798,040,558**	**104,452**

In 1999, The Central Bank established the Deposit Insurance Corporation (the "Corporation"). The Bank paid an annual premium of $590,481 (2025: $551,029) 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

	2026	2025
	$	$
Cheques and other items in transit	10,502,888	8,590,289
Accounts payable	6,096,505	4,685,542
Cardholders liability	3,326,208	3,236,678
Deferred revenue	101,077	113,642
	20,026,678	**16,626,151**

Included in Cheques and other items in transit is a balance for suspense items of $383,260 (2025: $963,069). Included in Accounts payable is a balance for suspense items of $875,728 (2025: $Nil)

16. Share capital

	2026	2025
	$	$
Authoried:		
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
	43,194,515	**43,194,515**

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 $15,000,000 and $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.

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.

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.

16. Share capital *(continued)*

Voting common shares (continued)

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 $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.

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, 2026 and 2025	235,021	$1,318,224

18. Net interest income

	2026	2025
	$	$
Interest and similar income		
Interest income calculated using the effective interest method:		
Loans and advances to customers	45,524,960	39,094,108
Notes receivable	5,349,526	5,230,711
Investment securities	5,099,317	4,784,048
Cash and short term investments	4,337,535	4,590,659
	60,311,338	53,699,526
Interest and similar expense		
Banks and customers	(4,153,977)	(4,160,731)
Lease liabilities (Note 12)	(200,657)	(186,553)
	(4,354,634)	(4,347,284)
Total net interest income	**55,956,704**	**49,352,242**

19. Fees and commission income

	2026	2025
	$	$
Card services fees and commission	7,981,222	7,856,501
Deposit services fees and commission	7,139,914	5,667,281
Credit services fees and commission	710,364	205,303
Other fees and commission	562,343	590,561
Total fees and commission income	**16,393,843**	**14,319,646**

20. Other operating income

	2026	2025
	$	$
Foreign exchange	3,703,773	3,710,317
Revaluation gain on investment securities (Note 6)	473,942	393,011
Revaluation gain on investment property (Note 9)	368,000	-
Other	579,881	960,852
Total other operating income	**5,125,596**	**5,064,180**

21. Operating expenses

	2026	2025
	$	$
Staff costs (Note 26)	23,252,110	23,175,812
Licenses and other fees	7,342,268	7,183,500
Information technology	5,579,182	4,295,144
Occupancy	3,093,674	2,984,370
Other administrative expenses	2,748,096	2,591,246
Telecommunication and postage	608,267	648,299
Advertising, marketing and donations	386,589	341,895
Travel and entertainment	259,629	308,099
Reversal for legal provision (Note 23)	-	(6,874,132)
Operating expenses before depreciation and amortisation	43,269,815	34,654,233
Depreciation of property and equipment (Note 11)	2,288,571	2,155,035
Depreciation of right-of-use assets (Note 12)	2,034,550	2,003,642
Amortisation of software (Note 13)	1,746,808	1,895,768
Depreciation and amortisation	6,069,929	6,054,445
Total operating expenses	**49,339,744**	**40,708,678**

Audit fees for the financial statements the year ended June 30, 2026 amounted to $395,000 (2025: $391,000). Audit related fees amounted to $35,000 (2025: $31,000). Other fees to the auditor and related network firms for non-assurance services amounted to $25,000 (2025: $25,000).

22. Impairment losses, net

	2026	2025
	$	$
Loans and advances to customers, net (Notes 7, 25)	2,903,246	(3,180,243)
Note receivable (Notes 8, 25)	(1,500,799)	754,806
Investment securities (Notes 6, 25)	(328,179)	(239,394)
Cash equivalents - Treasury Bills (Note 5, 25)	(29,655)	(22,450)
Other assets (Note 10)	-	(259,939)
Impairment losses/(reversals) during the year	1,044,613	(2,947,220)

23. 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 recorded provision of $6.9 million in respect of a legal claim arising from a judgment in default. The Bank subsequently successfully defended the matter through the various stages of the proceedings. The plaintiffs' attempts to pursue further appeal were ultimately withdrawn, and in February 2025 the Bank reversed the previously recorded provision of $6.9 million (Notes 15 and 21).

Management considers that adequate provision has been made in these financial statements for any loss that might ultimately be determined (Note 3).

24. Commitments

The commitments for loans and advances at June 30, 2026 were $94,079,329 (2025: $28,652,179). The allowance for impairment loss as at June 30, 2026 amounted to $26,186 (2025: $10,336).

The Bank has a commitment for future capital expenditure of $2,806,865 (2025: $544,571).

The Bank has letters of credit and guarantees outstanding of $6,223,119 (2025: $3,593,119). The allowance for impairment loss as at June 30, 2026 amounted to $10,513 (2025: $8,350).

25. Balances and transactions with related parties

	Government	Government Entities	Key Management	Total 2026	Total 2025
	$	$	$	$	$
Assets					
Deposits with the Central Bank (Note 5)	-	86,023,273	-	86,023,273	64,338,582
Treasury bills, net (Note 5)	81,514,986	-	-	81,514,986	54,811,907
Investment securities, net (Note 6)	110,247,776	-	-	110,247,776	105,482,951
Loans and advances to customers, net (Note 7)	25,162,116	-	1,733,852	26,895,968	18,518,845
Note receivable, net (Note 8)	-	166,013,686	-	166,013,686	166,837,512
Right-of-use assets, net (Note 12)	687,200	-	-	687,200	184,055
Other assets	1,719,881	2,229,636	-	3,949,517	926,147
Total	**219,331,959**	**254,266,595**	**1,733,852**	**475,332,406**	**411,099,999**
Liabilities					
Deposits from customers and banks	63,915,959	93,534,188	801,744	158,251,891	198,732,614
Lease liabilities (Note 12)	694,160	-	-	694,160	394,867
Deferred loan fees	-	-	-	-	-
Other liabilities	3,689,210	879	-	3,690,089	3,347,783
Total	**68,299,329**	**93,535,067**	**801,744**	**162,636,140**	**202,475,264**
Revenues					$
Interest Income	7,674,183	5,351,653	78,448	13,104,284	13,389,488
Fees and commission income	660,363	-	-	660,363	344,418
Total	**8,334,546**	**5,351,653**	**78,448**	**13,764,647**	**13,733,906**
Expenses and Impairment losses					
Interest expense	103,646	335,349	979	439,974	388,377
Directors fees	-	-	294,584	294,584	292,443
Impairment (reversals)/loss	(700,344)	(1,500,799)	-	(2,201,143)	341,627
Other operating expenses	3,125,997	5,992,657	-	9,118,654	8,572,739
Short-term employee benefits	-	-	3,414,664	3,414,664	3,248,792
Pension expense	-	-	179,641	179,641	162,038
Total	**2,529,299**	**4,827,207**	**3,889,868**	**11,246,374**	**13,006,016**
Loan commitments, credit lines and guarantees	**-**	**2,535,000**	**-**	**2,535,000**	**-**

25. Balances and transactions with related parties *(continued)*

The allowance for impairment loss against any of the related party balances as at June 30, 2026 amounted to $217,860 (2025: $2,419,003).

26. 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. Effective June 6, 2024, the Trustees appointed a corporate trustee to manage the assets of the Plan. Contributions for the year ended June 30, 2026 totaled $892,849 (2025: $864,766) recorded as staff costs (Note 21).

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

27. Assets under administration

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

	2026	2025
	$	$
Government guaranteed hurricane relief loans	3,193,645	3,234,639

The Bank recognised fees totaling $347,083 (2025: $48,009) for the administration of the Government Guaranteed Hurricane Relief Loans program.

28. 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. During the current year, the Bank declared a dividend of $0.03 per share for shareholders of record on November 10, 2025, which was paid on November 13, 2025, in the amount of $1,288,785. The Bank subsequently declared additional dividends of $0.03 per share for shareholders of record on March 17, 2026 and May 29, 2026, which were paid on March 26, 2026 and June 19, 2026, respectively, in the amount of $1,288,785 for each declaration. In the prior year, the Bank declared dividends of $0.02 per share for shareholders of record in November 2024 and May 2025, in the amount of $859,190 for each declaration.

	2026	2025
	$	$
Net income attributable to ordinary shareholders	26,722,787	30,554,790
Weighted average number of ordinary shares outstanding	42,959,494	42,959,494
Basic earnings per ordinary share	0.62	0.71
Dividends per ordinary share	0.09	0.04

29. Fair value of assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

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.

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 and have been classified as Level 2.

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. The Bank's debt investments are subsequently measured at amortised cost and are tied to the Bahamian Dollar Prime Rate issued by The Central Bank of The Bahamas and the Bahamian Dollar Prime rate had not experienced any changes since January 2017 therefore the carrying values of these financial instruments approximate their fair values. The debt securities are classified as Level 2 and there were no transfers made during the year for any investments between the hierarchies.

As of June 30, 2026, the Bank held mutual funds as FVTPL totaling $15,113,114 (2025: $10,067,448). The estimated fair values are determined based on the net asset value and are classified as Level 2 investment (Notes 6 and 31) and there were no transfers made during the year for any investments between the hierarchies.

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

Loan and advances to customers

Loans and advances to customers bear interest at variable rates tied to the Bahamian Dollar Prime Rate and are therefore subject to re-pricing based on periodic changes to market interest rates. As such, fair values are assumed to be equal to their carrying values and are disclosed in Note 7. Loans and advances have been classified as Level 3 and the risk adjusted discount rate was used as unobservable inputs to value these loans.

Deposits from customers and banks

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 deposits from customers approximate their carrying values and are disclosed in Note 14. Deposits from customers and banks have been classified as Level 3 and the risk adjusted discount rate was used as unobservable inputs to value these deposits.

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 have 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).

Note receivable

Note receivable which has no comparable instruments or valuation inputs, and, therefore, require significant unobservable market inputs, are classified as Level 3. The fair value of note receivable is estimated using discounted cash flow techniques, applying the Bahamian $ Prime Rate and terms and approximate its fair values is $166 million.

30. Regulatory capital

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 17% (2025: 18%) and the leverage ratio must be at least 6%. During the current year, the Central Bank removed the Pillar II add-on capital charge imposed on the Bank in 2016. Accordingly, the Bank's minimum capital requirement reverted to 17% effective May 2026. The Bank remains compliant with total regulatory capital at 40.3% as at June 30, 2026 (2025: 41.8%) and a leverage ratio of 17.8% as at June 30, 2026 (2025: 20.6%).

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, 2026 and 2025, the Bank was compliant with all of the externally imposed capital ratio requirements.

30. Regulatory capital (continued)

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 maximise 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 statement of financial position. The capital mix is intended to maximise the return for shareholders. The Bank utilises equity issuances to achieve an ideal capital structure.

At June 30, 2026 and 2025, 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.

31. 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.

31. Risk management *(continued)*

Credit risk *(continued)*

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 collateralised 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 the Bank approved independent appraisers and adequately insured for the full replacement value, where possible.

The Bank assesses credit exposure on loans by utilising risk ratings. The ratings are categorised 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.

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.

31. Risk management *(continued)*

Credit risk *(continued)*

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

	2026	2025
In ($000s)	$	$
Cash, cash equivalents and due from banks (Note 5)		
Neither past due nor impaired	291,966	195,923
Investment securities (Note 6)		
Neither past due nor impaired	151,277	118,548
Accrued interest receivable	1,727	1,209
	153,004	119,757
Loans and advances to customers (Note 7)		
Neither past due nor impaired	536,494	444,760
Past due but not impaired	59,682	48,594
Impaired	31,543	36,454
Accrued interest receivable	2,503	1,955
	630,222	531,763
Note receivable (Note 8)		
Neither past due nor impaired	164,409	166,687
Accrued interest receivable	1,765	1,811
	166,174	168,498
Loan commitments, credit lines and guarantees (Note 24)		
Neither past due nor impaired	100,302	32,245

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.

31. Risk management *(continued)*

Credit risk *(continued)*

Expected Credit Loss Measurement *(continued)*

- 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.

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.

31. Risk management *(continued)*

Credit risk *(continued)*

***Incorporation of forward-looking information** (continued)*

The weighting assigned to each economic scenario as at June 30, 2026 was as follows:

	2026		
	Base scenario	**Upside scenario**	**Downside scenario**
Sovereign exposures (Investments and Note Receivable)	91.00%	8.00%	1.00%
Loans and advances to customers	90.00%	9.00%	1.00%

The weighting assigned to each economic scenario as at June 30, 2025 was as follows:

	2025		
	Base scenario	**Upside scenario**	**Downside scenario**
Sovereign exposures (Investments and Note Receivable)	91.00%	8.00%	1.00%
Loans and advances to customers	90.00%	9.00%	1.00%

The provision for loan losses reflects the Bank's economic outlook as of June 30, 2026. The tourism sector is expected to continue expanding at a steady pace in 2026, building on the growth recorded in the previous year. Performance is anticipated to remain resilient, supported by continued strength in the higher value-added stopover market and sustained growth in the cruise industry. Labour market conditions are also expected to improve during the year. Notwithstanding this positive outlook, several downside risks remain. Stopover demand from the United States continues to face uncertainty arising from global tariff policies, ongoing geopolitical tensions in Eastern Europe, and the conflict in the Middle East. Additionally, higher energy prices could dampen near-term travel demand. Despite these risks, the International Monetary Fund (IMF) has projected real economic growth of 2.1% for The Bahamas in 2026, representing an upward revision from its previous forecast.

The Bank considered for its loan portfolio the appropriate macroeconomic factor to be The Bahamas' unemployment rate. Management applied a uniform unemployment rate to the entire portfolio.

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 forecasted moderated growth of the economy.

Base Case Scenario

The Bank utilised the most recent Bahamas National Statistical Institute unemployment rate for its base scenario. Management considered this assumption reasonable, as it is derived from local statistical data and reflects the moderate growth observed in the economy.

31. Risk management *(continued)*

Credit risk *(continued)*

***Incorporation of forward-looking information** (continued)*

Upside Scenario

The Bank determined that the upside scenario would be the IMF's 3-year predicted unemployment rate for (2027 to 2029). Management considered this reasonable with limited forecast data available.

Downside Scenario

The Bank considered the IMF's 3-year unemployment rate average for the years (2022, 2023 & 2025) for the downside scenario. Management utilised this data as it represented the highest unemployment rate excluding the pandemic years 2020 and 2021.

Unemployment Rate	2026	2025
	Total Portfolio	Total Portfolio
Base	9.3%	9.3%
Upside	9.1%	9.1%
Downside	10.1%	10.1%

Maximum Exposure to Credit Risk

For financial assets recognised on the 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 24. The following table contains an analysis of the credit risk exposure of financial assets for which an ECL allowance is recognised. The 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 2026
	$	$	$	$
Loans and accrued interest receivable	531,819,893	58,192,175	31,244,210	621,256,278
Overdrafts and accrued interest receivable	2,782,842	1,836,500	270,233	4,889,575
Credit cards	3,042,281	1,006,368	28,104	4,076,753
Less: Allowance for impairment	(7,794,171)	(3,034,766)	(21,933,910)	(32,762,847)
	529,850,845	58,000,277	9,608,637	597,459,759
Loan commitments, credit lines and guarantees, net	100,302,448	-	-	100,302,448
Note receivable, net	-	166,013,686	-	166,013,686
Investment securities, net	128,962,816	23,695,705	-	152,658,521

31. Risk management *(continued)*

Credit risk *(continued)*

Maximum Exposure to Credit Risk (continued)

	Stage 1	Stage 2	Stage 3	Total 2025
	$	$	$	$
Loans and accrued interest receivable	442,887,838	46,921,836	36,314,951	526,124,625
Overdrafts and accrued interest receivable	1,796,274	98,601	123,062	2,017,937
Credit cards	2,437,541	1,354,345	16,737	3,808,623
Less: Allowance for impairment	(7,350,752)	(2,671,516)	(24,321,287)	(34,343,555)
	439,770,901	45,703,266	12,133,463	497,607,630
Loan commitments, credit lines and guarantees, net	32,245,298	-	-	32,245,298
Note receivable, net	-	166,837,512	-	166,837,512
Investment securities, net	70,003,620	49,079,548	-	119,083,168

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.

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;

31. Risk management *(continued)*

Credit risk *(continued)*

***Movement in Impairment Allowances by Stage** (continued)*

- 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.

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 2026	Total 2025
	$	$	$	$	$
Investment securities at at amortised cost:					
Gross carrying amount	129,289,988	23,714,066	-	153,004,054	119,756,880
Loss allowance	(327,172)	(18,361)	-	(345,533)	(673,712)
Carrying amount	128,962,816	23,695,705	-	152,658,521	119,083,168

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total 2026	Total 2025
	$	$	$	$	$
Investment securities at amortised cost:					
Gross carrying amount as at July 1, 2025	70,262,206	49,494,674	-	119,756,880	123,979,551
Transfers:					
Transfer from Stage 1 to Stage 2	-	-	-	-	-
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	100,167,922	-	-	100,167,922	41,815,782
Financial assets fully derecognised during the year	(41,191,861)	(25,931,740)	-	(67,123,601)	(46,914,393)
Changes in principal and interest	51,721	151,132	-	202,853	875,940
Gross carrying amount as at June 30, 2026	129,289,988	23,714,066	-	153,004,054	119,756,880

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total 2026	Total 2025
	$	$	$	$	$
Investment securities at amortised cost:					
Loss allowance as at July 1, 2025	258,586	415,125	-	673,711	913,105
Transfers:					
Transfer from Stage 1 to Stage 2	-	-	-	-	-
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	318,889	-	-	318,889	173,178
Financial assets fully derecognised during the year	(142,321)	(59,636)	-	(201,957)	(163,689)
Changes to inputs used in ECL calculation	(108,731)	(337,128)	-	(445,859)	(248,882)
Foreign exchange adjustment	749	-	-	749	-
Loss allowance as at June 30, 2026	327,172	18,361	-	345,533	673,712

31. Risk management *(continued)*

Credit risk *(continued)*

Mortgage residential and mortgage commercial loans					
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total 2026**	**Total 2025**
	$	$	$	$	$
Loans and advances to customers at amortised cost:					
Gross carrying amount	190,164,040	14,329,015	22,628,637	227,121,692	221,956,720
Loss allowance	(1,062,782)	(988,597)	(15,686,717)	(17,738,096)	(20,840,535)
Carrying amount	189,101,258	13,340,418	6,941,920	209,383,596	201,116,185

	Stage 1 12-month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total 2026**	**Total 2025**
	$	$	$	$	$
Loans and advances to customers at amortised cost:					
Gross carrying amount as at July 1, 2025	184,084,749	9,514,557	28,357,414	221,956,720	197,893,354
Transfers:					
Transfer from Stage 1 to Stage 2	(6,715,531)	6,715,531	-	-	-
Transfer from Stage 1 to Stage 3	(722,359)	-	722,359	-	-
Transfer from Stage 2 to Stage 1	679,160	(679,160)	-	-	-
Transfer from Stage 2 to Stage 3	-	(523,278)	523,278	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-	-
Transfer from Stage 3 to Stage 2	-	472,877	(472,877)	-	-
New financial assets originated or purchased	30,806,286	-	-	30,806,286	45,329,925
Financial assets fully derecognised during the year	(12,182,008)	(321,266)	(6,705,088)	(19,208,362)	(18,093,446)
Changes in principal and interest	(5,786,257)	(850,246)	203,551	(6,432,952)	(3,173,113)
Gross carrying amount as at June 30, 2026	190,164,040	14,329,015	22,628,637	227,121,692	221,956,720

	Stage 1 12-month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total 2026**	**Total 2025**
	$	$	$	$	$
Loans and advances to customers at amortised cost:					
Loss allowance as at July 1, 2025	1,551,390	763,118	18,526,027	20,840,535	25,066,026
Transfers:					
Transfer from Stage 1 to Stage 2	(262,558)	262,558	-	-	-
Transfer from Stage 1 to Stage 3	(2,045)	-	2,045	-	-
Transfer from Stage 2 to Stage 1	56,763	(56,763)	-	-	-
Transfer from Stage 2 to Stage 3	-	(52,759)	52,759	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-	-
New financial assets originated or purchased	52,249	-	-	52,249	101,758
Financial assets fully derecognised during the year	(132,892)	(75,855)	(4,100,444)	(4,309,191)	(2,563,266)
Changes to inputs used in ECL calculation	(231,817)	104,565	603,887	476,635	(2,580,421)
Unwinding of discount	31,692	43,733	602,443	677,868	816,438
Loss allowance as at June 30, 2026	1,062,782	988,597	15,686,717	17,738,096	20,840,535

31. Risk management *(continued)*

Credit risk *(continued)*

Commercial loans, overdrafts and Government					
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total 2026**	**Total 2025**
	$	$	$	$	$
Loans and advances to customers at amortised cost:					
Gross carrying amount	94,127,512	42,566,916	1,662,810	138,357,238	93,424,486
Loss allowance	(420,233)	(693,096)	(720,148)	(1,833,477)	(2,024,256)
Carrying amount	93,707,279	41,873,820	942,662	136,523,761	91,400,230

	Stage 1 12-month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total 2026**	**Total 2025**
	$	$	$	$	$
Loans and advances to customers at amortised cost:					
Gross carrying amount as at July 1, 2025	56,742,098	35,721,114	961,274	93,424,486	83,879,313
Transfers:					
Transfer from Stage 1 to Stage 2	(14,264,280)	14,264,280	-	-	-
Transfer from Stage 1 to Stage 3	(764,395)	-	764,395	-	-
Transfer from Stage 2 to Stage 1	-	-	-	-	-
Transfer from Stage 2 to Stage 3	-	(362)	362	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-	-
Transfer from Stage 3 to Stage 2	-	35	(35)	-	-
New financial assets originated or purchased	40,101,765	-	-	40,101,765	18,909,643
Financial assets fully derecognised during the year	(3,124,385)	(93,614)	(13,865)	(3,231,864)	(5,990,281)
Changes in principal and interest	15,436,709	(7,324,537)	(49,321)	8,062,851	(3,374,189)
Gross carrying amount as at June 30, 2026	94,127,512	42,566,916	1,662,810	138,357,238	93,424,486

	Stage 1 12-month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total 2026**	**Total 2025**
	$	$	$	$	$
Loans and advances to customers at amortised cost:					
Loss allowance as at July 1, 2025	438,223	1,027,822	558,211	2,024,256	2,799,801
Transfers:					
Transfer from Stage 1 to Stage 2	(188,708)	188,708	-	-	-
Transfer from Stage 1 to Stage 3	(28,956)	-	28,956	-	-
Transfer from Stage 2 to Stage 1	-	-	-	-	-
Transfer from Stage 2 to Stage 3	-	(22)	22	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-	-
Transfer from Stage 3 to Stage 2	-	35	(35)	-	-
New financial assets originated or purchased	125,811	-	-	125,811	112,708
Financial assets fully derecognised during the year	(6,731)	(5,622)	(13,865)	(26,218)	(212,430)
Changes to inputs used in ECL calculation	65,703	(574,933)	142,032	(367,198)	(765,284)
Unwinding of discount	14,891	57,108	4,827	76,826	89,461
Loss allowance as at June 30, 2026	420,233	693,096	720,148	1,833,477	2,024,256

31. Risk management *(continued)*

Credit risk *(continued)*

	Consumer loans, overdrafts and credit cards				
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total 2026**	**Total 2025**
	$	$	$	$	$
Loans and advances to customers at amortised cost:					
Gross carrying amount	253,353,464	4,139,113	7,251,099	264,743,676	216,569,980
Loss allowance	(6,311,156)	(1,353,073)	(5,527,046)	(13,191,275)	(11,478,764)
Carrying amount	247,042,308	2,786,040	1,724,053	251,552,401	205,091,216

	Stage 1 12-month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total 2026**	**Total 2025**
	$	$	$	$	$
Loans and advances to customers at amortised cost:					
Gross carrying amount as at July 1, 2025	206,294,806	3,139,111	7,136,063	216,569,980	157,448,449
Transfers:					
Transfer from Stage 1 to Stage 2	(2,587,084)	2,587,084	-	-	-
Transfer from Stage 1 to Stage 3	(4,210,350)	-	4,210,350	-	-
Transfer from Stage 2 to Stage 1	467,462	(467,462)	-	-	-
Transfer from Stage 2 to Stage 3	-	(430,199)	430,199	-	-
Transfer from Stage 3 to Stage 1	84,480	-	(84,480)	-	-
Transfer from Stage 3 to Stage 2	-	9,218	(9,218)	-	-
New financial assets originated or purchased	95,160,456	-	-	95,160,456	101,064,055
Financial assets fully derecognised during the year	(28,787,430)	(1,593,497)	(4,499,144)	(34,880,071)	(33,220,034)
Changes in principal and interest	(13,068,876)	894,858	67,329	(12,106,689)	(8,722,490)
Gross carrying amount as at June 30, 2026	253,353,464	4,139,113	7,251,099	264,743,676	216,569,980

	Stage 1 12-month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total 2026**	**Total 2025**
	$	$	$	$	$
Loans and advances to customers at amortised cost:					
Loss allowance as at July 1, 2025	5,361,139	880,576	5,237,049	11,478,764	9,939,590
Transfers:					
Transfer from Stage 1 to Stage 2	(481,572)	481,572	-	-	-
Transfer from Stage 1 to Stage 3	(474,155)	-	474,155	-	-
Transfer from Stage 2 to Stage 1	152,046	(152,046)	-	-	-
Transfer from Stage 2 to Stage 3	-	(171,493)	171,493	-	-
Transfer from Stage 3 to Stage 1	47,990	-	(47,990)	-	-
Transfer from Stage 3 to Stage 2	-	9,218	(9,218)	-	-
New financial assets originated or purchased	2,413,771	-	-	2,413,771	2,660,711
Financial assets fully derecognised during the year	(731,171)	(434,107)	(3,020,329)	(4,185,607)	(3,605,107)
Changes to inputs used in ECL calculation	3,168	737,002	2,680,807	3,420,977	2,421,059
Unwinding discount	19,940	2,351	41,079	63,370	62,511
Loss allowance as at June 30, 2026	6,311,156	1,353,073	5,527,046	13,191,275	11,478,764

31. Risk management *(continued)*

Credit risk *(continued)*

ECL sensitivity analysis

Set out below are changes to the Bank's ECL as at June 30, 2026 and 2025 that would result from reasonably possible changes in these parameters from the actual assumptions used by the Bank as key ECL drivers.

The ECL are sensitive to judgments and assumptions made regarding formulation of forward-looking scenarios and collateral values, and how scenarios are incorporated into the calculations. Management performs a sensitivity analysis of the ECL.

	2026 ECL Impact of		
	Change in threshold	Increase in ECL allowance	Decrease in ECL allowance
		$	$
Collateral discount rates	(+/- 5)%	1,192,371	1,088,788
Unemployment rate	(+/- 5)%	5,180,271	3,302,138

	2025 ECL Impact of		
	Change in threshold	Increase in ECL allowance	Decrease in ECL allowance
		$	$
Collateral discount rates	(+/- 5)%	1,395,919	1,292,876
Unemployment rate	(+/- 5)%	4,061,441	2,618,538

The Bank holds collateral and other credit enhancements against certain of its credit exposures. The following table sets out the principal types of collateral held against different types of financial assets.

	Percentage of exposure that is subject to collateral requirements		
	2026	2025	Principal type of collateral held
Investment securities (Note 6)	68%	85%	Guarantee
Loans and advances to customers (Note 7)			
Mortgage residential loans	96%	96%	Residential Property
Mortgage commercial loans	99%	99%	Commercial Property
Commercial loans	96%	94%	Commercial Property
Consumer loans	23%	22%	Residential Property
Government	100%	100%	Guarantee
Credit cards	-	-	None
Business overdrafts	81%	92%	Commercial Property
Personal overdrafts	53%	49%	Residential Property
Note receivable (Note 8)	100%	100%	Guarantee

31. Risk management *(continued)*

Credit risk *(continued)*

***ECL sensitivity analysis** (continued)*

The Bank's physical assets as well as real estate collateral are impacted as a result of climate risk, most notably the risk of loss due to natural disasters. While the Bank does not have a formal climate related policy in place, the Bank mitigates against this risk by ensuring insurance policies are in place for its physical assets as well as assets held as collateral for loan facilities.

The Bank monitors concentrations of credit risk by sector and geographic location, including exposures from loans and advances, loan commitments, financial guarantees and investment securities. Concentration by location for loans and advances, loan commitments and financial guarantees is based on the customer's country of domicile. Concentration by location for investment securities is based on the issuer's country of domicile.

	2026	2025
	$	$
Gross carrying amount	630,222,606	531,951,186
Loan commitments, credit lines and guarantees	100,302,448	32,245,298
Concentration by sector:		
Personal	264,573,350	216,371,657
Mortgage residential	216,510,767	213,520,138
Construction	46,258,898	30,492,042
Professional and other services	36,157,170	16,393,744
Government	25,509,259	12,812,428
Transport	9,306,740	9,145,849
Distribution	8,156,545	8,869,794
Non-resident	6,458,433	6,583,594
Mortgage commercial	4,400,867	1,998,644
Private financial institutions	3,593,456	4,234,438
Tourism	3,368,257	3,700,359
Entertainment and catering	2,967,047	3,627,200
Public corporations	1,867,806	3,223,511
Fisheries	858,160	904,803
Manufacturing	167,682	66,731
Miscellaneous	68,169	6,254
Gross carrying amount as at June 30	630,222,606	531,951,186
Concentration by location:		
New Providence	539,318,829	446,422,937
Grand Bahama	62,403,894	61,983,679
Family Islands	28,499,883	23,544,570
Gross carrying amount as at June 30	630,222,606	531,951,186

31. Risk management *(continued)*

Credit risk *(continued)*

***ECL sensitivity analysis** (continued)*

During the reporting period, the Bank monitored the quality of collateral held against its credit exposures. Collateral values are subject to periodic reassessment and may fluctuate due to changes in market conditions, particularly in the real estate sector. These movements may result in changes in loan-to-value ratios and are considered in the measurement of expected credit losses. There were no material changes in the Bank's collateral management policies during the year.

In certain cases, the Bank holds collateral of sufficient value such that the expected credit losses are considered immaterial, resulting in no loss allowance being recognised for those exposures.

Financial instruments with no loss allowance due to collateral

2026			
Class of financial asset	**Gross carrying amount**	**Collateral value**	**Excess collateral over exposure**
	$	$	$
Mortgage residential and mortgage commercial loans	39,192,563	74,074,638	34,882,075
Commercial loans and overdrafts	58,817,667	68,697,324	9,879,657
Consumer loans and overdrafts	5,470,295	10,991,163	5,520,868
Total	**103,480,525**	**153,763,125**	**50,282,600**

2025			
Class of financial asset	**Gross carrying amount**	**Collateral value**	**Excess collateral over exposure**
	$	$	$
Mortgage residential and mortgage commercial loans	41,830,353	76,852,188	35,021,835
Commercial loans and overdrafts	33,157,771	74,411,451	41,253,680
Consumer loans and overdrafts	6,981,793	12,598,067	5,616,274
Total	**81,969,917**	**163,861,706**	**81,891,789**

Credit-impaired assets and collateral coverage

The Bank estimates recoverable amounts for credit-impaired assets based on the fair value of collateral, adjusted for costs to sell and the expected timing of realisation.

2026				
Category	**Gross carrying amount**	**Loss allowance**	**Net exposure**	**Collateral value**
	$	$	**$**	**$**
Mortgage residential and mortgage commercial loans	22,628,637	15,686,717	6,941,920	16,732,702
Consumer loans, overdrafts and credit cards	7,251,099	5,527,046	1,724,053	4,588,106
Commercial loans and overdrafts	1,662,810	720,148	942,662	4,396,199
Total	**31,542,546**	**21,933,911**	**9,608,635**	**25,717,007**

32. Risk management *(continued)*

Credit risk *(continued)*

***ECL sensitivity analysis** (continued)*

Credit-impaired assets and collateral coverage (continued)

	2025			
Category	**Gross carrying amount**	**Loss allowance**	**Net exposure**	**Collateral value**
	$	$	**$**	**$**
Mortgage residential and mortgage commercial loans	28,357,414	18,526,027	9,831,387	23,567,862
Consumer loans, overdrafts and credit cards	7,136,063	5,237,049	1,899,014	4,192,192
Commercial loans and overdrafts	961,274	558,211	403,063	3,358,559
Total	**36,454,751**	**24,321,287**	**12,133,464**	**31,118,613**

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. Management has determined that the impact of reasonably possible changes in foreign exchange rates on profit or loss and equity is not material and accordingly, no sensitivity analysis has been presented.

The table below summarises the Bank's exposure to foreign currency exchange risk at June 30, 2026 and 2025. Included in the table are the Bank's financial instruments at carrying amounts, categorised by currency.

Concentrations of currency risk

	2026					
In ($000s)	**B$**	**US$**	**CAD$**	**GBP£**	**Other**	**Total**
Assets						
Cash and account with the Central Bank	104,013	4,024	-	1	-	108,038
Cash equivalents - Treasury Bills, net	81,515	-	-	-	-	81,515
Due from banks, net	820	123,292	310	-	-	124,422
Investment securities, net	129,361	38,411	-	-	-	167,772
Loans and advances to customers, net	588,334	9,126	-	-	-	597,460
Note receivable, net	166,014	-	-	-	-	166,014
Other assets	7,619	42	-	-	-	7,661
Total financial assets	1,077,676	174,895	310	1	-	1,252,882
Liabilities						
Deposits from customers and banks	915,535	97,587	-	-	-	1,013,122
Other liabilities	19,646	264	16	-	-	19,926
Lease liabilities	5,378	-	-	-	-	5,378
Total financial liabilities	940,559	97,851	16	-	-	1,038,426
Net financial position	137,117	77,044	294	1	-	214,456
Loan commitments, credit lines and guarantee	97,652	2,650	-	-	-	100,302

31. Risk management *(continued)*

Credit risk *(continued)*

***ECL sensitivity analysis** (continued)*

Concentrations of currency risk (continued)

	2025					
In ($000s)	**B$**	**US$**	**CAD$**	**GBP£**	**Other**	**Total**
Total financial assets	916,135	98,553	162	1	-	1,014,851
Total financial liabilities	781,559	39,817	28	3	2	821,409
Net financial position	134,576	58,736	134	(2)	(2)	193,442
Loan commitments, credit lines and guarantee	32,245	-	-	-	-	32,245

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 statement of financial position and/or statement of comprehensive income 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 re-pricing 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 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 $1.3 million (2025: $1.1 million).

31. Risk management *(continued)*

Interest rate risk *(continued)*

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

	2026						
In ($000s)	Immediate repricing $	Within 3 months $	Over 3-12 months $	Over 1-5 years $	Over 5 years $	Non-interest bearing $	Total $
Assets							
Cash and account with the Central Bank	-	-	-	-	-	108,038	108,038
Cash equivalents - Treasury Bills, net	-	81,515	-	-	-	-	81,515
Due from banks, net	123,602	-	-	-	-	820	124,422
Investment securities, net	8,778	10,194	56,486	50,599	26,603	15,113	167,773
Loans and advances to customers, net	-	597,459	-	-	-	-	597,459
Note receivable, net	-	-	-	166,014	-	-	166,014
Other assets	3,223	-	-	-	-	4,438	7,661
Total financial assets	135,603	689,168	56,486	216,613	26,603	128,409	1,252,882
Liabilities							
Deposits from customers and banks	282,244	68,712	97,478	63,739	13,476	487,473	1,013,122
Other liabilities	-	-	-	-	-	19,926	19,926
Lease liabilities	-	-	1,171	4,206	-	-	5,377
Total financial liabilities	282,244	68,712	98,649	67,945	13,476	507,399	1,038,425
Interest repricing gap	(146,641)	620,456	(42,163)	148,668	13,127	(378,990)	214,457

	2025						
In ($000s)	Immediate repricing $	Within 3 months $	Over 3-12 months $	Over 1-5 years $	Over 5 years $	Non-interest bearing $	Total $
Total financial assets	76,015	110,097	91,738	410,772	229,041	97,188	1,014,851
Total financial liabilities	-	648,812	64,087	71,273	20,725	16,512	821,409
Interest repricing gap	76,015	(538,715)	27,651	339,499	208,316	80,676	193,442

31. 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 financial statements, management believes that the Bank has sufficient funding to meet its financial obligations.

The maturity analysis is based on contractual undiscounted cash flows and is consistent with the information used by management in its regular liquidity risk monitoring and reporting processes. The analysis allocates assets and liabilities to maturity bands based on their contractual repayment dates or, where there is no contractual maturity, the expected timing of realization or settlement. Actual cash flows may differ from contractual maturities. In particular, customer deposits are contractually repayable on demand or at short notice but have historically exhibited behavioural characteristics that result in a portion of balances remaining with the Bank for longer periods. These behavioural assumptions are considered by management in its ongoing assessment and management of liquidity risk but are not reflected in the contractual maturity analysis.

31. Risk management *(continued)*

Liquidity risk *(continued)*

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

	2026				
In ($000s)	Within 3 months	Over 3-12 months	Over 1-5 years	Over 5 years	Total
	$	$	$	$	$
Cash and account with the Central Bank	108,038	-	-	-	108,038
Cash equivalents – Treasury Bills	81,521	-	-	-	81,521
Due from banks	124,422	-	-	-	124,422
Investment securities	96,385	20,246	84,545	6,352	207,528
Loans and advances to customers	44,976	84,803	416,610	380,911	927,300
Note receivable	1,347	5,996	163,306	-	170,649
Other assets	7,661	-	-	-	7,661
Total financial assets	464,350	111,045	664,461	387,263	1,627,119

In ($000s)	Within 3 months	Over 3-12 months	Over 1-5 years	Over 5 years	Total
	$	$	$	$	$
Deposits from customers and banks	837,748	101,019	71,557	16,204	1,026,528
Other liabilities	19,926	-	-	-	19,926
Lease liabilities	-	2,023	3,680	-	5,703
Total financial liabilities	857,674	103,042	75,237	16,204	1,052,157
Net position	(393,324)	8,003	589,224	371,059	574,962
Loans commitments, credit lines and guarantees	100,302	-	-	-	100,302

	2025				
In ($000s)	Within 3 months	Over 3-12 months	Over 1-5 years	Over 5 years	Total
	$	$	$	$	$
Total financial assets	302,999	126,681	558,965	358,718	1,347,363
Total financial liabilities	664,607	66,315	82,196	21,899	835,017
Net position	(361,608)	60,366	476,769	336,819	512,346
Loans, commitments, credit lines and guarantees	32,245	-	-	-	32,245